



Low Carbon
Contracts
Company



Powering Net Zero

Annual Report and Accounts for
Low Carbon Contracts Company Ltd
2024/25

Company registration number: 08818711

Disclaimer

The information, data, and assumptions presented in this Annual Report are true and accurate to the best of the Low Carbon Contracts Company's (LCCC's) knowledge as at 31 March 2025. This report has been prepared using the most current and reliable information available at this date; however, circumstances may change after this date and LCCC is under no obligation to update the report or any part thereof.

This document may contain forward-looking statements, estimates, projections, and assumptions that reflect current expectations and are subject to risks, uncertainties, and changes in circumstances that are beyond LCCC's control. Actual outcomes may differ materially. Nothing in this report should be interpreted as a guarantee of future performance or results.

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Chair's Foreword



Today, more than half of Britain's electricity comes from renewable sources - LCCC's roles in shaping and managing the Contracts for Difference (CfD) and Capacity Markets (CM) schemes have enabled that transformation.



As I come to the end of my term as Chair of Low Carbon Contracts Company (LCCC), I am both proud and humbled by what LCCC has achieved and the role it will continue to play in the UK's clean energy transition.

Over the past six years LCCC has played a central role in accelerating the energy transition by attracting and enabling private capital to flow into the UK's energy infrastructure at pace, and at the lowest possible cost to consumers. Today, more than half of Britain's electricity comes from renewable sources¹ - LCCC's roles in shaping and managing the Contracts for Difference (CfD) and Capacity Markets (CM) schemes have enabled that transformation.

This past year marked another successful delivery year. We secured additional low-carbon capacity through a record-breaking Allocation Round 6 (AR6) and continued to underpin system resilience through our Capacity Market scheme. We have also expanded our remit to enable investment in hydrogen and Carbon Capture, Usage and Storage (CCUS) technologies. At the same time, we are leading efforts to help Northern Ireland establish its own CfD mechanism to support the flow of low cost capital into clean energy projects in that part of the UK.

These achievements have been made amidst significant changes in the external environment. The formation of a new government in July 2024 brought a renewed emphasis on accelerating the UK's low-carbon transition which was outlined in the Clean Power 2030 Action Plan. We also saw the formation of new industry stakeholders, the National Energy System Operator (NESO) and GB Energy and we look forward to working with these new bodies in our sector. All of this has happened

against a backdrop of ever-changing geopolitical instability and economic uncertainty which continues to drive volatility in global energy markets.

Importantly, we have done all of this with consumer value front of mind – both in our core purpose of attracting low cost capital into the sector, and in our own operations. The capabilities we have developed through shaping and implementing our flagship CfD and CM schemes mean we have been able to scale up the number of contracts we manage as well as taking on entirely new schemes efficiently and effectively, maximising our value while minimising our operational costs. The digitisation of much of our interactions with the markets over the last six years has generated increased efficiency.

As I leave this role, I would like to thank all Board members and colleagues across the company. Their dedication, expertise and commitment have been instrumental in advancing our strategy. I am confident that LCCC's future is in excellent hands and look forward to seeing the continued delivery of our mission.

Regina Finn
Chair

¹ https://assets.publishing.service.gov.uk/media/67e4f7c49c9de963bc39b526/Energy_Trends_March_2025.pdf

CEO's Statement

“ We also used our expertise from these main schemes to support newer Net Zero technologies, advancing efforts to decarbonise hard-to-abate sectors by securing the first hydrogen and carbon capture contracts. ”



130
contracts

9.58 GW
new low-carbon capacity

The past year has been a busy one for LCCC and has seen us substantially increase our role in the transition to Net Zero whilst driving efficiency in everything we do. We also marked our 10th anniversary, which allowed us to look back and consider the achievements of not just the last year, but of the last decade – and those achievements are significant.

Our flagship CfD scheme saw the delivery of the largest allocation round to date – AR6 – awarding 130 contracts and 9.58 GW of potential low-carbon capacity once operational. Through the CM scheme, we managed an expanded portfolio of capacity agreements and supported system resilience by ensuring contracted providers were available to deliver electricity when needed.

We also used our expertise from these main schemes to support newer Net Zero technologies, advancing efforts to decarbonise hard-to-abate sectors by securing the first hydrogen and carbon capture contracts. We successfully supported the first Hydrogen Allocation Round (HAR1) which saw 11 contracts being awarded, which have the possibility of producing 125MW of low-carbon hydrogen. We signed the Dispatchable Power Agreement (DPA) for the East Coast Cluster CCUS Project in November 2024. Both demonstrate the work we continue to do as we achieve our mission.

Beyond increasing the number of contracts we manage, we have also increased our ability to deliver value to for consumers. We continue to invest in bespoke tools to automate routine tasks, like our Contract Management platform, Zero, which has streamlined the onboarding and management of contracts for all stakeholders. We also developed a new settlements system, progressed the development of our Head End System, and began modelling for our own Electricity Forecasting Model, Energy Levy and Forecasting

Optimisation (ELFO), to improve forecasting and resource planning. This work helps us to meet our needs and achieve economies of scale as we take on new schemes.

Looking ahead, the next year is all about focused delivery to support Clean Power 2030. That means securing more renewable electricity through Allocation Round 7, driving forward nuclear energy generation through the Regulated Asset Base (RAB) model, ensuring a resilient energy system, and supporting investment in hydrogen and CCUS – all while remaining focused on delivering excellent value for money for consumers.

I want to thank everyone who has contributed to the work we do – including our past and present colleagues, and our broad range of stakeholders. As we take on new schemes we have strengthened collaboration with our government and industry stakeholders. This is reflected in us receiving an 81% engagement score in our annual stakeholder survey. Our employee engagement remains strong at 75%, highlighting the continued dedication to our mission.

Looking ahead as our role in accelerating Net Zero evolves, we will continue to embed our refreshed brand and values. I look forward to our next year of strong delivery as we work to enable low carbon technologies that will define our energy future.

Neil McDermott
Chief Executive

Our FY2024/25

Key outcomes

Helped produce

32.9 TWh

Enough to supply electricity to about 11 million UK homes for a year²

Avoided around

2.2m tonnes

About the same as taking 1.3 million petrol cars off the road for a year³

Secured

7.94GW

To protect GB from a Stress event scenario for the 2025/26 delivery year

Key delivery highlights

Renewable electricity



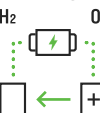
- Delivered CfD AR6 with 130 new contracts signed
- Managed our growing CfD portfolio, spanning a variety of new and emerging technologies
- Provided input on low-carbon scheme development for Northern Ireland

Nuclear energy



- Continued the contractual management of the Hinkley Point C CfD, which remains the largest CfD in our growing portfolio

Hydrogen



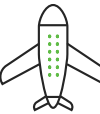
- 5 contracts signed, 5 more signed after 31st March 2025 under HAR1

Carbon Capture Usage and Storage



- Signed the Dispatchable Power Agreement (DPA) for the East Coast Cluster CCUS Project in November 2024
- Signed the Revenue Support Agreement (RSA) East Coast Cluster in December 2024

Other Net Zero solutions

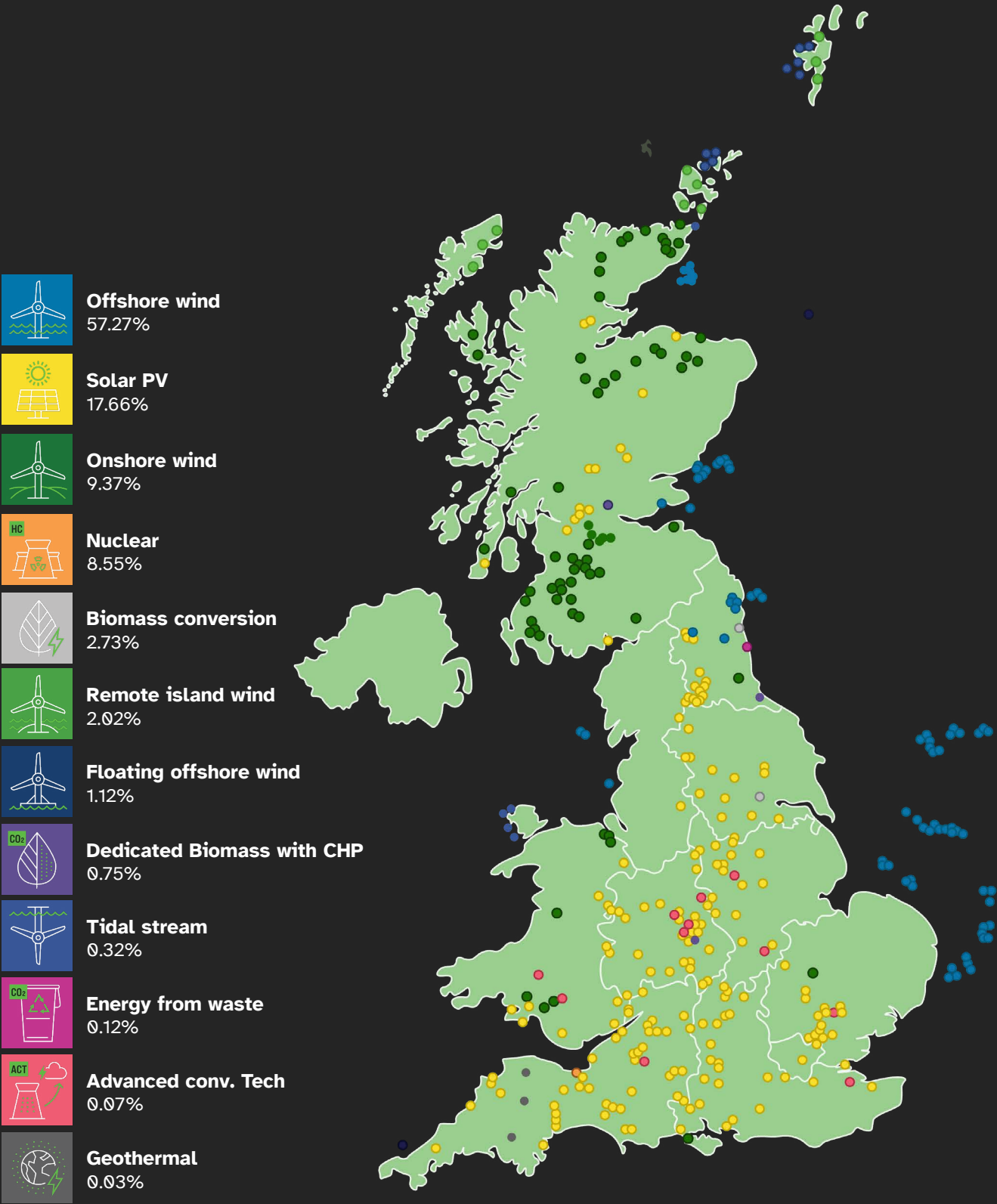


- Shared insights with the Department for Transport on scheme design for the Sustainable Aviation Fuels scheme

² Based on a typical UK household using 2,700 kWh of electricity per year (Ofgem, "Average electricity use in GB households" 2023) <https://www.ofgem.gov.uk/information-consumers/energy-advice-households/average-gas-and-electricity-use-explained>
³ Based on UK Government GHG Conversion Factors for Company Reporting (2024); average petrol vehicle emits approximately 1.381 tonnes CO₂e per year (<https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2024>)

Our Impact

We currently manage 363 Contracts for Difference, representing ~38.46GW of capacity to be delivered in the coming years. The below visuals show the variety of technologies supported, the proportion of the portfolio they represent, and their geographical distribution. Note that the projects are at different stages and are not all yet generating power.





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Strategic report

About us

The climate challenge

Great Britain's electricity system plays a central role in achieving the UK's target of reaching Net Zero emissions by 2050, as set out in the Climate Change Act 2008. Emissions have roughly halved since 1990,⁴ but we still have a way to go. In December 2024, the Government reinforced this goal with the Clean Power 2030 Action Plan, which focused on reducing fossil fuel reliance by increasing renewable energy, energy security and affordability.

Electricity use in Great Britain is expected to at least double by 2050, making it essential to move to low carbon sources as soon as possible.⁵ New technologies like CCUS and hydrogen will also be needed. LCCC and its sister company ESC are helping to making this transition happen.

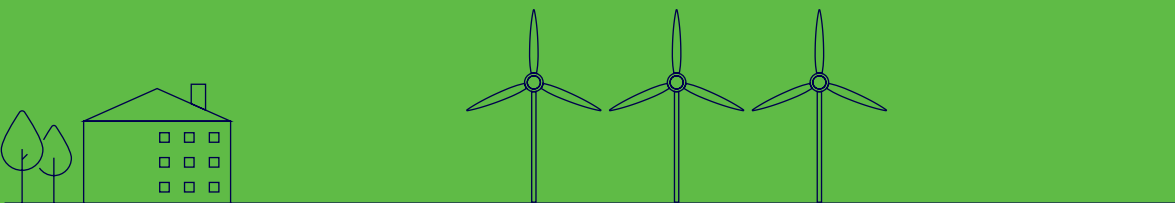
Supporting the Energy Transition

LCCC is an operationally independent, not-for-profit company wholly owned by the Secretary of State for Energy Security and Net Zero. We were set up to deliver government schemes that encourage investment in low-carbon electricity generation and support the security of supply of Great Britain's energy system at least possible cost to consumers. Our role means we can act as a bridge between government and industry; connecting ambition and policy with real-world delivery.⁶

LCCC and its sister organisation ESC were established in 2014 to manage two schemes: the Contracts for Difference (CfD) and Capacity Market (CM). These have helped attract private sector investment in renewable energy and made the energy system more secure. Over the past decade our work has expanded to include nuclear power alongside emerging technologies like hydrogen, CCUS and other solutions that use our expertise.

Our strategy

To effectively accelerate Great Britain's transition to Net Zero, we have developed a clear, long-term strategy that we review annually. Our strategy focuses on delivery excellence of our operational schemes, enhanced advisory services and new business delivery; all while driving value for money for consumers.




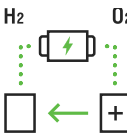

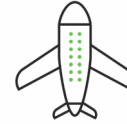


4 The Seventh Carbon Budget - Climate Change Committee <https://www.theccc.org.uk/publication/the-seventh-carbon-budget/>
5 Clean Power 2030 Action Plan: <https://www.gov.uk/government/publications/clean-power-2030-action-plan>
6 Low Carbon Contracts Company Framework Document: https://lcc-web-production-eu-west-2-files202307031617479042000000001.s3.amazonaws.com/documents/LCCC_Framework_Document_published_version_Feb_2023_2.pdf

Our strategy



Our Portfolio and Roles

Where we play	GB ambition by 2030	LCCC's role
Renewable electricity 	43-50 GW offshore wind, 27-29 GW onshore wind, 45-47 GW solar	We manage the UK's innovative CfD scheme. CfDs are contracts that encourage the development of renewable electricity sources (like wind, solar, tidal, and others), by guaranteeing investors a stable rate of return. This is critical for achieving CP2030.
Security of supply 	Ensure uninterrupted power for consumers while meeting growing demand	We manage the capacity market scheme, making payments to electricity providers who commit to supplying electricity during peak demand periods – helping to keep the lights on in the UK.
Nuclear energy 	Enable large scale infrastructure projects	Extends the CfD scheme to nuclear projects, ensuring price stability and encouraging investment in new nuclear facilities.
Hydrogen 	10GW of new capacity; >1/2 from electrolytic hydrogen production	We design and manage multiple schemes that together encourage low-carbon hydrogen production and use, ensuring competitiveness with traditional fuels.
Carbon Capture Usage and Storage 	Capture 20-30 million metric tons of CO2 annually	We design and manage schemes that offer financial incentives for capturing and storing carbon, making CCUS projects more economically viable.
Other Net Zero solutions 	Foster innovation and deployment of emerging low-carbon technologies to diversify and strengthen the energy mix	We use our skills and experience to advise on schemes in other industries to drive Net Zero.

Scheme phase

BAU Delivery: We ensure the seamless and efficient operation of the scheme	Implementation: We establish the framework and processes necessary for the scheme's success	Advisory: We provide provides expert guidance and support on the design of schemes leveraging our extensive knowledge and experience
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Our schemes and our roles				
CfD Scheme: Counterparty – managing 3000 contracts	Low carbon dispatchable CfD Counterparty	Northern Ireland CfD Scheme Advisor to DfE		
Capacity Market Scheme: Settlement body				
Hinkley Point C (CfD): Counterparty	Nuclear Regulated Asset Base: Revenue collection counterparty (Energy Act 2023)			
Green H2 Counterparty and settlement agent for the Low Carbon Hydrogen Agreement	Gas Shipper Obligation Delivery body	H2 Transport Advisor to DESNZ on schemes looking at hydrogen networks	H2 Storage Advisor to DESNZ on schemes looking at large-scale hydrogen storage	H2 to Power Advisor to DESNZ on schemes looking at using hydrogen for electricit
Dispatchable power agreement Counterparty and settlement agent	Revenue support agreement for Co₂ transport and storage Counterparty and settlement agent	Industrial carbon capture and storage Implementing the DPA and ICC Contract	Blue hydrogen Implementing the LCHA	Bioenergy with carbon capture & storage (BECCS) Preparing to implement a new revenue support contract for BECCS power
Sustainable Aviation Fuels Scheme Advisor to DfT on scheme design				



Looking ahead, the next year is all about focused delivery to support Clean Power 2030. That means securing more renewable electricity through Allocation Round 7, driving forward nuclear energy generation through the Regulated Asset Base (RAB) model, ensuring a resilient energy system, and supporting investment in hydrogen and CCUS - all while remaining focused on delivering excellent value for money for consumers.

- **Neil McDermott**
CEO, LCCC



Our FY2024/25 objectives and metrics

We track our performance against five 'strategic dimensions': Operations, Development, People, Stakeholders, and Value for Money. Each area is supported by Key Performance Indicators, which measure progress and drive continuous improvement.

Our overall performance for 2024/25 can be found in the table below.

Table 1: FY2024/25 KPIs and performance results

Strategy dimension	Objective	Performance measures	Result against target
1. Our Operations	Delivery excellence of existing LCCC / ESC schemes	LCCC’s contractual and regulatory deadlines met	Target: 100% Result: 100%
		Enable operational efficiencies within the Capacity Market	Target: 100% Result: 100%
		Settlements effectiveness index	Target: >99% Result: 100%
		Change portfolio projects achieve ‘green’ closure statues	Target: >75% Result: 92%
2. Our Development	Deliver new schemes and transformational change	Delivery of our 2024/25 key strategic initiatives; Elevate our ambition, Cement our position, Master our growth	Target: 100% Result: 100%
3. Value for Money	Provide robust financial management	Operating costs forecast accuracy	Target: <7% Result: 11%
		Capital costs forecast accuracy	Target: <20% Result: 26%
		Levy performance	Target: 100% Result: 100%
4. Our Stakeholders	Build purposeful stakeholder relationships	Stakeholder satisfaction index	Target: >80% Result: 81%
		Gold stakeholder engagement level	Target: >75% Result: 100%
		Gold stakeholder TDNPS/ Behavioural Indicator score	Target: 8 Result: 8.96
5. Our People	Ensure LCCC is a great place to work	Annual staff survey employee engagement level	Target: >85% Result: 75%
		Delivery against employee engagement action plans	Target: 100% Result: 100%
		LCCC remains a diverse place to work	Target: 100% Result: 100%

In the following sections (pages 19-25) we outline key delivery highlights and achievements against each of these strategic dimensions.



“While this project is more advanced in terms of its construction progress where all panels and inverters have been installed, our conversations with the generator focused on social environmental impacts of the project. The tree at the back of the picture is an example of how the project is planned to have a minimum disturbance to the natural environment.”

- **Malika Kheng**
Senior Contract Manager

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Strategic dimensions

1: Our Operations

Ensuring delivery excellence of existing LCCC and ESC schemes

In 2024/25, we continued to focus on meeting our contractual and regulatory milestones for our core schemes, while optimising our operations to deliver greater contract volumes and new schemes, efficiently.

Delivered a record number of contracts for Allocation Round 6

Following a 50% increase in the AR6 budget, rising to £1.555 billion, we delivered 130 new CfD contracts. This was made possible through using our in-house digital platform, Zero, which streamlined the process from initial contract signing to milestone management.

Key AR6 highlights:

- 33%** increase in overall CfD capacity (GW)
- 56%** more CfD projects than the previous round
- 2.5x** more solar capacity than AR5 - accounting for half of the total capacity secured in AR6
- ~1.5GW** of capacity added from new onshore wind projects

Advanced our nuclear future

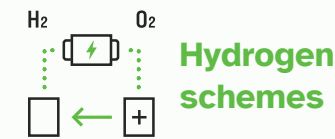
We continue to manage the Hinkley Point C CfD - the largest in our portfolio. We are also ready to take on the Settlement Body role for the Sizewell C RAB scheme.

Secured contracts for CCUS and hydrogen production

This year we signed the first-ever contracts under the Government's new CCUS and hydrogen production business models, which builds on years of advisory work. Our expertise in contract management, settlements and the energy sector makes us well placed to take on these new roles.



- Dispatchable Power Agreement (DPA)**
We became the counterparty and settlement body for the DPA with Net Zero Teesside Power, one of the UK's largest industrial decarbonisation projects.
- Revenue Support Agreement (RSA)**
Designed to help reduce revenue risk for carbon dioxide transport and storage companies this will enable the East Coast Cluster, which is expected to support around 2,000 jobs a year and advance carbon capture, low-carbon hydrogen production and negative emissions power. ⁷



- Hydrogen production business model**
Signed first contracts under Hydrogen Allocation Round 1 (HAR1).

Delivered the March 2025 Capacity Market auctions

In March 2025, the latest Capacity Market (CM) auctions were completed.

The T-1 Auction for Delivery Year 2025/26, which acts as a top-up auction to the previous T-4, cleared at £20.00/kW/year, securing 7.94GW of capacity across 246 Capacity Market Units (CMUs). The total cost of this auction is expected to be around £158.72m. The share of nuclear capacity rose by 31% from 2.77GW in 2024/25 to 3.64GW, while gas fell slightly from 2.94GW in 2024/25 to 2.38GW, however it was still the largest capacity type secured.

The T-4 Auction for Delivery Year 2028/2029 procured 43.06GW of capacity. This included a mix of technologies, with gas making up the largest share at 27.27GW which is 63.3% of the capacity secured.

Drove Capacity Market efficiencies

In 2024/25, we made improvements to how the Capacity Market is run by simplifying data processes and working more closely with the National Energy System Operator (NESO) and EMR Settlement Ltd (EMRS). These changes have helped reduce complexity, lower the risk of errors and improve efficiency.

EMRS acts as our settlement agent, carrying out day-to-day financial and data tasks under Capacity Market rules. NESO is the delivery body responsible for running Capacity Market auctions and registering participants. LCCC, through ESC, is the settlement body, ensuring accurate payments and robust scheme operations.

Key improvements included:

- Simplified metering processes:**
From August 2024, responsibility for metering processes moved from NESO to ESC, centralising oversight and reducing complexity.
- Easier testing for flexible energy use:**
We took over the testing process for flexible energy use, making it quicker and easier for participants.
- Clearer updates about energy data:**
EMRS will now send alerts about how energy use is grouped and reported, making the data more reliable and easier to understand.
- Enhanced automation of Delivery Assurance Testing:**
By August 2024, we successfully tested large volumes of data - approximately 150,000 components. This prepares us for meter growth into the millions by 2025/26.

Invested in our foundations for efficiencies, excellence and scalability

We have invested in our systems and processes to help us manage more schemes and contracts efficiently and at scale. Our focus has been on automation, digitisation and building scalable tools that work across all schemes. Key steps included:

- Fully embedding and optimising our contract management system, Zero, enabling seamless management of multiple contract types.
- Continuing to develop our Head End System (HES), which uses blockchain technology to collect verified data from our counterparties.
- Starting modelling work for ELFO, to enable more efficient forecasting of CfD scheme costs.
- Beginning work on a new in-house settlements system to support the growing number of schemes we manage.

Considerations for 2025/26

Looking ahead to 2025/26, we will continue to prioritise meeting our key contractual and regulatory milestones and managing our growing responsibilities efficiently, including:

- Preparing for contracts under AR7 to help deliver Clean Power 2030
- Achieving milestones for HAR1 and CCUS projects, while preparing for future rounds
- Scaling the Capacity Market to support millions of meters, with improvements to rules, ownership, and system architecture
- Go-live for our new Head End System
- Managing settlements in-house for Green Hydrogen projects

Table 2: Capacity Procured for T-1 Auction Delivery Year and T-4 Auction Delivery Year:

Type of Capacity	T-1 Auction Delivery Year -Capacity procured (GW)	T-4 Auction Delivery Year Capacity procured (GW)
Gas	2.38GW	27.27GW
Demand Side Response	0.66GW	1.77GW
Nuclear	3.64GW	0.93GW
Battery Source	0.73GW	1.78GW
Waste	0.076GW	0.75GW
Pumped Storage	0	1.62GW
Wind (Offshore and Onshore)	0.16GW	0.12GW
Other Sources	0.30GW	8.80GW
Total	7.94GW	43.06GW

⁷ LCCC press release (2024) <https://www.lowcarboncontracts.uk/news/pioneering-ccus-cluster-contract-signed/>

2: Our Development

Delivering new schemes and driving transformational change to enable growth

In 2024/25, we helped advance the next generation of low-carbon solutions. This included supporting new schemes across renewable electricity, hydrogen, nuclear and carbon capture. Our focus was on making sure each progressed efficiently and at the lowest cost to consumers - supporting the UK's journey to Net Zero.

Supporting the development of Net Zero schemes

The below shows how we supported the development of low-carbon schemes in 2024/25.



Renewable electricity

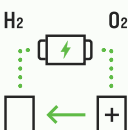
- Supported and advised on the design of the Low Carbon Dispatchable CfD.
- Worked with the Department for the Economy, Northern Ireland, to provide input on low-carbon scheme development for Northern Ireland.

HC



Nuclear

- Designated as revenue collection counterparty (RAB model).



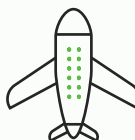
Hydrogen

- Supported the development of the Gas Shipper Obligation, which will provide funding to support low-carbon hydrogen production.
- Advised on the design of the Hydrogen Transport, Hydrogen Storage and the Hydrogen to Power (H2P) schemes.

CO₂

CCUS schemes

- Supported the development of Industrial Carbon Capture (ICC) Waste and Blue Hydrogen schemes, the first contracts expected to be signed in 2025.
- Advised on Bioenergy with Carbon Capture and Storage (BECCS) and Greenhouse Gas Removal (GGRs) schemes.



Others

(For more information on how we support the development of low-carbon schemes, visit our website.)

- Worked with the Department for Transport to share insights on scheme design for the Sustainable Aviation Fuels scheme.

Advised on key policy and regulatory developments

We supported DESNZ in developing policy and delivery plans related to major energy reforms, including:

- The Review of Electricity Market Arrangements (REMA), which could affect existing and future CfD contracts and Capacity Market operations.

- Ensuring Allocation Round 7 supports the ambition set out in the Clean Power 2030 Action Plan.

Our expertise was also shared internationally. We welcomed delegations from Singapore, Australia, New Zealand and Papua New Guinea, and held virtual sessions with the governments of Colombia and Italy. We also engaged with institutions such as Columbia Law School and University College London.

Considerations for 2025/26

Our focus areas will include:

- Developing economic and financial models for new schemes, such as Low Carbon Dispatchable CfD
- Continuing to provide strategic advice on future schemes, including BECCS, GGRs, Hydrogen Transport and Storage, Hydrogen to Power, SAFs, and the potential of a CfD scheme for Northern Ireland
- Supporting policy development and delivery planning for initiatives such as Clean Power 2030 Action Plan and REMA

3: Providing value for money

Providing robust financial management

In 2024/25, we drove value for money through our strong financial and levy management. We improved our governance and systems to help us deliver efficient, high-quality services as we scale.

Enhanced levy forecasting

We manage two levies that fund our work and schemes:

- The Supplier Obligation Levy, which funds daily payments to renewable and low-carbon generators.
- The Operational Costs Levy, which covers the cost of running our business.

We are legally required to set the Supplier Obligation Levy fairly and accurately each quarter by following the Supplier Obligation Regulations.⁸ This year, to improve our ability to accurately forecast the Supplier Obligation Levy we have developed our own forecasting models. Automation has made our processes more efficient, improved our public dashboards, and strengthened our data systems. Our forecasting operations ensure we set the levy at the right level - covering payments while keeping costs low for consumers.

Improved our internal governance and management systems

As we take on more work and more complex schemes, we have made changes to improve how decisions are made. This includes reviewing our internal governance, updating how we report on performance, and changing our internal meeting structure to make better use of time and data. We must remain efficient, transparent, accountable and adaptable to new demands and challenges.

Considerations for 2025/26

Looking ahead to 2025/26, we will continue to enhance our financial management systems and support efficient growth, including:

- Optimising our forecasting models in response to market shifts and as new schemes are introduced
- Building the Low Carbon Dispatchable CfD scheme into our forecast modelling
- Reviewing our budget through the Government Spending Review and Operational Cost Levy Consultation
- Optimising business by rolling out our updated Governance Framework

⁸ <https://www.legislation.gov.uk/uksi/2014/2014>

4: Our Stakeholders

Building strong and purposeful relationships

In 2024/25, we strengthened our existing relationships and built new ones. A key part of this was our rebrand, which helps others better understand who we are and what we do.

Achieved a stakeholder engagement score of 81%

We regularly engage with a wide range of stakeholders across the energy transition landscape – government departments, investors, regulators, energy developers, trade bodies, and others across hydrogen, carbon capture, and other clean energy solutions – to ensure our schemes are designed and managed effectively. This year our engagement work focused on:

- Collaborating with DESNZ: We continued to work closely with our sole shareholder, DESNZ, to shape and implement schemes, and advise on key regulatory and policy developments.
- Engaging with generators: We continued to prioritise building strong and trusted relationships with generators. Key to this was our 14 site visits, to better understand how our schemes work in practice.
- Raising awareness of our work: We grew our LinkedIn following by 26%, hosted teach-ins for stakeholders and increased our speaking engagements to raise the profile of what we do.
- Connecting with new stakeholders: As we expand into Hydrogen, CCUS and other technologies like SAFs, we built new connections by attending industry conferences, 22 of which we presented at, hosting bespoke teach-ins and speaking on expert panels.

- Maintaining strong relationships: In our joint stakeholder engagement survey with ESC, 99% of respondents found us professional and approachable, 91% agreed we play an important part in delivering the UK's energy goals, and 84% believed we should help advise on delivering secure, affordable, and sustainable energy. We will use this feedback to continue improving how we engage.

Built relationships with new sector stakeholders

New stakeholders have joined the sector this year, including a new UK Government and new energy bodies. We welcomed the Government's strong commitment to the delivery of Net Zero through the Clean Power 2030 goal and will support this through AR7 and our other schemes.

We've also worked closely with NESO and started engaging with Great British Energy to share our expertise and support during their early development.

Developed a new brand fit for our future

We undertook an exciting brand refresh to better represent who we are and what we do. We focused on efficiency and value for money throughout the process and engaged our people and stakeholders to make sure the new brand resonated with them. The new brand will help improve recognition, build trust and better represent our growing portfolio of schemes.

Considerations for 2025/26

Looking ahead to 2025/26, our areas of focus will include:

- Using our new brand consistently across everything we do
- Building stronger ties with NESO, generators, trade bodies, Ministers and other stakeholders
- Improving how we manage stakeholder relationships by rolling out a new digital platform
- Sharing more open-source data to improve trust, transparency and collaboration across the sector

Exceptional people, who were very competent at executing their remit.

-Director at a renewable energy fund, LCCC/ESC Annual Survey

5: Our People

Ensuring LCCC is a great place to work

In 2024/25 we continued to invest in making LCCC a place where people are proud of the work they do. We focused on learning and development, engagement initiatives, launching our new values and updating our Diversity, Equity and Inclusion (DEI) strategy.

Invested in our people

We improved our learning and development (L&D) offer to help better equip our people with the skills needed to deliver our strategy. These investments strengthen leadership, support the growth of our people, and boost engagement. A culture of continuous learning is key to help us scale and adapt in a fast-changing sector.

Maintained our high levels of employee engagement

High employee engagement is a priority for us, and we use our annual Employee Engagement Survey to identify and prioritise key themes for improvement. Our February 2025 engagement score result was 75%; a positive score, though a slight reduction from our score of 78% in the prior year. We have robust action plans for this coming year to ensure our people continue to feel engaged, motivated and proud of the work they do, with specific focus on building manager capability, strengthening cross-team collaboration and knowledge sharing, and driving efficiency and simplicity in our ways of working.

Our new values



Powered by Curiosity
We look for ways to do what we do, better, every day.



Better Together
The whole is greater than the sum of its parts



Own Every Outcome
We are empowered to take ownership to achieve our goals

Launched our new values

We worked with colleagues to refresh our values to better reflect the culture we want to build at LCCC, and the fast-changing environment we work in. Our new values - Powered by Curiosity, Better Together, and Own Every Outcome - reflect our commitment to continuous improvement, collaboration, and accountability, and will ensure LCCC remains a great place to work. We are now making sure these values are part of our entire people experience - from hiring and onboarding to performance, recognition and career development. They guide how we work, make decisions and support each other.

Ensured a diverse, equitable and inclusive workforce culture

We are committed to diversity, equity and inclusion (DEI) at all levels of LCCC. A diverse workforce is key to ensuring we have the skills and capabilities we need to deliver our mission. This year, we held focus groups to help shape our updated DEI Strategy which we will roll out in the year ahead.

Our inclusion efforts are reflected in our Employee Engagement Survey results, with 86% of colleagues believing that 'people of all backgrounds are respected and valued at LCCC'. We also review our workforce makeup and continue to report on gender and ethnicity pay gaps to ensure we continue to honour our DEI commitments as we scale.

Gender and ethnicity pay reporting

We have voluntarily been reporting our gender pay gap since 2018/19 and our ethnicity pay gap since 2019/20. Now that we have more than 250 colleagues, we must legally report gender pay gap figures under the Equality Act.

How the pay gap is calculated

Pay gaps are worked out in two ways: mean and median.

- Median compares the middle-paid man with the middle-paid woman (based on hourly pay).
- Mean adds up the hourly pay for all men and all women, then compares the averages.

We use the same method to look at the ethnicity pay gap, comparing average pay for white and ethnic minority colleagues. We had 256 colleagues at the end of the year, so even small changes in who we employ can affect the figures. These pay gaps are calculated as at 31 March 2025 and compared to the same date in 2024.

Gender pay and bonus gaps

As at the snapshot date of 31 March 2025 our gender pay gap was

- Mean: 12% in favour of men (down from 17.7%)
- Median: 9% in favour of men (down from 15.6%)

This places LCCC in a favourable position vs. the market; lower than both the National and Professional, Scientific and Technical Activities Sector pay gap figures.

Although 63% of hires within the year were female, many joined roles at the lower end of our pay scale contributing to a widening of the gap year-on-year. However, both the mean and median pay gap remain significantly lower than those reported last year.

The gender bonus gaps also got smaller (in favour of men):

- Mean bonus gap: 37.2% (down from 42.7%)
- Median bonus gap: 29.8% (down from 32%)

Our analysis of these gaps suggests that they are largely a result of more men holding senior roles and not a result of women being unfairly paid. We know it takes time to close these gaps, and schemes like our Net Zero Graduate Programme are an important leadership pipeline initiative to help enable this.

Ethnicity pay and bonus gap

Of those who shared their ethnicity, 59% were white and 41% were from ethnic minority backgrounds.

At the snapshot date, the ethnicity pay gap was:

- Mean: 16.1% (down from 19%)
- Median: 9.0% (down from 10.4%)

These changes were mostly due to more ethnic minority colleagues moving into mid and senior roles, and more white colleagues in lower-paid roles.

Ethnicity bonus gaps also got smaller:

- Mean bonus gap: 42.0% (down from 48.9%)
- Median bonus gap: 22.4% (down from 44.4%)

Similar to the position on gender pay, the pay gap is driven by ethnicity distribution rather than by unfair pay. Whilst we are pleased by the progress made in narrowing the ethnicity pay and bonus gaps, most higher paid positions are still held by white colleagues, and the ethnicity pay gap will endure if this remains the case.

How we are addressing the pay gaps

We are making progress. At year-end:

- Our workforce was 52% female, 48% male
- 63% of new hires were female
- 75% of promotions went to women.

Our workforce is also very diverse with 32 nationalities represented. Ethnic minority colleagues:

- Got higher average pay rises
- Received 100% of promotions in the latest cycle.

We now have a full DEI strategy, signed off in January 2025. In 2025/26 we plan to:

- Set up internal networks, including Women's, Multicultural and LGBTQ+ groups
- Train managers further in diversity, equity and inclusion
- Keep advertising roles through Inclusive Companies to reach more people
- Keep checking every step of the people journey, from hiring to offboarding, to make sure everyone is treated fairly

Despite our continued progress in narrowing the differences in pay between different groups, our focus on creating an equitable experience for people of all backgrounds will remain strong in the year ahead.

Considerations for 2025/26

Looking ahead to 2025/26, we will continue to drive a culture where people can succeed together, through initiatives such as:

- Embedding our values into our culture and ways of working
- Delivering on our DEI strategy and plans
- Strategic workforce planning



06

Financial overview

Financial overview

LCCC is the counterparty to and is responsible for managing long-term CfDs, Dispatchable Power and Green Hydrogen agreements.

LCCC have been confirmed as the revenue collection counterparty for Nuclear RAB and advise Government on a number of other schemes in relation to the drive towards Net Zero.

CfD Generator payments

We pay CfD generators when the market reference price for electricity is lower than the contractual strike price applicable to the relevant generator. If the reference price is higher than the strike price, the CfD generator pays us the difference. The total amount of net payments we made to CfD generators for electricity generated in the 2024/25 financial year was £2,195.8m (2023/24: £1,864.7m). We obtain the funds we need to make CfD generator payments from the Interim Levy (ILR) we collect from electricity suppliers. There is a lag between receipt from suppliers and payment to generators creating a positive cashflow due to timing.

In addition to the ILR, we collect a quarterly reserve, known as the Total Reserve Amount (TRA) and credit cover. The TRA helps provide reassurance that we will have enough money to make CfD generator payments on time and credit cover protects against supplier default. As of 31 March 2025, we held £56.2m (2023/24: £58.4m) of credit cover.

At the end of each quarter, we calculate the difference between the total net payment to generators and the total amount collected from suppliers under each of the ILR and the TRA. We then return any ‘excess’ collected to or request additional funds from suppliers in the event of a shortfall. As of 31 March 2025, £114.2m was payable to suppliers (2023/24: £103.8m receivable) as part of the quarterly reconciliation. TRA due to be returned to suppliers is £370.0m (2023/24: £467.2m).

Operational costs (schemes under Energy Act 2013)

Our day-to-day operational costs are funded by suppliers under the ‘operational costs levy’ set out in the Supplier Obligation Regulations which are amended by Parliament. The operational costs levy for 2024/25 has been set at £0.1089/MWh (which represents an expected budget for operational costs of £29.1m based on the estimated volume of eligible electricity demand in Great Britain in the financial year).

No amendment has been made to the Supplier Obligations Regulations in 2025 meaning the 2024/25 levy rate continues for 2025/26 at £0.1089/MWh.

The total operational costs levy collected depends on the actual volume of gross electricity demand. The amount collected for 2024/25 was £29.0m (2023/24: £26.3m). This compares with a net operating cost of £18.5m (2023/24: £18.2m). As a result of operational costs being lower than budget and the higher operational costs levy collected, £10.5m of the total operational costs levy is being refunded to suppliers (2023/24: £8.2m) including unutilised contingencies for MWh (£1.5m) and legal disputes (£3.0m).

We share resources, such as office accommodation, with ESC. We pay for these, with the proportion of the costs relating to the Capacity Market being recharged to ESC, as further set out in note 2.5 to the financial statements.

Significant accounting matters and key judgements in the financial statements

The key accounting issues, matters and judgements in relation to our financial statements and disclosures relate to the valuation of the CfDs (including the Hinkley Point C contract), Green Hydrogen LCHAs and DPA. These are discussed in further detail in note 4 “Critical accounting judgements, estimates and assumptions” of the financial

statements.

Recognition, Classification and Measurements of CfDs (excluding Hinkley Point C)

The estimated net discounted value of CfD transactions we may be required to pay out for CfDs excluding HPC is £40.6bn (2023/24: £32.6bn). Of our total portfolio of CfDs, £3.0bn (2023/24: £2.9bn) is expected from generators and £43.6bn (2023/24: £35.5bn) payable to generators. The increase in liability is primarily due to the signing of AR6. The actual cash payments made to generators over the life of the contracts will vary, depending on various key matters, such as projected wholesale electricity prices, commissioning dates for generation and the average load factor for each generator. See note 23 for further details.

Valuation of Hinkley Point C CfD

We entered into the Hinkley Point C CfD on 29 September 2016. This project has a maximum lifetime generation cap of 910TWh and a 35 year duration.

The estimated discounted value of payments we may be required to pay out over the life of the contract is £49.8bn (2023/24 £56.5bn). The reduction in liability from 2023/24 is primarily due to the 2024 price series, change in discount rate, delay in expected HPC start date and increased probability that Sizewell C will be constructed (a clause in the contract provides a downward Strike Price adjustment if Sizewell C is constructed). See note 30.4 for post balance sheet event disclosure.

Valuation of Green Hydrogen

We signed 5 Green Hydrogen contracts this financial year although there were no operational payments. The estimated net discounted value of Green Hydrogen transactions we may be required to pay out over the life of standard Green Hydrogen LCHAs (15 years) is £1.2bn (2023/24: £0bn). The actual cash payments made to producers over the life of the contracts will vary, depending on various key matters, such as projected wholesale gas prices, sales volume and producer start dates.

DPA

LCCC has entered into a Dispatchable Power Agreement (DPA) with Net Zero Teesside Power Limited (East Cost Cluster) in November 2024.

The Availability Payment represents a financial liability that will be recognised at amortised cost once the condition of plant availability is met. In the current year a contingent liability is disclosed in note 28.2 with the discounted future obligation estimated at £7.7bn.

The Variable payment is recognised as a derivative under IFRS 9 with the difference between amount to enter into DPA (nil) and fair value (nil) deferred. See note 27 for further detail.

Viability statement

Our directors have assessed our viability and prospects over the next three years, in line with our business planning period. In doing so, they have undertaken a thorough assessment of our current position, the emerging and principal risks we face, and the potential impact of these risks on our future prospects and development (including those that would threaten our business model, future performance, solvency or liquidity). The directors consider our company to be viable for at least three years up to March 2028

The operational costs levy is set for the current year (to March 2026) at the same rate as 2024/25 because there were no amendments to regulations in 2025. LCCC are working with DESNZ on an updated multiyear budget for period starting 1 April 2026 which will be publicly consulted on prior to any amendments to regulation. In the absence of any further amendment to the regulations, the prevailing operating costs levy rate will continue.

The financial arrangements relating to our company minimise the risk of being unable to meet our liabilities. As set out in the Financial Overview, we are not obliged to make payments to generators and suppliers unless and until we have the funds to do so, and the annual budget for our operational costs will roll forward each year until the passing of regulations sets a new budget. We also apply prudent financial management and robust financial forecasting and cash-flow procedures to ensure our operating costs are covered by our operational costs levy.

In addition to the operational cost levy, HMT and DESNZ have agreed Grant in Aid funding for 2025/26. Grant in Aid submissions were submitted to the Spending Review which LCCC and DESNZ are awaiting outcome. Once in place, the Gas Shipper Obligation will fund Green Hydrogen and other LCHA schemes. When considering new schemes, LCCC ensure that appropriate funding is in place before undertaking any work.

As part of the strategic planning process, and in assessing viability, our directors have considered the regulatory and legal environment within which we operate, and do not foresee any changes that will significantly affect our finances within the viability period of three years referred to above. Our directors have also carefully considered the

way we manage our principal risks and have assessed the potential financial impact of the principal risks identified, and do not feel these risks will bring into question our company’s viability.

Based on their assessment, our directors have a reasonable expectation that we will be able to continue in operation and meet our liabilities as they fall due over the relevant period.

Risk management – risks affecting the delivery of our objectives

The Board formally reviews the material risks facing LCCC and ensures that we are appropriately managed by the Executive Leadership Team (ELT), with a focus on ensuring that management is alert to, and takes account of, any new or emerging risks. The Board retains ultimate responsibility for our risk management framework, with oversight of the overall effectiveness of the risk management programme being delegated to the Audit, Risk and Assurance Committee. We have an Assurance and Risk function to provide assurance over controls, including those to mitigate key risks. Assurance and Risk co-ordinates risk management activity across our company, with regular sessions held by ELT to review, scrutinise, and update strategic risk. As well as the regular updates to the Audit, Risk and Assurance Committee, strategic risk is also presented twice-yearly to the Board for review and discussion.

During 2024/25 we reviewed and aligned our risk appetite and target score for each of our strategic risks.

Operational risk registers will fully align with the strategic risks during the first half of 2025/26.

Strategic risks

Our overall risk landscape continued to evolve in 2024/25, particularly given the changes in the wider energy market and our growth strategy. A summary of key risk activity and movement since April 2024 is provided below, with a supporting visual risk trend. Further mitigations are in progress to ensure risks are managed in line with risk appetite, with target scores and timescales captured in the assessment of the risk.

2025/26 will see a refreshing of our strategic risk by members of the ELT and Board.



Eastfields Solar farm
Joe Lovat

Reputational Risk	
Strategic risk	Key mitigations
Stakeholder reputation Our stakeholders may lose confidence in our ability to deliver existing work or to take on new schemes. We may also miss opportunities to enhance our reputation with stakeholders.	All “Gold” stakeholders have been identified, Behavioural Indicator Survey completed after every meeting. Early stakeholder engagement and training on the schemes for new entrants via Trade Bodies and counterparties. Senior engagement plan with Chair / Chief Executive via the Shareholder Programme. Embedded Public Affairs activity.
Managing current & future growth LCCC is experiencing a period of change and growth in both the number of colleagues joining LCCC, as well as the expansion in its existing schemes, new schemes it is implementing, and the opportunities arising through the business development pipeline. There are multiple areas to consider in this respect - LCCC capability and focus; delivery of current requirements not being lost; having too much stretch; how do we manage growth; having appropriately skilled staff including leadership skills.	Clear CEO objectives and effective cascading mechanism. Effective company scorecard and governance arrangements. Current governance arrangements and focus to ensure growth/change is managed: <ul style="list-style-type: none">• Change Committee,• New Schemes Portfolio Board,• Settlement Programme. Strategic Assessment Framework being utilised across the business to strategically assess new opportunities before further work is undertaken. Business Plans established for FY25/26-27/28.
Changes within external landscape We are unable to anticipate and respond effectively to the competition, the complexity and volume of change in the market. There is wider structural market change (e.g. market consolidation, merchant capacity in renewables) that provides us with opportunities.	Continued relationship development with key DESNZ policy makers, leading to LCCC enhancing its “trusted advisor” status. Continued operational and strategic dialogue with Ofgem, DESNZ, NESO and National Grid re: volume and complexity of change. Enhanced engagement with new MPs to raise the profile of LCCC. Engagement with REMA and Clean Power 2030 teams at DESNZ. Engagement with teams in DfT and DfE (NI) on potential new roles.

Financial Risk	
Strategic risk	Key mitigations
Operational cost funding Our funding arrangements may restrict us in terms of how we operate. This could affect our ability to effectively deliver new schemes and reduce our flexibility as an organisation. There may be issues with the sustainability of our funding approach in the future.	 External commitments are not made without funding being in place for the lifetime of the contract. Time writing system for non-levy funded work. 3-year budgeting and business planning process undertaken at a “whole company” level with the ability to split and isolate workstreams between CfD, CM and “other” operational funding. Monitoring forecast across both levy and Grant In Aid funded schemes and the interrelationships between them.
Reputational Risk	
Strategic risk	Key mitigations
Scheme funding Where schemes are not directly linked to the ability to raise funds via a levy, LCCC may not be seen as an investible counterparty. In turn this could undermine investor confidence, cross contaminating levy funded schemes Ultimately the decision to invest in a project underpinned by an LCCC contract is for the counterparties, however LCCC plays a key role in ensuring that new schemes are well designed.	 For Hinkley Point C, a Secretary of State Investor Agreement is in place. For Industrial Carbon Capture (ICC) and Revenue Support Agreements (RSA), a proposed Secretary of State Direct Agreement (SoSDA) would give similar protections to a parent company guarantee. Without this agreement, some investors see LCCC as a potential credit risk—even if default is highly unlikely. For hydrogen schemes: <ul style="list-style-type: none">HAR1 is currently funded by the Exchequer, with work progressing toward using the Gas Shipper Obligation as a long-term funding solution. In the longer term, the Gas Shipper Obligation will reduce reliance on direct government funding.
Delivery Risk	
Strategic risk	Key mitigations
Organisational model We are unable to attract, engage and retain talent and high potential, future proofing the organisational design. We do not actively review and adapt our workforce plan based upon future state, whilst proactively managing individual and organisational development. Through organisational growth we fail to provide role clarity, spans of control and delegated levels of authority.	 Organisational structure - ongoing reviews within and across Directorates to ensure optimal. Values developed and communicated to describe the desired culture, and the behaviours which underpin them. Engagement survey carried out annually, actions created and tracked through scorecard and CPO objectives. Retention – Turnover tracked, exit interviews conducted, talent development offering. Workforce planning – Annual process with regular reforecasting underway. Trigger points / milestones for hiring certain roles identified.

Delivery Risk	
Strategic risk	Key mitigations
Scheme management & delivery Our business model, systems architecture, and controls may not be fit for future, resulting in inefficiencies and late / missed delivery of change. We are not effectively aligned with our external stakeholders to deliver an efficient and cost-effective settlements process	 Talent and Acquisition team to improve clarity of roles, capabilities and brand. Succession planning, knowledge transfer and stretch projects to mitigate single point of failure or flight risks. Development of digital products to create efficiencies and automation of core process. Standardisation of proforma and template to ensure efficiency and streamlined process including capture of corporate memory. Performance Reporting to track activity.
Operational Risk	
Strategic risk	Key mitigations
Settlements (in-house) In-house development of new schemes settlements. Delivery approach, discovery, architecture, assurance, system build and operational process creation. We do not deliver systems and operational processes in time for regulatory go live.	 Technology, Change and Operations delivery growth to support new schemes settlement build phases across new schemes. Head end system procurement enables significant risk reduction in data quality issues, data standardisation and reduction in manual resource requirements for operations and audit.
Settlements existing (outsourced – EMRS) Our business model, systems architecture and controls may not be fit for future, resulting in inefficiencies and late / missed delivery of change. We are not effectively aligned with our external stakeholders to deliver an efficient and cost-effective settlements process.	 Documented governance arrangements with EMRS for ongoing management of settlement services. Performance reporting from EMRS to LCCC. Strategic dialogue with Ofgem, DESNZ and NESO re: volume and complexity of change.
People Risk	
Strategic risk	Key mitigations
People We do not have the sufficient capacity and / or capability to deliver our Strategy. We also may miss opportunities due to delays in obtaining the right skills. We may also fail to sufficiently engage existing staff within the context of business change, resulting in below par performance, disengagement and a potential loss of skills and knowledge through attrition.	 In-house hiring capability built supplemented by panel of agencies to access diverse talent. Annual and periodic salary benchmarking to ensure market competitiveness and enable talent attraction. Continual skills gap analysis. L&D offering with focus on manager capability. Talent mapping and succession planning. Engagement survey carried out annually, actions created and tracked through scorecard.

Information Risk

Strategic risk

Cyber security

We are subject to a cyber security incident, resulting in potential disruption to business operations, data loss, financial loss and reputational damage.

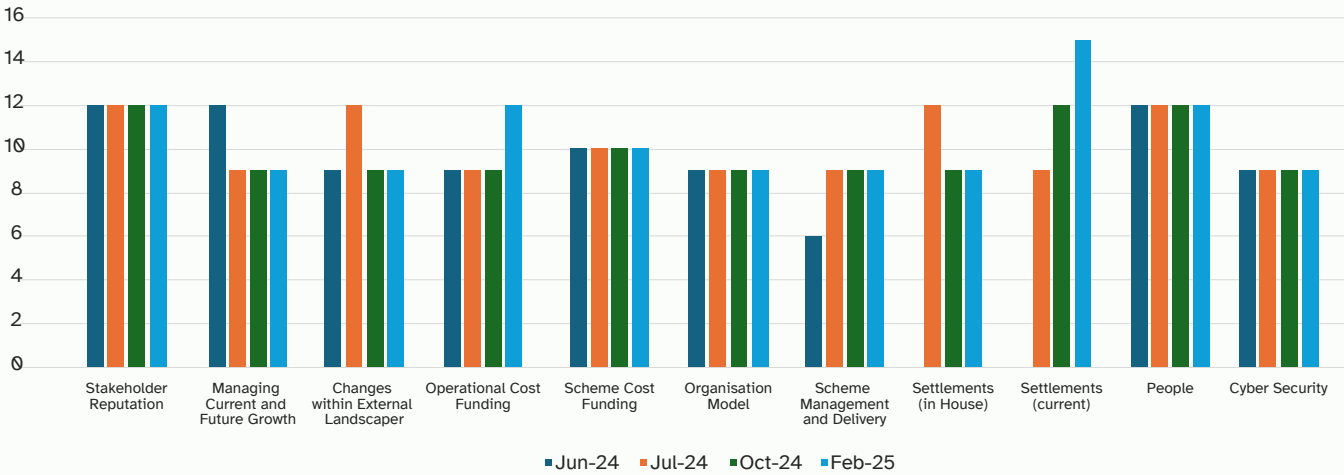
There is a cyber security incident at a key stakeholders or within our supply chain, resulting in loss of our data, our wider reputation or confidence in the schemes

Key mitigations

- Staff awareness through annual training.
- Microsoft Security Suite for wider software, aligning to wider industry standards.
- IT security policy.
- Patching reports.
- Cyber Essentials Plus accreditation.
- On-Solve Alerting System.
- Annual penetration testing.
- Cisco to monitor all system activities.
- Disaster Recovery plan and process.
- Secure by Design policy.

Risk Trend

Our risks have trended consistently over 2024/25. Risk scores have flexed accordingly to changes within the strategic landscape.



Effectiveness of our risk management and internal controls

The Head of Assurance and Risk provides an annual report and opinion on our systems of governance, risk management and control, based on the work undertaken during the year, knowledge of the business environment, and the work of other assurance providers (e.g. the National Audit Office). The Head of Assurance and Risk leads on each internal audit review, with co-sourced support from Evelyn Partners, as well as the NCC Group for specialist assurance on cyber security.

Key areas reviewed in 2024/25 include:

- Company Scorecard
- Settlements, Capacity Market
- Recruitment, Contracting and Sponsorship
- Scheme Management and Delivery
- Payroll
- Customer Due Diligence
- Ofgem and Drax
- User Access

Signed on behalf of the Board

N. McDermott

Neil McDermott

Chief Executive Officer

10th July 2025





07

Environment
Report

Hinkley Point C:
from left to right: Katie Williams, Katherine Burgdorf, Oliver Connelly, Leonidis Papanikolaou, Cameron Cruikshank, Emma Bezuidenhout, James King, Emma Morrison, Makrand Pande

Environment report

As we increase our role in accelerating Net Zero, improving the environmental sustainability of our own operations becomes increasingly important. A key part of this involves being transparent about the carbon emissions from our own activities. We aim to build a business that is financially stable, environmentally responsible, and socially fair. Our efforts to reduce our impact follow the Government’s ‘Greening Government Commitments’.⁹

LCCC Greenhouse Gas Emissions

Scope

We are in the tenth year of providing this reporting and have followed the principles of emissions reporting as described in the GHG Protocol¹⁰, streamlined energy and carbon reporting (SECR)¹¹ and NAO Good practice in annual reporting guidance.¹² Performance indicators are set against a 2017-18 financial year baseline.

The table below shows a breakdown of our emissions in tonnes of carbon dioxide equivalent, by scope and activity, for the 2024/25 reporting year. The data set includes direct (scope 1) and indirect (scope 2) greenhouse gas emissions and upstream emissions (scope 3) from our operations.



Mynydd Y Gwair Wind Farm, Wales
Sandy Steven

⁹ The Greening Government Commitments are the UK government’s commitments for delivering sustainable operations and procurement. The commitments apply to the office and non-office estate of central government departments and their Executive Agencies (EAs), Non-Ministerial Departments (NMDs) and executive Non-Departmental Public Bodies (NDPBs).
¹⁰ <https://www.gov.uk/government/publications/greening-government-commitments-targets> <https://ghgprotocol.org/corporate-standard>
¹¹ <https://assets.publishing.service.gov.uk/media/67161e8696def6d27a4c9ab3/environmental-reporting-guidance-secr-march-2019.pdf>
¹² https://www.nao.org.uk/wp-content/uploads/2021/02/Good_practice_in_annual_reporting.pdf
¹³ Note: Energy and water usage, as well as waste production volumes are calculated for the entirety of 10SC and then each occupants’ contributions are apportioned by the floor area (square metres) that they occupy. We remain committed to working with and encouraging landlords to implement sub-metering to all floors in the building to obtain more accurate consumption data.

Table 1: Annual greenhouse gas emissions, energy consumption¹³

Scopes	2017/18 FY	2023/24 FY	2024/25 FY	% change against 2023/24	% change against baseline
Scope 1: direct emissions					
Gas consumption (tonnes CO ₂ e)	35.78	0.86	0.63	-27%	-98%
Scope 2: indirect emissions					
Electricity consumption - Location Based method ⁴ (tonnes CO ₂ e)	89.45	25.84	46.07	78%	-49%
Electricity consumption - Market Based method (tonnes CO ₂ e)	89.45	0.00	0.00	0%	-100%
Partial Scope 3 emissions					
Waste & Water Disposal (tonnes CO ₂ e)	1.56	0.09	0.08	-8%	-95%
Business Travel (tonnes CO ₂ e)	Data not recorded	12.50 ¹⁴	25.06	100%	N/A
Homeworking (tonnes CO ₂ e)	Data not recorded	57.96	79.44	37%	N/A
Video conferencing (tonnes CO ₂ e)	Data not recorded	5.34	9.43	77%	N/A
Total Scope 1, 2 & 3 emissions (Location Based)	126.79	102.59	160.71	57%	27%
Total Scope 1, 2 & 3 emissions (Market Based)	126.79	76.76	114.64	49%	-10%

¹⁴ 23/24 Business travel emissions were 5.21tCO₂e based on data collected from Nov 23-March 2024. This figure has been prorated to represent the full financial year.

Our Greenhouse Gas Emissions performance against the 2017-18 baseline

Emissions from our direct activities reported under Scope 1 and Scope 2 (location-based method) account for 30% of our GHG emissions. The remainder come from Scope 3 emissions – the majority of which are from homeworking.

Total emissions for the 24/25 FY were 57% higher than the previous year. Many factors contributed to this: for the 24/25 FY, we have more accurate data available for our Scope 3 business travel emissions and, for the first time, our emissions data includes reporting from both our London and Leeds Office. On top of this, our growing workforce has led to a rise in our homeworking and videoconferencing emissions, which saw increases of 37% and 77% respectively, compared to the 23/24 figures. Total emissions were 27% greater than the 17/18 FY baseline, due to the lack of Scope 3 emissions data available for that period.

Our scope 1 emissions from gas consumption have consistently decreased from our baseline value. This is largely due to a change in our main office location to the 10SC building, where the building manager is committed to reducing the energy usage and carbon related emissions. So far the overall building reductions have been met by procuring 100% renewable electricity, increasing waste and water disposal efficiencies and replacing gas heating with electric heating.

Our scope 2 emissions from the use of electricity has increased this year; this figure includes reporting from our Leeds office for the June 24 – March 25 period. We expect to include emissions for our consumption across 10SC, Leeds and our new Birmingham office in future annual reports.

Note – Energy and water usage is

calculated for the entirety of the Leeds office. Energy and water usage, as well as waste production volumes, are calculated for 10SC. Each occupant’s contributions are apportioned by the floor area (square metres) that they occupy. We remain committed to working with and encouraging landlords to implement sub-metering to all floors in the building to obtain more accurate consumption data.

Our focus for 2024/25

Our offices

Office buildings produce most of our emissions, so we have prioritised reducing their environmental impact. Both our London and Leeds offices have undergone recent refurbishments to enhance their sustainability.

- London office (10 South Colonnade) is rated BREEAM ‘Very Good’¹⁵
- Birmingham office (31 Temple Street) has an EPC A rating.
- Leeds office (2 Whitehall Quay) has an EPC C rating.

We work with building managers to improve reporting and performance in priority areas such as energy and water usage, as well as waste production.

Our offices were chosen for access to public transport and to support cycling. All offices provide cycle storage and shower facilities at both locations. We also provide a Cycle to Work scheme which helps with the cost of buying a bike. This year we began reporting on commuting, giving us a more complete picture of our emissions.

The increase in employees has resulted in increased homeworking emissions. Our combined location-based emissions average per employee is 0.63 tCO2e. Our market-based emissions average per employee, which takes into account

the purchase of renewable electricity to reduce emissions, is 0.45 tCO2e.

Our new Birmingham office opened in March 2025. As it was only occupied for under a week of this financial year it is not yet included in emissions totals. It will be fully included in 2025/26.

Water and waste

We aim to reduce water use and waste in line with government commitments. We ensure:

- Our offices use water-efficient appliances including sensor taps and dishwashers
- Our suppliers use low-packaging or, where possible, are local who take back packaging waste
- We have a responsible waste management process through using the waste hierarchy covering three main areas; Reduce, Reuse and Recycle
- We are aligned with our Duty of Care obligations under waste legislation and ensure all waste is disposed of legally via licensed waste carriers and treated at licensed facilities.

Working from home

Due to the increase in our number of employees the total number of working from home hours also increased by almost 65,000. The table below shows the homeworking emissions from office electrical equipment and winter heating using the EcoAct6 base case methodology, GHG conversion factors published by the Department for Energy Security and Net Zero⁷, and internal FTE and working hours data. We have assumed that all employees work from home 3 days a week and use heating for two thirds of the time. Summer cooling has not been included, as although it is not known if any employees have air conditioning at home, it is uncommon in the UK and is therefore assumed that they do not.

Our travel emissions

We do not own, hire, or lease car fleets. Our business travel policy asks our people to think about whether travel is needed. If it is, they must choose low-carbon options (public transport, cycling, and walking) All business travel is managed through our CTM tool, which presents options aligned with company travel guidelines whilst collecting emissions data for the travel undertaken. We also prioritised proximity to frequently visited stakeholders when considering our new office location in Birmingham. This was done to minimise additional travel.

Our business travel emissions accounts for all rail, air and hotel stays for business purposes. This was 25.06 tCO2e for the 2024/25 FY. Our previous 23/24 FY figure accounted for business travel from November 2023 - March 2024; this has been prorated for the full financial year to give a reasonable comparison to the 24/25 FY figure. The 2025/26 report will show a more accurate comparison now we have complete datasets for each financial year.

Reducing environmental impacts from ICT and digital

Despite the importance of using digital technologies to reduce travel and therefore limit emissions, we recognise that our use of online platforms and data generates its own indirect emissions. These emissions have been included in our scope 3 reporting and calculated using Microsoft Teams data¹⁷ and an independent 2020 study¹⁸.

Table 2: Working from home emissions¹⁶

	Working hrs	tCO2e p.a.
Office equipment	238,009	7.48
Heating energy	238,009	71.96

We also considered the impact of our branding on digital assets. Our new brand uses a darker colour scheme to reduce screen brightness while maintaining accessibility. This reduction could be between 3% and 9% with auto-brightness, and up to 47% if screen brightness is set to 100%.¹⁹

Whilst the full environmental impacts of using Generative-AI in operations remains unknown, we are constantly monitoring this and have used our calendar of events such as Knowledge Month to provide our people with information on the proportionate use of AI during learning sessions with internal and external speakers. We are also enhancing our offering with our people being able to access machine learning courses through our learning and development budget.

Each year our whole company runs an in-house document management project competition encouraging employees to review OneDrive documents and e-mails and delete them if no longer needed. With emissions for sending, receiving, and storing an email averaging 4g CO2e10, the aim of this activity was to award those that removed the greatest Megabytes of files and emails, in turn reducing company emissions from the storage of documents and emails that no longer serve a purpose. We ran this in November 2024 and a total of 66Gb of unwanted data being removed from our storage accounts, equivalent to 1 metric tonne of CO2.

Procuring sustainable products and services

Enhanced procurement and the delivery of better services is an essential feature of achieving efficiency gains in economic, environmental and social terms. Our Procurement Policy follows:

- Managing Public Money
- Cabinet Office Controls
- Government Buying Standards
- Crown Commercial Services (CCS) frameworks

Where appropriate, we ask tenderers how their services will support sustainability if awarded an LCCC contract.

15 <https://tools.breeam.com/projects/explore/buildingdetailsjsp?id=29653171&from=0§ionid=0&projectType=&rating=&countryID=0&client=&description=&certBody=&certNo=&developer=&location=&buildingName=10+South+colonnade&assessor=&subschemeid=0&Submit=Search&rpp=20>

16 We have used the EcoAct base case methodology, GHG conversion factors published by DESNZ, and internal FTE and working hours data.
17 Estimation methodology: Monthly averages determined by available MS Teams data – from August 2020 to date (February 2021)
18 Carbon emissions factor – 150gCO2e / hr Zoom use: Researchers from Purdue University, Yale University and the Massachusetts Institute of Technology (2020)
19 <https://dl.acm.org/doi/pdf/10.1145/3458864.3467682>

Engaging our people

We continue to support all colleagues in finding and undertaking initiatives that support our environmental and sustainability ambitions.

- In our London office colleagues organised a food bank before Christmas in support of a local charity Neighbours in Poplar. This helped support sustainability by reducing food waste, alleviating hunger and strengthening community resilience.
- We also offer three volunteering days per year to all colleagues. Across this financial year individuals came together to support many different community initiatives. In February colleagues from across the company supported Earthwatch Europe's event planting a tiny forest of 600 native trees in Cuckoo Park.

Considerations for 2025/26

- Setting targets for environmental performance, using clear frameworks.
- Work with building managers to improve building sustainability.
- Optimise digital systems and reduce e-waste through continued rollout of our new brand and promoting auto-brightness settings for all devices.
- Formalising our AI policy following the completion of our internal pilots.
- Improving procurement by continuing to align with CCS frameworks and government standards.
- Encourage colleagues to find engaging sustainability initiatives to undertake on their volunteering days through our Community Champions Group.



08

Board of directors

Inkersall Solar Visit
from left to right: Emma Morrison,
Madison Webb, Alex Yong, Esha Basu

Board of directors

This was the Board as at 10 July 2025, with the changes during the year shown on page 58.



Regina Finn
Board Chair
Nomination Committee (chair)
Remuneration Committee (member)



Neil McDermott
Chief Executive Officer



George Pitt
Chief Financial Officer



Maxine Mayhew
Senior Independent Director
Nomination Committee (member)



Gerard McIlroy
Non-Executive Director
Audit, Risk and Assurance Committee (member); Remuneration Committee (member)



Jo Coleman
Non-Executive Director
Audit, Risk and Assurance Committee (member)



Amanda Aldridge
Non-Executive Director
Audit, Risk and Assurance Committee (chair)



Dan Osgood
Non-Executive Director
Remuneration Committee (member)



Steph Hurst
Non-Executive Director
Audit, Risk & Assurance Committee (member)



Euan McVicar
Non-Executive Director

Committee memberships are stated under each profile.
The three committees are: Audit, Risk and Assurance Committee; Remuneration Committee; and Nomination Committee.

Directors' report



The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report for the year ended 31 March 2025. The company's registered number is 08818711.

Board

The Board is responsible for the overall strategy and direction of the company. Details of the Board's composition are set out on pages 58.

Directors and corporate governance

Full details of the directors and corporate governance matters are set out on pages 51.

Position of the company

Information relating to the strategy and to the development, performance and the future prospects of the company are set out in the Corporate Governance Report and Strategic Report.

Employees

The company recognises that the commitment of its highly skilled and experienced workforce is key to the efficient and effective delivery of the company's functions and the achievement of its strategic objectives. Further information is set out in the Strategic Report. The company's employee numbers (including executive directors but excluding non-executive directors and

seconded into the company from DESNZ) as at 31 March 2025 were 256.

Environment

Details are set out in the Environment Report on pages 37 to 43.

Payment to suppliers

The company pays its suppliers in accordance with the provisions of its contracts with suppliers, subject to compliance by the suppliers with their contractual obligations.

Charitable and political contributions

During the year, the company made no charitable or political contributions.

Results and dividends

The company has prepared its 2024/25 financial statements in accordance with International Financial Reporting Standards (IFRS). The audited financial statements for the year ended 31 March 2025 are set out on pages 89 to 138.

The company is a not-for-profit company, with the payments it makes to CfD generators being matched or 'counterbalanced' by the Supplier Obligation Levy it collects from suppliers. The company's other costs (being its operational costs) relating to schemes within Energy Act 2013 are funded by the operational cost levy referred to on pages 29 to 30. Any operational costs levy collected that exceeds the company's requirement is refunded to suppliers. This refund is recognised through the financial statements and matched with the income collected. LCCC receives grant in aid from DESNZ and funds from Department for Transport through a principle letter agreement

to fund schemes not covered by the operational cost levy which is equal to the costs allocated to the schemes. On this basis the financial results for the year reflect a neutral profit position, i.e. nil profit-nil loss. Consequently, the company does not pay a dividend.

For a more detailed review of the results for the year and a more detailed explanation of the accounting profit, see pages 89 to 138 of the financial statements, and the Strategic Report on pages 19 to 25.

Directors' third-party indemnity provisions

The directors have been granted an indemnity against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third-party indemnity remains in force as at the date of approving this Directors' Report.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue to operate for the foreseeable future. The financial statements therefore continue to be prepared on a going concern basis. The basis of this view is outlined in more detail in note 2.2 to the financial statements.

Directors' responsibilities statement

The directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that

law the directors have elected to prepare the company financial statements in accordance with international accounting standards (in conformity with the requirements of the Companies Act 2006) and in accordance with applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the applicable IFRS has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the directors, whose names and functions are described herein, confirms that to the best of his or her knowledge:

- the financial statements, which have been prepared in accordance with international accounting standards (in conformity with the requirements of the Companies Act 2006), give a true and fair view of the assets and liabilities, financial position and the profit or loss of the company; and
- the Directors Report and the Strategic Report include a review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that it faces.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholder to assess the company's position, performance, business model and strategy.

Auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

The company's auditor, the Comptroller & Auditor General (on whose behalf the NAO acts) has expressed a willingness to continue in office. The Board and the Audit, Risk and Assurance Committee consider the performance of the auditors and assess their reappointment on an annual basis. A resolution to reappoint the auditors will be considered and proposed at the relevant time.

By order of the Board.

Allison Sandle
Company Secretary

10th July 2025



“Cowley isn’t just about solar PV panels – it will also include a substation and 100 MWh Battery Energy Storage System (BESS), enabling storing energy and deploying to the grid during high demand. In the UK sunshine cannot be trusted — but batteries can! It’s a fantastic example of how CfDs and the Capacity Market can work hand-in-hand to support the UK’s Net Zero and energy security ambitions.”



-Kash Ziolkowska
Scrum Master

09

Corporate
governance
report

Corporate governance report



I am pleased to present our corporate governance report for the year, which describes our Board's general approach to corporate governance and how the UK Corporate Governance Code is applied within the company. The Board believes that good corporate governance underpins the delivery of the company's strategy and objectives and we are committed to ensuring that high standards of corporate governance are maintained throughout the company.

I would like to thank all Board members for their support, dedication and commitment over the year.

Regina Finn
Chair

Background to the company

The company is an independent private law company owned by the Department for Energy Security and Net Zero. It is also a governmental arm's length body which is funded by and manages compulsory levies, with the Secretary of State being its sole shareholder. Compulsory levies are normally classified as taxation, which effectively means that the company is managing public monies. The company has expanded into new schemes linked to Hydrogen Production and CCCUS business models, which are currently funded by HMT via DESNZ.

Accordingly, the company, both as an independent private company and as an entity having responsibilities for the administration of public monies, adopts the highest standards of governance and works to the highest standards of probity. The company recognises the importance of operating with regularity and propriety, the need for effectiveness and prudence in the administration of public resources and the need to secure value for public money.

This Corporate Governance Report outlines the company's governance structure and demonstrates how its arrangements align with the guidelines and principles set out in the UK Corporate Governance Code. An explanation is given below where any aspect of the Code has not been fully applied.

The company's activities in the year are described in the Corporate Governance Report and in the Strategic Report.

Framework Document

The company's main governing documents are its Articles of Association and its Framework Document. The Framework Document²⁰, which establishes the fundamental relationship between the shareholder and the company, is published on the company's website to provide transparency of the relationship.

The Framework Document reflects the basic tenet that functional independence is compatible with financial oversight of an arm's length body by its sponsor department. The Framework Document makes it clear that the company has day-to-day operational independence, subject to certain limited exceptions set out in legislation, the company's Articles of Association and in the Framework Document itself. The limitations on the company's independence are those which are either:

- Common to Government-owned entities and necessary to satisfy Government and Parliamentary budgeting and accountability requirements; or
- Designed to provide the shareholder with specific controls in respect of policy implementation matters relating to CfDs. Essentially, these specific controls are matters for which shareholder consent is required, mainly in relation to material change to the CfDs.

The Framework Document recognises that the company is a separate corporate entity and that its governance and decision-making processes flow through its Board, with its executives reporting to that Board.

The Framework Document states that in carrying out its functions, activities and role, the company shall seek to maintain investor confidence in the CfD scheme and minimise costs to consumers. This is known as the "Guiding Principle". The company recognises the importance of this Guiding Principle.

UK Corporate Governance Code

The company is required by the Framework Document to comply with the UK Corporate Governance Code as applicable or specify and explain any non-compliance in its annual report.

The company additionally believes that the adoption of the UK Corporate Governance Code is important as a means of recognising and embedding best practice in corporate governance. The Board considers that the company has complied in full with the Code, other than as explained in this Corporate Governance Report. Any non-compliance is due to the requirements of the company's shareholder as reflected in the company's Articles of Association and the Framework Document.

Role of the Board

The Board is committed to ensuring high standards of corporate governance. It accepts that good governance is based on the underlying principles of accountability, transparency, probity and focus on the sustainable success of the company over the longer term.

The Board is collectively responsible for the long-term success of the company and is ultimately responsible for its strategy, management, direction and performance. The Board sets the company's strategic aims, ensures that the necessary financial and human resources are in place for the company to meet its objectives, reviews progress towards the achievement of objectives and reviews the performance of management.

The Board establishes the values, culture, ethics and standards of the company and sets the framework for prudent and effective controls which enables risk to be assessed and managed. The Board reviews the results of the annual employee survey and receives reports on stakeholder engagement from the Chair and Chief Executive.

The Board has delegated authority to its committees to carry out the tasks defined in the committees' terms of reference. There are three committees, being

- i. The Audit, Risk and Assurance Committee;
- ii. The Remuneration Committee; and
- iii. The Nomination Committee.

The written terms of reference of each committee are available on the company's website.

The Board has delegated the day-to-day management of the company to the Chief Executive.

Composition of the Board

The Framework Document and the Articles of Association provide that the shareholder's approval is required for all Board appointments. The Framework Document and the Articles of Association also state that the shareholder has the right to appoint the Chair, the Senior Independent Director and up to two shareholder nominated directors.

Regina Finn is the current Chair of the Board and Maxine Mayhew is the current Senior Independent Director.

The Board currently comprises nine directors, being the Chief Executive and the Chief Financial Officer, two shareholder nominated directors and five independent non-executive directors including the Chair and the Senior Independent Director.

The shareholder nominated directors at year end (and currently) are Steph Hurst and Dan Osgood, all of whom

were civil servants employed by DESNZ. The shareholder nominated directors are appointed by the shareholder.

The five non-executive directors as at year end (and currently) are Regina Finn, Amanda Aldridge, Maxine Mayhew, Gerard McIlroy and Jo Coleman. Each director was appointed after the consent of the shareholder was obtained in accordance with the Framework Document and the Articles of Association. The term of office of each independent non-executive director is in accordance with the Governance Code on Public Appointments (Cabinet Office, December 2016) under which there is a strong presumption that no individual should serve more than two terms or serve in any one post for more than ten years.

Neil McDermott, the Chief Executive, was appointed as a director on 22 July 2014. George Pitt was appointed Chief Financial Officer on 13 August 2020 having been appointed interim Chief Financial Officer on 4 November 2019.

An external recruitment consultancy was used in the appointments or original appointments of the Chair, Senior Independent Director, independent non-executive directors, Chief Executive and former Chief Financial Officer. The search process was formal, rigorous and transparent and the searches were conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the Board. The shareholder-nominated directors are civil servants selected by the shareholder.

No recruitment consultancy used by the company has any other connection with the company.

The details of all Board members, any changes in the year and attendance at Board meetings are listed on pages 58 to 59 All directors, with

²⁰ Framework Document can be found at Low Carbon Contracts Company Framework Document | Low Carbon Contracts Company.

the exception of the shareholder nominated directors, have written terms of appointment. These terms of appointment are available for inspection at the company's registered office during normal business hours.

The Chair was independent on appointment. The Board considers the Senior Independent Director and all non-executive directors, other than the shareholder nominated directors, to be independent of the company.

The Board and its committees have an appropriate, effective and broad balance of skills, experience, independence and knowledge which enables them to discharge their respective duties and responsibilities effectively. An annual review of the skills of the Board has been undertaken in year to ensure that the Board has the skills necessary to support the company as it evolves.

New directors receive an induction programme and additional training that is tailored to their individual needs.

Board changes

Reference is made to the table on page 58.

Board governance

The Board meets sufficiently regularly to discharge its duties effectively, generally meeting several times per year (with additional ad hoc meetings as required). The Board met six times in 2024/25, in June 2024, July 2024, October 2024, December 2024, January 2025 and March 2025. The Board also held a separate strategy meeting in February 2025.

The following summarises the Board's main activities over the course of the year:

- Review of Declarations of Directors Interests
- Review of Board and Committee reports/minutes of meeting
- Approval of the company scorecard, mid-year performance

- update and results
- Approval of Annual Reports and Accounts and Letters of Representation
- Approval of CEO Objectives
- Approval of delegated authority for executing key contracts
- Approval of re-appointment of external auditors
- Approval of the 2024/25 Strategy and strategic initiatives
- Annual review of the Schedule of Board Reserved Matters
- Annual review of the of division of responsibilities between Chair & CEO
- Annual review of Board Schedule of Decisions
- Annual Board evaluation results and review of previous actions arising
- Annual review of the industry stakeholder survey
- Annual risk review including Board discussions on risk appetite and alignment of appetite to target
- Annual review of the staff engagement survey and recruitment updates
- Annual cybersecurity and data protection updates
- Review of the Business Plan
- Review of culture and equality, diversity and inclusivity, including recommendations
- Review of Communication and Stakeholder Strategy plan
- Updates on Scheme Delivery and new schemes
- Insurance renewal
- Deep Dives on new schemes and the Low Carbon Hydrogen Agreement in addition to external guest speakers on industry specific topics
- Environmental, Social and Governance review

Note: In addition to the formal activities listed above, the Board also held a Strategy Day to discuss

longer-term priorities and emerging opportunities. This session, which is not a formal Board meeting, provided a broader forum for discussion beyond the standard governance agenda.

The Chair has held meetings with the non-executive directors without the executives being present. The non-executive directors, led by the current Senior Independent Director, have met without the Chair and executive directors being present.

Details of the directors' interests are recorded in a register maintained by the company and reviewed by the Board at each Board meeting. The company has procedures in place to ensure that any actual or potential conflicts of interest are appropriately declared and managed. Directors are required to declare any actual or potential conflict of interest to the Board and to the Company Secretary as soon as they arise. No such conflicts of interest were identified in the financial year 2024/25.

The Board is supplied in a timely manner with the appropriate information of the required quality to enable it to discharge its duties effectively and properly. The Chair, Chief Executive and Company Secretary have review processes in place to ensure the quality of the information provided to the Board and its committees. The Board and committees have concluded, after assessing the question as part of their annual evaluation processes, that they were being provided with appropriate information of the required quality. Board members have access to the Company Secretary and also to independent legal advice if appropriately required.

There is a formal schedule of matters specifically reserved to the Board. In high level terms, the day-to-day management of the company is delegated to the Chief Executive and senior management, with the matters reserved to the Board including:

- Setting and approving the

- company's long term strategic aims and objectives
- Responsibility for the leadership of the company, values and standards
- Approving the financial statements
- Approval of proposed annual operating costs levy budget
- Approving (subject to shareholder consent) the annual business plan and budget
- Monitoring and overseeing risk management, financial reporting and the system of internal control
- Oversight of the company's operations
- Approving financial commitments over specified monetary thresholds
- Decisions on extension of the company's activities into new business or geographic areas
- Deciding on specified important CfD matters
- Setting the terms of reference for the Board committees

The main roles and responsibilities of the Chair, Chief Executive, Senior Independent Director and non-executive directors are summarised in high level terms below. There is a formal document, approved by the Board, setting out the division of responsibilities between the Chair and the Chief Executive which is reviewed annually.

The Chair:

- Provides clear and effective leadership to the Board
- Is responsible for maintaining high standards of operation and governance
- Is responsible for promoting a culture of openness and constructive debate by facilitating the effective contribution of the non-executive directors
- Facilitates the effective contribution and encourages the active engagement of all

- members of the Board
- Ensures the annual evaluation of the performance of the Board, its members and its committees
- Ensures constructive relations between the executive and non-executive directors
- Speaks on behalf of the Board and represents the Board to the shareholder
- Ensures there is an effective and appropriate system of communication with the shareholder
- Manages the business of the Board, including the Board's agenda and ensuring that adequate time is available for the discussion of all agenda items, in particular, strategic issues
- Is responsible for ensuring that the directors receive accurate, timely and clear information

The Chief Executive:

- Fulfils his responsibilities as Accounting Officer²¹
- Leads the executive team in the day-to-day running of the company
- Makes and executes operational decisions
- Implements the strategy agreed by the Board
- Ensures delivery within the annual budget
- Ensures appropriate internal controls and risk management processes are in place
- Maintains the appropriate dialogue with the Chair and the Board
- Facilitates effective communication to the shareholder and external stakeholders, including service providers, industry parties, regulatory bodies and governmental authorities
- Ensures the values of the company are embedded within its operations and staff culture

The Senior Independent Director:

- Works alongside the Chair and provides a sounding Board for the Chair
- Is available as an intermediary to other directors when necessary
- Leads the meeting(s) with the other non-executive directors without the Chair being present, including to appraise the performance of the Chair

Non-executive directors:

- Non-executive directors (including via their activities in relevant committees) ensure that the Board fulfils its responsibilities, including in relation to strategy, monitoring the performance of management and satisfying themselves as to the integrity of financial information and that the company has in place robust internal controls and a sound system of risk management

²¹ The responsibilities of an Accounting Officer are described in HM Treasury guidance "Managing Public Money". They include accountability for the activities of the company, the stewardship of public funds and the extent to which key performance targets and objectives are met.

Board performance review

The Board undertakes an annual formal and rigorous evaluation of its own performance and that of its committees and individual directors. The UK Corporate Governance Code recommends that Boards should be evaluated externally once every three years, the last independent Board evaluation was concluded in March 2022 and recommendations arising from the evaluation have been actioned. Recommendations from the annual internal Board evaluation review has been evaluated and are being actioned.

The committees also each separately undertake an internal annual evaluation process. The evaluation review in 2024/25 was undertaken by use of a focussed questionnaire for and each committee, with the results being discussed by the Board and the committees.

The committee evaluation process concluded that the committees are working cohesively and effectively, are performing their role in a proper, good and appropriate manner and that there is strong corporate governance in place.

The Chair regularly reviews and discusses with each director their training and development needs. The Company Secretary also seeks to identify useful refresher training or industry familiarisation sessions for directors, including briefings on internal expertise areas (such as forecasting and settlement systems), industry developments, data protection, cyber security and compliance matters.

Audit, Risk and Assurance Committee

At financial year end, the membership of this committee comprised four non-executive directors, namely Amanda Aldridge (chair), Steph Hurst, Gerard McIlroy and Jo Coleman.

The Chair of the committee is a chartered accountant with current and relevant financial experience.

The committee is composed of three independent non-executive directors and one shareholder nominated non-executive director. The Framework Document requires the committee to include a director nominated by the shareholder.

The committee met four times in the financial year 2024/25, with meetings in June 2024, October 2024, January 2025 and March 2025. There was a unanimous approval by email in May 2024.

The Chief Executive (as Accounting Officer), Chief Financial Officer, Head of Assurance & Risk, Company Secretary and external auditors attended each meeting, and have access to the Chair of the committee outside formal committee meetings. The Head of Assurance & Risk and the external auditors each separately meet informally with the committee at the end of every scheduled committee meeting.

The main responsibilities of the committee include:

- Monitoring the assurance needs of the company in relation to risk, governance and the control framework
- Reviewing the company's internal controls (including financial controls) and risk management systems
- Monitoring the integrity of the company's financial statements and reviewing and reporting to the Board on significant financial reporting issues and judgements
- Monitoring the effectiveness of the company's internal audit function
- Making recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor
- Reviewing external auditor independence and objectivity and the effectiveness of the audit

process, taking into consideration relevant UK professional and regulatory requirements

- Reporting to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken
- Reporting to the Board on how it has discharged its responsibilities
- Undertaking an annual review of its own performance.

The committee has reviewed arrangements by which employees are able, in confidence, to raise concerns about possible improprieties in matters of financial reporting or other matters.

The committee applies an external auditor independence policy to safeguard auditor objectivity and independence where the company's auditors have provided non-audit services. The external auditor has not provided any non-audit services in the financial year.

In the financial year, the committee discussed the following matters:

- Status of any 2024/25 significant accounting estimates, judgements and special issues
- Risk of post balance sheet events
- Budgetary constraints affecting operations and levy funded and non-levy funded schemes
- Going concern review
- Accounting treatment for new schemes: green hydrogen, Dispatchable Power Agreement and Revenue Support Agreement
- 2025/26 schemes: Regulated Asset Base, blue hydrogen, Industrial Carbon Capture from Waste, Industrial Carbon Capture from Energy; Power Bioenergy with Carbon Capture and Storage
- Assessment of new IFRS sustainability disclosures
- Reporting requirements for large companies over 250 employees

- Debt recovery from insolvent debtors
- External auditor's plan for the 2024/25 audit and report to the committee following the completion of their work
- Annual Report – Governance statement and accounts recommendation for LCCC and ESC
- Strategic Risk Management
- Review of the risk register with focus on the principle risks assessment:
 - Settlement Systems (outsourced)
 - People
 - Stakeholder Reputation
 - Operational Cost Funding
 - Scheme Funding
 - Managing current and future growth
 - Changes within external landscape
 - Organisational model
 - Scheme management and delivery
 - Settlements (in-house)
 - Cyber security
- Risk mapping, risk prioritisation and risk minimisation
- Consideration of mitigated risk levels relative to risk appetite and target risk levels
- Internal Audit Charter – Annual Review
- Internal audit strategy, plan and activity update including review of implementation of recommendations from previous reviews
- Review and update of the Financial Delegated Authority
- Annual review of the committee's effectiveness
- Review of the committee's Terms of Reference
- Review of the Whistleblowing Policy and Procedure

- Risk deep dives
 - organisational model (including attraction, engagement and retention of people)
 - stakeholder reputation including and stakeholder survey results
- Review of relevant Dear Accounting Officer letters

The minutes of the meeting are circulated to the Board.

The company's main risks are set out on pages 31 to 36 of the Strategic Report. There have been no failures in or breaches of information security (other than minor or non-significant failures or breaches).

The re-appointment of the external auditor was approved by the Board in January 2025 upon the recommendation of the committee. The Board approved the re-appointment, taking into account the fact that the Framework Document states the strong presumption that the company would appoint the National Audit Office (NAO) as its auditor and also that shareholder consent is required for the appointment of any other external auditor. It also noted the significant benefits of appointing the NAO, based on value for money, the potential synergies with DESNZ's audit requirements and the NAO's understanding of both the complex environment within which the company operates, as well as the wider Government and public sector context.

Nomination Committee

At year end, the committee comprised Regina Finn (Chair), Maxine Mayhew and Amanda Aldridge. Regina Finn and Maxine Mayhew were members of the committee throughout the year. Amanda Aldridge replaced Chris Murray from the 10th July 2024.

All members of the nomination committee are independent non-executive directors.

The committee met four times during the year, in July 2024, October 2024, November 2024 and March 2025. No member of the committee attended an agenda item in respect of which they had a personal interest or were discussed or appraised.

The committee’s responsibilities include:

- Regularly reviewing the structure, size and composition of the Board including skills, knowledge, diversity and experience
- Reviewing plans for the orderly succession for appointments to the Board and to senior management, so as to maintain an appropriate balance of skills and experience within the company and on the Board and to ensure progressive refreshing of the Board
- Undertaking an annual performance review of the committee.

These matters were discussed by the committee during the course of the year, with particular reference to the:

- Chair of Board replacement and recruitment process for 2025;
- Board composition, size and diversity of the Board including a review of skills;
- Replacement of NED mid-term;
- Committee membership and tenure;
- Board, executive directors and executive leadership succession planning and training;
- Recruitment process and approvals for succession

- Review independence and time commitment of non-executive directors;
- Review of the Nomination Committee Terms of Reference;
- Review of the Nomination Committee terms of Reference; and
- Committee annual performance review and review of previous evaluation actions arising.

Remuneration Committee

The membership and responsibilities of this committee are described in the Remuneration Report at pages 65 to 70.

Board and Committee Membership

The table below sets out the dates of appointment of the members to the Board and the committees and details of those Board members who resigned in the year.

Director	Role	Board	Audit, Risk and Assurance Committee	Nomination Committee	Remuneration Committee
Regina Finn	Chair	App. 02/09/2019		App. 04/10/2019	App. 04/10/2019
Maxine Mayhew	Senior Independent Director	App. 13/08/2020		App. 01/10/2020	App. 05/12/2024
Chris Murray*	Non-executive Director	App. 26/06/2018 Ret. 25.06.2024	App. 04.10.2019	App. 31.03.2021	App. 26.08.2018
Amanda Aldridge	Non-executive director	App. 02/04/2020	App. 02/04/2020	App. 10/07/2024	
Steph Hurst	Non-executive director	App. 29/01/2020	App. 29/01/2020		
Helen Lamprell**	Non-executive director	App. 19/01/2021 Res. 31/10/2024			App 29/07/2021 Res: 31/10/2024
Neil McDermott	Chief Executive	App. 22/07/2014			
Gerard McIlroy	Non-executive director	App. 27/10/2020	App. 03/12/2020		App. 06/10/2023
George Pitt	Chief Financial Officer	App. 13/08/2020			
Dan Osgood	Non-executive director	App. 06/11/2023			App. 06/11/2023
Jo Coleman	Non-executive director	App. 06/06/2024	App. 02/10/2024		

*Retired part way through the year

**Resigned part way through year

Board and committee meetings

It should be emphasised that the table does not fully reflect the contribution made to the company's business by many of the directors who have also attended other meetings (including with senior managers), attended briefings on various matters, addressed matters raised ex-committee, attended training and conferences, given talks to staff and attended events relating to the company's business and activities during the year. In addition, generally members who could not attend a meeting provided comments on the papers for the meeting.

Member attendance record during 2024/25

	Board	Audit, Risk and Assurance Committee	Nomination Committee	Remuneration Committee
Number of meetings	7	4	4	4
Regina Finn	7		4	4
Maxine Mayhew	4		4	1**
Amanda Aldridge	7	4	4	
Chris Murray	1*			1*
Gerard McIlroy	7	4		4
Steph Hurst	7	4		
Helen Lamprell	3*			3*
Dan Osgood	6***			3
Jo Coleman	6	3		
Neil McDermott	6			
George Pitt	7			

*Retired part way through the year

**Resigned part way through year

*** Attended all or part of meetings

Relations with shareholder and stakeholders

The company in accordance with its Framework Document maintains an appropriately regular dialogue with its shareholder. There are two shareholder nominated directors.

The company has also engaged in regular communication with industry and other stakeholders, including by stakeholder engagement events, annual stakeholder survey, regular newsletters and via its website.

As a non-traded entity, the company does not propose to have an annual general meeting.

Maintenance of a sound system of internal control

The Board has overall responsibility for the company's risk management and system of internal controls, and for reviewing their effectiveness. While retaining overall responsibility, the Board has established a clear organisational structure and well-defined delegated accountabilities for more regular and granular review of the effectiveness of the company's risk management framework to the Audit, Risk and Assurance Committee and executive.

The key elements and procedures established to provide effective risk management and internal controls have been established. The systems in place are monitored and embedded and are as set out below:

Control and assurance environment

- The Board is responsible for the company's system of internal control and for reviewing its effectiveness. The company's system of internal control is designed to manage and, where possible, to mitigate the risks facing the company, safeguard the assets and provide reasonable (although not absolute) assurance against material financial misstatement or loss. The Audit, Risk and Assurance Committee assists

the Board in discharging its responsibilities (as further described below and in the section headed Audit, Risk and Assurance Committee on pages 55 to 56.

- The Board, with the assistance of the Audit, Risk and Assurance Committee, has reviewed and is satisfied with the effectiveness of the company's systems of risk management and internal control.
- There have been no significant lapses in protective security.

Risk management framework

- The identification, mitigation and continual monitoring of significant business risks is the responsibility of senior management. The company's strategic risk register is kept under regular review by the senior leadership team and reported to the Board and Audit, Risk and Assurance Committee, with the top strategic risks and emerging risks receiving particular attention. Strategic risk is also discussed and monitored by the relevant Heads of Teams to ensure there is alignment and escalation of operational risk where appropriate. Operational risk registers are also maintained to identify local and emerging risks, allocating responsibility for appropriate monitoring and the implementation of mitigating controls. Risk management processes are incorporated into the company's management and governance systems at all levels and form a part of the company's day to day operations.
- The Audit, Risk and Assurance Committee formally reviews the risk position at each scheduled meeting (in 2024/25, in June 2024, October 2024, January 2025 and March 2025) and is updated on any significant risk matter which falls outside its formal review cycle. The committee considers the risk

appetite of the company in relation to the principal risks and reviews the actions being undertaken to minimise and mitigate risk items.

- The Board reviews the strategic risk register twice a year (in 2024/25, in December 2024 and March 2025). The reports to the Audit, Risk and Assurance Committee and the Board include a report on the status of the risk management and internal control, significant failings or weaknesses identified during the period (if any) and any actions taken to remedy any significant weaknesses (if relevant). The Board has reviewed the risk framework, with the assistance of the Audit, Risk and Assurance Committee, and is satisfied that a comprehensive and robust process for identifying, assessing and managing the company's principal risks is in place, including in respect of those risks that would threaten its business model, future performance, solvency or liquidity. Reference is made to the more detailed risk report on pages 31 to 36.

Internal Audit

- The company has an Internal Audit function that provides the Audit, Risk and Assurance Committee with independent, objective assurance regarding governance, risk management and internal controls, as part of the company’s risk management and assurance regime. The Audit, Risk and Assurance Committee agrees a programme of internal audit work annually and reviews progress at each of its meetings. The annual audit plan takes into account current business risks. The Head of Assurance & Risk is supported by an external co-sourced partner to deliver the Internal Audit plan.

Financial management and reporting

- There is a comprehensive strategic planning, budgeting and forecasting process within the company, with the business plan (including the annual budget) being approved by the Board. There is a comprehensive strategic planning, budgeting and forecasting process within the company, with the business plan (including the annual budget) being approved by the Board.
- The company’s operational costs are set out in the annual budget. The process for establishing the annual budget involves a number of stages which provide challenge and accountability, to ensure that a robust and prudent annual budget is prepared, which also ensures cost control and value for money for consumers. The draft budget, which can be for a single year or multi-year, is reviewed by the Board, subsequent to which it is submitted to the shareholder for further review. The shareholder then undertakes a public consultation on the proposed budget. Subsequently the operational costs levy which funds the company’s budget is

- laid before Parliament in the form of regulations.
- The company operates robust financial management processes to ensure that it manages within its budget so as not to exceed the operational costs levy.
 - An update on the company’s progress, financial performance, budget forecasts and results are reported in the management information report submitted to each Board meeting.
 - Senior management meet regularly with the Chief Executive and Chief Financial Officer to discuss business progress. Management accounts are reviewed regularly.
 - There is shareholder oversight of financial management as set out in the Framework Document and the Finance and Reporting Letter from the shareholder to the company dated 1 August 2014, including monthly reporting.
 - The company is required to comply with the requirements set out in the Framework Document and the Finance and Reporting Letter, including the requirement to comply with the relevant requirements in HM Treasury guidance entitled “Managing Public Money”.²²

Operational

- The executive leadership team meets on a monthly basis to review the operations of the company, its delivery, progress, issues and challenges. The Chief Executive has regular meetings with each member of the executive leadership team.
- The Chief Executive and the executive leadership team meet with appropriate regularity with the shareholder and other stakeholders.
- The operational, legal and other functional teams work closely together to ensure the appropriate interfaces and

- communication in relation to CfD management, with the governance, internal decision making, and critical processes being documented.
- The company reports on its significant matters relating to its operational activities at each Board meeting, including CfD management matters.
 - The Board decides on matters falling within the schedule of reserved matters (e.g. financial commitments over the specified threshold) or otherwise raised to it for decision.

Procurement

- The company has in place an effective procurement policy which requires it to procure all goods and services in compliance with the relevant requirements in Managing Public Money, Cabinet Office controls and the public procurement regulations.
- The company is required to carry out procurement and project appraisal objectively and fairly, using cost benefit analysis and generally seeking good value for money.

Legal and compliance

- There is a system for monitoring and embedding compliance, including by company policies and procedures as well as training and guidance to support compliance (e.g. relating to anti-bribery, whistleblowing, data protection, anti-money laundering, health & safety and other legislative and good practice requirements). External obligations are driven primarily by key legal, statutory and regulatory requirements.
- The company expects the highest standards from all employees and supply chain.
- The company considers and implements the requirements

- of the Alexander Tax Review in relation to the retention of consultants.²³

Treasury management

- The Finance department:
 - Operates within policies agreed by the Audit, Risk and Assurance Committee
 - Uses its resources efficiently, economically and effectively, avoiding waste and extravagance
 - Uses management information systems to gain assurance about value for money and the quality of delivery and so make timely adjustments
 - Uses internal and external audit to improve its internal controls and performance.

Insurance

- Appropriate insurance is in place, with insurance cover being reviewed annually by the Board.



Neil McDermott
Chief Executive and Accounting Officer
10th July 2025

²² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/454191/Managing_Public_Money_AA_v2_-_jan15.pdf
²³ HM Treasury, Review of tax arrangements of public sector appointees, May 2012: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220745/tax_pay_appointees_review_230512.pdf



10

Remuneration report

Remuneration report

Remuneration committee

At year end, this committee comprised Gerard McIlroy (Chair), Regina Finn, Maxine Mayhew and Dan Osgood (shareholder nominated director).

The Framework Document requires that one shareholder nominated director should be a member of the committee. The committee consists of a majority of independent non-executive directors.

The responsibilities of the committee include:

- Setting the overall remuneration policy for the company and reviewing its on-going appropriateness and relevance.
- In setting the remuneration policy, the committee takes into account the specified circumstances that require the prior written consent of the Secretary of State.
- Approving the design of, and determining targets for, any performance related pay schemes operated by the Company and approve the total annual payments made under such schemes
- Obtaining reliable, up-to-date information about remuneration in other companies of comparable scale and complexity.
- Overseeing any major changes in employee benefits structures
- Determining the total individual remuneration package of each executive director, the Company Chair and other designated senior executives in line with the agreed policy and governance documents.
- Approving the salary of all staff (or proposed new staff) whose base salary is or is proposed to be over a specified level
- Ensuring that the remuneration package for employees and

salary levels are appropriately benchmarked and structured as to link rewards to corporate and individual performance and designed to promote the long-term success of the Company.

- Reviewing and approving any disclosure the Company is required to make in respect of pay gaps or disparity.
- Undertaking an annual evaluation of its own performance including a review its constitution and terms of reference and recommend any changes it considers necessary to the Board for approval.
- Setting approach in respect of executive directors and other appropriate senior employees accepting non-executive appointments outside the Company to avoid conflicts of interest.

During the period the committee met four times, in May 2024, June 2024, October 2024 and February 2025 with one written resolution by email in December 2024 and addressed the following matters:

- The committee approved the performance related pay outcomes for 2024/25 as incorporated in the company scorecard
- Company scorecard performance including internal audit assessment and validation 2024/25
- Company scorecard evolution, including framework for 2025/26
- Recruitment and retention
- Succession planning for CEO and direct reports
- Changes to organisational structure
- Proposals for 2025/26 CEO objectives relative to company scorecard

- Employee pay award proposals and market context
- Pay controls
- Executive leadership team and Employee annual incentive scheme award proposals and affordability
- Proposals for in-year recognition awards
- Annual benefits review
- Review and approval of the Remuneration Policy following proposed amendments
- Annual review and proposed changes of committee Terms of Reference and Schedule of decisions
- Remuneration reports for the Annual Report and Accounts for LCCC and ESC including Gender and ethnicity pay gap reporting.
- Committee annual performance review
- The minutes of each meeting are circulated to the Board.

Directors and leadership remuneration

Advice on remuneration for the executive directors and senior leadership team was obtained from benchmarking data provided by Korn Ferry.

No executive director is involved in deciding his or her own individual remuneration.

Public sector reporting bodies have a good practice requirement to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce. An annualised figure has been used to better reflect contractual salary. The annual remuneration of the highest paid director is £333,271 (2023/24: £320,832).²⁴ In 2024/25 this is 4.93 times the median remuneration of the company's workforce (2023/24:

5.2) which is £67,663 (2023/24: £62,000).²⁵ No employees receive salary in excess of the highest paid director.

Procedures for developing policy and determining remuneration

The committee has responsibility for setting the compensation arrangements for the Board and the executive directors. It also sets the broad framework for employee remuneration and benefits. The committee has access to the information it requires and has the authority to obtain the advice of external advisors.

The committee assesses where to position the company in respect of remuneration matters relative to other companies and the requirements of the company's business and operations. The company undertakes an annual benchmarking of employee salaries.

The committee is required under its Framework Document to comply with rules relating to the level of director and staff remuneration. The shareholder's consent is required to any increase in excess of the level specified in these rules.

Statement of remuneration policy

The remuneration policy is to:

- Offer a suitable package to attract, motivate people with the skills and attributes to deliver LCCC's business goals, while recognising the unique nature of the organisation and the requirements of its shareholder in accordance with the Framework Document;
- Help mitigate the business risks associated with poor performance, market movements and employee turnover by being competitive in the market;

Ensure incentive plans are linked to company and individual performance

to encourage high performance from staff employees both at an individual and team level. A range of methods are used to ensure that the levels of compensation are appropriately benchmarked against external organisations.

Pay review

After carefully considering the performance of the executive directors and other staff, the range of salaries offered to other staff and relevant market reference points including inflation, the committee approved a general pay review increase of 5% for all staff with the exception of the executive directors who received 4% effective from 1 April 2024 with the specific amount to be awarded dependent on the company's remuneration policy and/ or other approvals. The company is required to obtain the consent of the shareholder prior to the implementation of any increase which would be above the level specified in the Framework Document.

Executive directors

The remuneration of the executive directors (being the Chief Executive and Chief Financial Officer) has been designed to promote the long-term success of the company. Their respective earnings in the financial year consisted of a base salary plus taxable benefits (for example permanent health insurance, private medical cover (Chief Executive only) and life assurance); a defined contribution pension scheme; and an incentive bonus. The bonus links corporate and individual performance with an appropriate focus on delivery targets and the balance between short- and long-term elements. The committee, based on an assessment of individual and company performance against key objectives, agreed a bonus for 2024/25 (will be paid in mid-2025) for the Chief Executive and the Chief Financial

Officer. The details of these bonuses are set out below.

Neil McDermott (Chief Executive) and George Pitt (Chief Financial Officer) are the relevant executive directors for the period. Pension benefits disclosed relate to both employer contributions to personal pension schemes and cash paid in lieu of pension contributions in accordance with employment contract arrangements.

24 The total remuneration figure includes salary, non-consolidated performance related pay and benefits-in-kind. It does not include severance payments, employer pension contributions, cash payments in lieu of pension contributions and the cash equivalent transfer value of pensions.
25 It should be noted that while the median calculation for 2024/25 includes all salary, performance bonuses and benefits payable to staff members, not all staff members will receive a bonus. The reason for this is that a number of staff members may not have been with the company for the qualifying period or may have given notice and are no longer employed prior to year-end. It is also true that staff who are not considered to have met performance requirements will not receive a bonus.

Executive Directors' Remuneration (audited)

Member attendance record during 2024/25

Name	Year paid	Salary	Performance Related Pay (Bonus)	Taxable Benefits	Pension Payments	Total
Neil McDermott	Remuneration paid in 2024/25	2024/25: £272,621	2024/25: £50,254	2024/25: £10,396	2024/25: £27,243	2024/25: £360,514
	Remuneration paid in 2023/24	2023/24: £261,957	2023/24: £48,400	2023/24: £10,475	2023/24: £26,196	2023/24: £347,028
George Pitt	Remuneration paid in 2024/25	2024/25: £181,202	2024/25: £33,425	2024/25: £256	2024/25: £18,120	2024/25: £233,003
	Remuneration paid in 2023/24	2023/24: £174,233	2023/24: £30,701	2023/24: £570	2023/24: £17,423	2023/24: £222,927

The remuneration paid in 2024/25 includes the performance-related incentives from the financial year 2023/24. As performance-related incentive bonuses are only approved for payment and paid in the year following the year to which they relate, any bonus relating to 2024/25 is not paid until mid-2025/26. Such bonuses are £53,533 for Neil McDermott and £35,606 for George Pitt.

Non-executive director fees

Fees are payable to all non-executive directors, except the shareholder nominated directors. The company provides services to ESC, and, for reasons of synergy, operational efficiency and cost effectiveness, the Board of directors of the company and ESC are identical. The fees paid to directors therefore relate to work for both companies. The fees

are paid by the company, with the appropriate amount relating to ESC being recovered under the “recharge” arrangements described in note 2.5 to the financial statements.

Levels of remuneration for the remunerated independent non-executive directors reflect the time commitment and responsibilities

of the role and remain unchanged. The shareholder nominated (or “governmental”) directors are not paid by the company. No director is involved in deciding his or her own remuneration.

Name	2024/25 Fees ^{26 27}	Principal positions held elsewhere at 31 March 2025 ²⁸
Amanda Aldridge	£30,000 plus £401.00 in relation to expenses 2023/24: £30,000 plus £185.57 in relation to expenses	<ul style="list-style-type: none"> ESC – non-executive director Helical plc – non-executive director Staffline Group Plc – non-executive director The Brunner Investment Trust plc – non-executive director The Letchworth Garden City Educational Trust (Formerly St Francis College Trust) – director and trustee Care REIT plc – non-executive director
Regina Finn	£100,000 (including £12,000 relating to ESC) plus £2919.64 in relation to expenses 2023/24: £100,000 (including £12,000 relating to ESC) plus £2,247.10 in relation to expenses	<ul style="list-style-type: none"> ESC – chair Origin Housing 2 Limited – non-executive director Origin Housing Limited – non-executive director National Grid Electricity Distribution Plc – chair of independent scrutiny panel Motor Fuel Group Ltd – non-executive director Chorus Homes Group Ltd – non-executive director Chorus Homes Ltd – non-executive director Cotman Housing Association Ltd – non-executive director Derwent Housing Association – non-executive association Places for People Group Ltd – non-executive director Places for People Homes Ltd – non-executive director Places for People Living + Ltd – non-executive director Places for People Ventures Ltd – non-executive director Places for People Ventures Operations Ltd – non-executive director Lucerna Partners Ltd – director
George Pitt	N/A	<ul style="list-style-type: none"> ESC – Chief Financial Officer and director Worshipful Company of Armourers and Brasiers – audit and risk committee member Pitt Consulting Ltd – director

²⁶ This column shows the only form of remuneration that each non-executive director receives from LCCC. LCCC receives 12% of the directors' fees from ESC under its re-charge arrangements with ESC (other than in respect of Regina Finn where the amount relating to ESC is as stated) – see note 2.5 to the financial statements.

²⁷ The expenses disclosed in the current financial year are grossed up and no tax is paid by LCCC.

²⁸ For members who left during the year, positions are shown as held at the time of their tenure.

Name	2024/25 Fees ^{26 27}	Principal positions held elsewhere at 31 March 2025 ²⁸
Steph Hurst	£nil (shareholder nominated director – civil servant)	<ul style="list-style-type: none"> Department of Energy Security and Net Zero – Deputy Director, Net Zero Buildings: Domestic ESC – non-executive director
Neil McDermott	N/A	<ul style="list-style-type: none"> ESC – Chief Executive and director Department for Science, Innovation and Technology (DSIT) Investment Committee – independent member
Chris Murray (Retired 25/06/2024)	£6,961.54 plus £457.13 in relation to expenses 2023/24: £30,000 plus £4,965.53 in relation to expenses	<ul style="list-style-type: none"> ESC – non-executive director APX3 Limited – director LOROS Commercial Innovations Limited – director LOROS (Leicestershire Hospice) – trustee Water Resources Southeast – chair Multiple Sclerosis Society – non-executive director MSS (Trading) Limited – director Northern Powergrid Limited – chair of independent stakeholder group
Maxine Mayhew	£35,000.04 plus £947.56 in relation to expenses 2023/24: £35,000 plus £3,028.48 in relation to expenses	<ul style="list-style-type: none"> ESC – non-executive director Hazrem Environmental Ltd – director Biffa Waste Services Limited – director Biffa Municipal Limited – director Biffa Environmental Municipal Service Limited – director Company Shop Limited – director
Gerard McIlroy	£28,647.42 plus £2,249.08 in relation to expenses 2023/24: £25,000 plus £1,891.30 in relation to expenses	<ul style="list-style-type: none"> ESC – non-executive director Moyle Holdings No.2 Limited – Director West Transmission Financing plc – director WTL Holdings Limited – Director PRISMA European Capacity Platform GmbH – non-executive director West Transmission Limited – director Moyle Interconnector (Financing) plc – director Mutual Energy Limited – director Moyle Interconnector Limited – director Premier Transmission Limited – director Belfast Gas Transmission Limited – director Interconnector Services (NI) Limited – director Moyle Holdings Limited – director Northern Ireland Gas Transmission Holdings Limited Belfast Gas Transmission Holdings Limited – director Premier Transmission Holdings Limited – director Belfast Gas Transmission Financing plc – director Premier Transmission Financing plc – director

Name	2024/25 Fees ^{25 26}	Principal positions held elsewhere at 31 March 2025
Helen Lamprell (Resigned: 31/10/2024)	£14,583.31 2023/24: £25,000	<ul style="list-style-type: none"> ESC – non-executive director Employers Initiative on Domestic Abuse – trustee Aveva Solutions Limited – Director Aveva Group Limited – General Counsel and Co Sec
Dan Osgood	£nil (shareholder nominated director – civil servant)	<ul style="list-style-type: none"> Department of Energy Security and Net Zero – Director, Energy Markets & Analysis (also responsible for Electricity Security Policy, Capacity Market and Review of Electricity Market Arrangements ESC – non-executive director
Joanna Coleman (Start date: 06/06/2024)	£20,384.58 plus £1,451.94 in relation to expenses	<ul style="list-style-type: none"> ESC – non-executive director 2030 Clean Power Mission Control – advisory commissioner Guernsey Electricity Ltd – non-executive director Northern Powergrid – chair of DSO review panel and member of independent stakeholder group British Geological Survey – non-executive director



11

Independent auditor's report

Independent auditor’s report

Opinion on financial statements

I have audited the financial statements of Low Carbon Contracts Company Ltd (“the company”) for the year ended 31 March 2025 which comprise the company’s:	<ul style="list-style-type: none">the related notes including the significant accounting policies. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and the UK adopted International Accounting Standards.	as at 31 March 2025 and of the result for the year then ended;
<ul style="list-style-type: none">Statement of Financial Position as at 31 March 2025;Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity for the year then ended; and	In my opinion the financial statements: <ul style="list-style-type: none">give a true and fair view of the state of the company’s affairs	<ul style="list-style-type: none">have been properly prepared in accordance with the UK adopted International Accounting Standards; andhave been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial	transactions recorded in the financial statements conform to the authorities which govern them.
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Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), applicable law and Practice Note 10 ‘Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2024)’. My responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of my report.	Those standards require me and my staff to comply with the Financial Reporting Council’s Revised Ethical Standard 2024. I am independent of the company in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.	I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.
		The framework of authorities described in the table below has been considered in the context of my opinion on regularity.

Framework of Authorities	
Authorising legislation	<ul style="list-style-type: none">Energy Act 2013 and Energy Act 2023Contracts for Difference (Counterparty Designation) Order 2014Companies Act 2006The Carbon Dioxide Transport and Storage Revenue Support (Directions and Counterparty) Regulations 2024The Contracts for Difference (Electricity Supplier Obligations) (Amendment) Regulations 2024Nuclear Energy (Financing) Act 2022
Parliamentary authorities	<ul style="list-style-type: none">Contracts for Difference (Electricity Supplier Obligations) Regulations 2014
HM Treasury and related authorities	<ul style="list-style-type: none">Articles of AssociationFramework Agreement between the company and the Secretary of State for Energy Security and Net ZeroManaging Public Money and Cabinet Office spending controls (to the extent they are applicable to the company under the Framework Agreement)

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the company’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.	of the Low Carbon Hydrogen Agreement (LCHA), Dispatchable Power Agreement (DPA), and Revenue Support Agreement (RSA); and	Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.
My evaluation of the director’s assessment of the entity’s ability to continue to adopt the going concern basis of accounting included:	<ul style="list-style-type: none">obtaining and reviewing evidence of the funding arrangements agreed with the Department for Energy Security and Net Zero for the new schemes beginning after 1 April 2025.	In relation to the entities reporting on how they have applied the UK Corporate Governance Code, I have nothing material to add or draw attention to in relation to the directors’ statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.
<ul style="list-style-type: none">reviewing the provisions of the legislation under which the company collects the levies it uses to fund operational and contracts for difference (CfD) scheme costs;considering the internal business planning and forecasting process relevant to operating costs;obtaining and reviewing evidence of the funding arrangements agreed with the Department for Energy Security and Net Zero for the new schemes recognised in 2024-25 where LCCC have committed to potential future outflows, including in respect	<p>I consider the key aspects of management’s assessment to be their view that:</p> <ul style="list-style-type: none">there is minimal cash flow risk arising from the company’s role as counterparty to CfDs as a result of the statutory ‘pay when paid’ mechanism, and to the new schemes recognised in-year, including the LCHA for which a deferred liability has been recognised in 2024-25; andthere are funding options available to the company to meet their obligations as they fall due.	My responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Overview of my audit approach

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters.

This is not a complete list of all risks identified though the course of my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around payments to generators, which I identified as a significant risk

due to the high value of payments. I have also not included information relating to the work I have performed in response to the presumed risk of management override of controls which I identified as a significant risk in accordance with the requirements of ISA (UK) 240 The Auditor's Responsibility Relating to Fraud in Financial Statements. For both areas, my work has not identified any matters to report.

The key audit matters were discussed with the Audit, Risk, and Assurance Committee; their report on matters that they considered to be significant to the financial statements is set out on pages 87-138.

In this year's report the following changes to the risks identified have been made compared to my prior year report:

- I identified significant risks in relation to the accounting treatment for several new schemes to which LCCC has become counterparty to in 2024-25. These include: the

Dispatchable Power Agreement; the Revenue Support Agreement; and the Low Carbon Hydrogen Agreement. These significant risks are communicated as key audit matters below.

- I identified a significant risk (which I did not consider to be a key audit matter) in relation to the completeness of accounting for financial instruments in the company's financial statements. I identified a similar risk in the prior year, however the current-year risk reflects more recent developments, including: the post-year-end Hornsea 4 discontinuation announcement, a material CfD liability (although this was not known at year-end, it may indicate similar issues with other liabilities); the signing of new material contracts in Allocation Round 6 (AR6) and the risk that CfDs are incomplete and the associated valuation is inappropriate. My work in this area has not identified any matters to report.

- recognised in the Statement of Financial Position as a change in the assessed fair value of the CfD in year, with the remainder continuing to be deferred.

As disclosed in notes 4.1, 4.2 and 23.4 to the financial statements:

- The company determines the fair value of CfDs using an income (discounted cash flow) approach which requires the company to estimate future payments which the company will make to, or receive from, generators. These payments are calculated for each unit of electricity generated as the difference between the contractual strike price and the wholesale price of electricity. The fair value model requires the company to estimate future electricity wholesale prices and forecast electricity generation volumes – these are material assumptions with a large degree of uncertainty around the outcome of future events.
- The forecasting of wholesale electricity prices requires making assumptions regarding significant unobservable inputs including: future electricity demand; future commodity prices; future government policy; and the development and deployment of electricity generation technologies. The company has used an independent industry recognised wholesale electricity price series

for their CfD valuations. The choice of future electricity price series is the most sensitive assumption in the CfD model.

- The forecasting of future electricity generation volumes involves making certain material assumptions with regards to significant model inputs including:
 - For the HPC CfD, the forecast HPC generation schedule and the estimated start dates for reactors one and two of the Hinkley Point C power station. The company has used the generation profile provided by NNB Generation Company (HPC) Limited. The currently estimated start dates for both HPC reactors means that generation is expected to fall outside of their respective Target Commissioning Windows, resulting in contract erosion.
 - For all CfDs, the estimated power output or 'load factor' of each generation project. . Management use average historic outputs for generators with no generation history, and are informed by industry experts in creating generation schedules for HPC.
 - Additionally, the HPC CfD includes a clause which adjusts the contractual strike price if a CfD in relation to Sizewell C is entered into before the reactor one start date. The company has assessed the likelihood of this occurring at 85% in March 2025,

increased from 75% in March 2024.

- The forecast cash flows are discounted using a real discount rate based on the HM Treasury nominal rate adjusted by OBR CPI inflation forecasts.

The uncertainties inherent in determining the fair value of CfDs, including the sensitivity of the valuation of CfDs to the choice of all material assumptions, are further discussed in the disclosures made in note 23.4 and 23.5 to the financial statements.

I have assessed the fair value measurement of the company's CfDs to be an area of significant risk for my audit due to: the sensitivity of the fair value estimate to input or calculation error; the high degree of estimation uncertainty inherent in forecasting electricity generation volumes and wholesale electricity prices into the late 2030s (for CfDs excluding the HPC CfD) and into the 2060s (for the HPC CfD); and the subjectivity involved in selecting the most appropriate assumptions, including highly uncertain assumptions around the occurrence of future events such as the HPC and Sizewell C start dates, that conform to the principles of fair value.

Valuation of 'standard' Contracts for Difference (CFDs)

Description of risk

The Statement of Financial Position contains highly material CfD assets and liabilities, which present a risk of material misstatement arising from both their significant value and the degree of uncertainty inherent in forecasting generation volumes and wholesale prices into the future, which require significant, complex, and subjective judgements. I consider the fair value measurement of CfDs could be materially misstated due to: the use of inappropriate data; the application of inappropriate assumptions; errors in the design or operation of the valuation model; or insufficient or inappropriate disclosure of estimation uncertainty.

The risk is inherently greater for the Hinkley Point C (HPC) CfD than for 'standard' CfDs due to: its significance to the financial

statements; it relying on forecasting over a much longer timescale in comparison to 'standard' CfDs: and the contract containing numerous clauses and conditions whose forecasted impact can materially alter the lifetime valuation of the HPC CfD.

The company accounts for Contracts for Difference (CfDs) as financial instruments measured at fair value through profit or loss. As disclosed in note 23 to the financial statements:

- management has estimated the total (net) fair value of CfDs (excluding the Hinkley Point C CfD) to be -£40,569 million at 31 March 2025. This includes 32 CfDs with a total estimated positive fair value of +£3,022 million and 330 CfDs with a total estimated negative fair value of -£43,591 million.

- the Statement of Financial Position recognises, as an asset or liability, the change in the assessed fair value of CfDs since their initial recognition (adjusted for the amortisation of the 'day one' deferred measurement difference and any payments to/ from generators). Management has recognised financial liabilities and financial assets arising from CfDs (excluding the Hinkley Point C CfD) of -£13,783 million and +£5,090 million respectively at 31 March 2025.
- management has estimated the fair value of financial liabilities arising from the Hinkley Point C (HPC) CfD to be -£49,836 million at 31 March 2025, of which -£6,689 million has been

How the scope of my audit responded to the risk

I assessed the design and implementation of the company's controls over the valuation of CfDs. This included both the controls operated by the company's shared service provider, EMRS, over the completeness and accuracy of generation data used in management's model, and the controls operated by the company over the governance of changes to the model and selection of assumptions.

I assessed the accuracy of management's model through independent reperformance. I found that management's model accurately calculated the CfD valuation using the model inputs and assumptions. To gain substantive assurance over management's estimates for the HPC CfD and for other CfDs I reviewed the appropriateness of the forecast future cashflows estimated by management, including consideration of management bias in selecting

inputs and assumptions. To support this, I:

- Verified contractual inputs, including the initial recognition of new Allocation Round 6 contracts, back to source documentation.
- Assessed the accuracy of management's model through independent reperformance, utilising our in-house modelling experts.
- Reviewed management's

assessment of the impact of changes in estimate due to improvements in modelling and assumptions in-year;	- the reasonableness of generation estimates, including the forecast HPC generation schedule, and assumptions around load factors; and	including sensitivity disclosures.
<ul style="list-style-type: none">Assessed and challenged, including in consultation with independent industry experts for a selection of assumptions:- the reasonableness of the future electricity market price model input;- appropriateness of load factors for non-nuclear CfDs.	- the reasonableness of the company's assumptions around the HPC start date and the likelihood of the occurrence of the Sizewell C strike price adjustment.	
	<ul style="list-style-type: none">Evaluated the accuracy and sufficiency of CfD disclosures,	

Key observations

I found that the controls supporting the implementation of the new valuation model were not adequately designed and implemented.

I am satisfied that the CfD model contains materially accurate inputs, the model has calculated the valuation appropriately and that the impact of changes in modelling are appropriately accounted for in the current year.

Following my review of the assumptions underpinning the fair value model, I am content that management has made a reasonable estimate, within a material range of estimation uncertainty. I am content that, alongside the associated sensitivity analysis disclosed, management's valuation is fairly presented and disclosed.

Accounting for New Schemes – Dispatchable Power Agreement and the Revenue Support Agreement.

Description of risk

In 2024-25, LCCC signed contracts to become the counter-party to a number of new schemes, including the Dispatchable Power Agreement (DPA) and the Revenue Support Agreement (RSA). The accounting treatment for these new schemes has been assessed for the first time in 2024-25.

This assessment includes whether the appropriate recognition point, the valuation method and the disclosures have been identified for each scheme. These valuations, where quantifiable, employ a series of inputs and assumptions with increased complexity arising from relative infancy of the underlying markets in which the schemes operate, and therefore a lack of historic data to inform management's judgements. The accounting treatments of these new schemes have been determined

by the relevant contractual terms, principally whether these schemes are recognised or only disclosed in the 2024-25 financial statements.

This risk over the DPA and RSA has been recognised due to: the contracts being novel and containing significant differences to the existing 'standard' CfDs; the contracts and associated accounting requiring a full assessment in-year; and the risk that 2024-25 financial statements may include, for both schemes, inappropriate accounting, recognition, valuation and disclosure.

We also recognise the possibility of additional schemes being signed after the year-end, triggering the need for disclosure.

As disclosed in notes 27 and 28 to the financial statements:

- A contingent liability has been disclosed in respect of LCCC's commitment to the DPA, specifically the Availability Payment mechanism, which compensates the generator for maintaining the availability of its facility to generate electricity and capture carbon dioxide, regardless of whether the facility is actively dispatching power. This represents a financial liability that will be recognised at amortised cost once the condition of plant availability is met – until that point, the obligation is considered contingent on future events not wholly within the control of LCCC, such as the generator achieving operational readiness and meeting the availability criteria. An estimated future expense of

£7.72bn has been disclosed as a contingent liability.	the equity gain share as the future occurrence of conditions resulting in potential payment is predicated on numerous unpredictable factors. LCCC consider the potential impact to be immaterial at the reporting date.	the Commercial Operations Date (COD) currently scheduled for 19 February 2029, or revenue underperformance. LCCC do not consider that the amount of any potential payment can be reliably estimated.
<ul style="list-style-type: none">An immaterial variable payment is estimated to be made during the tenure of the DPA contract, with an initial fair value of nil. The variable payment is considered a harder to value financial instrument measured using unobservable inputs.A potential future payment from the generator to LCCC – the 'equity gain share' – designed to share financial upside if the project performs better than expected. LCCC consider no adjustments are required for	<ul style="list-style-type: none">A contingent liability has also been disclosed in respect of LCCC's commitment to the RSA, providing financial support in the event of revenue shortfalls during the Event of First User Delay and the Operational Period. The future recognition of a liability is contingent on the occurrence of user delays beyond	

How the scope of my audit responded to the risk

To gain assurance over the appropriate recognition and accounting treatment of the new schemes:

- I assessed the design and implementation of controls relevant to the assessment of accounting treatments and development of valuations pertaining to the DPA and RSA contracts.
- I assessed and challenged, in consultation with independent

experts, LCCC's proposed accounting treatments in relation to relevant clauses within the DPA and RSA contracts.

- I reviewed the model supporting the amount disclosed as a contingent liability in respect of the DPA. My work included testing the input variables, assessing key assumptions with the help of independent sector experts and an independent reperformance of the model.

- I confirmed that an unquantifiable contingent liability was appropriate to disclose in respect of the RSA.
- I assessed the associated disclosures in the financial statements for both the RSA and DPA, including specific elements of the material accounting policies.

Key observations

I am satisfied that the accounting policies and disclosures within the financial statements in respect of the DPA and RSA, in so far as relevant to the 2024-25 financial year, are appropriate and materially accurate. I am also satisfied that the controls I reviewed were designed and implemented appropriately.

I identified one scheme signed after year-end which required disclosure in the 2024-25 financial statements. This is disclosed in note 29 to the financial statements.

Accounting for New Schemes – Low Carbon Hydrogen Agreement.

Description of risk

In 2024-25 LCCC signed contracts to become the counter-party to a number of new schemes, including the Low Carbon Hydrogen Agreement (LCHA, ‘Green Hydrogen’). The accounting treatment for this new scheme has been assessed for the first time in 2024-25.

In January 2024, LCCC became counterparty for eleven Green Hydrogen contracts awarded in Hydrogen Allocation Round 1; at 31 March 2025, five out of the eleven Green Hydrogen contracts awarded had been formally signed, with a fair value of £1,243 million. A further five contracts were signed during the post balance sheet period, valued at £932m.

This assessment includes whether the appropriate recognition point, valuation method and disclosures have been identified for LCHA. The valuation employs a series of inputs and assumptions, with increased complexity arising from relative infancy of the underlying hydrogen market and therefore a lack of

historic data to inform management's judgements. The accounting treatment of this new scheme has been determined by the relevant contractual terms of the LCHA.

This risk has been recognised due to: the contracts being novel and containing significant differences to the existing ‘standard’ CfDs; the contracts and associated accounting requiring a full assessment in-year; and the risk that 2024-25 financial statements may include inappropriate accounting, recognition, valuation and disclosure.

As disclosed in notes 4.1 and 26 to the financial statements:

- The fair value of the Green Hydrogen agreements is calculated as the difference between the Strike Price and the Achieved Sales Price. The LCCC valuation assumes this achieved sales price will align with the natural gas price, as the market develops, giving rise to significant payments being

forecasted per unit of volume.

- The series of periodic net operating expense are discounted using a real discount rate based on the HM Treasury nominal rate adjusted by OBR CPI inflation forecasts.
- Management make certain assumptions about the model inputs, including cash flows, the discount rate, credit risk and volatility.
- The LCCC valuation assumes that the green hydrogen projects are feasible, load factors will be achieved and that offtaker (customer) agreements will be in place with green hydrogen producers to support the sales volumes forecasted.
- The sensitivity disclosures note that changes in the assumptions will not be material in 2024-25, due to the low number of green hydrogen contracts signed, but that these are likely to be more pronounced as the portfolio increases.

How the scope of my audit responded to the risk

To gain assurance over the appropriate recognition and accounting treatment of the new schemes:

- I assessed the terms and conditions contained in the LCHA contract and LCCC’s proposed accounting treatments.
- I assessed data inputs for LCCC’s new model, agreeing these to the relevant source data and assessing the appropriateness of the choices of data used by LCCC.
- I assessed the significant assumptions made by LCCC in relation to the valuation. This included consulting an external energy market expert to assist us in assessing the reasonableness of the assumption that the natural gas floor price would be an appropriate proxy for the sales

price achieved.

- I reviewed the relevant model supporting 2024-25 valuations, including reperformance of the model where applicable.
- I confirmed that the day 1 valuation was materially appropriate and its full deferral is appropriate so that there is no impact on SoFP for 2024-25.
- I assessed the sufficiency and appropriateness of the disclosures and sensitivities contained in the financial statements.

Key observations

I found that the controls around the recognition and valuation of the green hydrogen contracts were designed and implemented appropriately.

I found that management’s model accurately calculated the Low Carbon Hydrogen Agreement valuations using the model inputs and assumptions.

I am satisfied that the assumptions employed by management are

materially appropriate.

I identified one scheme signed after year-end which required disclosure in the 2024-25 financial statements. This is disclosed in note 29 to the financial statements.

Application of materiality

Materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material

misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on my professional judgement, I determined overall materiality for the company’s financial statements as a whole as follows:

	Overall financial statement materiality	Lower materiality threshold for account balances and transaction streams not connected to the valuation of the Contracts for Difference and to support my opinion on regularity
Materiality	£1,000 million	£40m
Basis for determining materiality	<p>Materiality has been set with reference to the fair value of the CfDs at the reporting date. The chosen materiality is approximately 1% of the disclosed CfD fair value.</p> <p>Given the range of uncertainty around the valuation of the CfDs, a higher materiality threshold may be acceptable to users of the accounts, however I have applied this lower threshold in the context of the impact of the deferral of ‘day one’ losses which results in amounts less than the total estimated fair value being recognised on the company balance sheet. In my professional judgement, the users of the financial statements could reasonably expect a precision of at least +/- £1 billion on the balances recorded in the primary statements.</p>	<p>Approximately 2% of the combined value of gross operating expenditure and payments to CfD generators.</p>
Rationale for the benchmark applied	<p>I chose the estimated fair value of the CfDs as the overall account materiality benchmark because I consider it to be of principal interest to users of the financial statements as the company’s primary objective is to manage CfDs.</p>	<p>I determined that for financial statement components unconnected with the valuation of CfDs, misstatements of a lesser amount than overall financial statement materiality could influence the decisions of users of the accounts.</p>

Performance Materiality

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 75% of materiality for the 2024-25 audit (2023-24: 75%). In determining performance materiality, I considered the low level of uncorrected misstatements identified in the previous period.

Total unadjusted audit differences reported to the Audit, Risk, and Assurance Committee have decreased/increased net expenditure/assets by £nil.

Other Materiality Considerations

Apart from matters that are material by value (quantitative materiality), there are certain matters that are material by their very nature and would influence the decisions of users if not corrected. Such an example is any errors reported in the Related Parties note in the financial statements. Assessment of such matters needs to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

I applied the same concept of materiality to my audit of regularity. In planning and performing audit work to support my opinion on regularity and in evaluating the impact of any irregular transactions, I considered both quantitative and qualitative aspects that would reasonably influence the decisions of users of the financial statements.

Error Reporting Threshold

I agreed with the Audit, Risk, and Assurance Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £300k, as well as differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Audit Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements

Audit scope

The scope of my audit was determined by obtaining an understanding of the company’s and its environment, including the entity wide controls, and assessing the risks of material misstatement.

Other Information

The other information comprises the information included in the Annual Report, but does not include the financial statements and my auditor’s report thereon. The directors are responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of

assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material

misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In my opinion the part of the Directors’ Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors’ Report for the financial year for which the financial statements are prepared is consistent with the financial statements;

- the Strategic Report and the Directors’ Report have been prepared in accordance with applicable legal requirements; and
- the information about internal control and risk management systems in relation to financial reporting processes, and about share capital structures, in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is

- consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- Information about the company’s corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which I report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, I have not identified material misstatements:

- in the Strategic Report or the Directors’ Report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA rules.

I have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires me to report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and

the parts of the Directors’ Remuneration Report to be audited are not in agreement with the accounting records and returns; or

Corporate governance statement

The Listing Rules require me to review the Directors’ statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the company’s compliance with the provisions of the UK Corporate Governance Code specified for my review.

Based on the work undertaken as part of my audit, I have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or my knowledge

obtained during the audit:

- Directors’ statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 47;
- Directors’ explanation as to its assessment of the entity’s prospects, the period this assessment covers and why the period is appropriate set out on pages 30;
- Directors’ statement on fair, balanced and understandable set

out on pages 48;

- Board’s confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 60
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 60; and
- The section describing the work of the audit committee set out on pages 55 to 56.

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors’ Responsibilities Statement, the directors are responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the [audited entity] from

whom the auditor determines it necessary to obtain audit evidence.

- preparing financial statements, which give a true and fair view, in accordance with the Companies Act 2006;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- preparing the Annual Report, which includes the Directors’ Remuneration Report, in accordance with the Companies Act 2006; and

- assessing the company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

My responsibility is to audit and report on the financial statements in accordance with the applicable law and International Standards on Auditing (UK) (ISAs (UK)).

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the company’s accounting policies, design of the company’s accounting policies and performance incentives.
- inquired of management, the company’s head of internal audit and those charged with

governance, including obtaining and reviewing supporting documentation relating to the company’s policies and procedures on:

- identifying, evaluating and complying with laws and regulations;
- detecting and responding to the risks of fraud; and
- the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Companies Act 2006, Managing Public Money, the Energy Act 2013, the Energy Act 2023, the Contracts for Difference (Counterparty Designation) Order 2014, and the Contracts for Difference (Energy Supplier Obligations) Regulations 2014;
- inquired of management, the company’s head of internal audit and those charged with governance whether:
 - they were aware of any instances of non-compliance with laws and regulations; and
 - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team and the relevant external energy market and accounting specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the company for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, and bias in management estimates. In common with all audits under ISAs (UK), I am required

to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the company’s framework of authority and other legal and regulatory frameworks in which the company operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the company. The key laws and regulations I considered in this context included Companies Act 2006, Managing Public Money, the Energy Act 2013, the Energy Act 2023, the Contracts for Difference (Counterparty Designation) Order 2014, the Contracts for Difference (Energy Supplier Obligations) Regulations 20142024, The Contracts for Difference (Electricity Suppliers Obligations) (Amendment) Regulations 2024; The Carbon Dioxide Transport and Storage Revenue Support (Directions and Counterparty) Regulations 2024; the Contracts for Difference Regulations 2025; Nuclear Energy (Financing) Act 2022; and the Nuclear Regulated Asset Base Model (Revenue Collection) Regulations 2023; and employment law.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit, Risk, and Assurance Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings

of those charged with governance and the Board and internal audit reports; and

- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at: www.frc.org.uk/auditors responsibilities. This description forms part of my report

Other auditor’s responsibilities

I am required to obtain sufficient appropriate audit evidence to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

S Hussain

Samad Hussain (Senior Statutory Auditor)

11th July 2025

For and on behalf of the Comptroller and Auditor General (Statutory Auditor)

National Audit Office
157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Financial statements and notes to the accounts

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Financial statements and notes to the accounts

Statement of comprehensive income for the year ended 31 March

	Note	2025 £'000	2024 £'000
Other income	6	30,570	25,685
Supplier Obligation Levy	24	(7,328,143)	5,652,571
Fair value movement of CfDs	23.1	7,328,143	(5,652,571)
Staff costs	7	(19,225)	(14,635)
Depreciation	9,10	(618)	(496)
Amortisation	11	(62)	(60)
Other operating costs	8	(10,665)	(10,494)
Profit for the year		-	-
Other comprehensive income for the year		-	-
Total comprehensive income for the year		-	-

All operations are continuing operations. The notes on pages 93 to 138 form part of these accounts.

Statement of financial position as at 31 March

	Note	2025 £'000	2024 £'000
Non-current assets			
Property, plant and equipment	9	278	308
Right-of-use assets	10	3,362	3,533
Intangible assets	11	6,517	2,052
Contracts for Difference	23.1	6,080,220	4,616,532
Supplier Obligation Levy	24	7,702,439	17,228,658
Total non-current assets		13,792,816	21,851,083
Current assets			
Operational costs levy receivable	13	2,751	2,432
Supplier Obligation Levy receivable	12	99,036	172,435
Trade and other receivables	14	2,991	4,965
Cash and cash equivalents	15	595,480	457,075
Total current assets		700,258	636,907
Total assets		14,493,074	22,487,990
Current liabilities			
Operational costs levy payable	16	(10,507)	(8,172)
Supplier Obligation Levy and generators payments payable	17	(628,222)	(567,748)
Trade and other payables	18	(63,510)	(61,667)
Loans and borrowings	19	(536)	(250)
Lease liabilities	20	(390)	(325)
Total current liabilities		(703,165)	(638,162)
Non-current liabilities			
Contracts for Difference	23.1	(13,782,659)	(21,845,189)
Deferred Income	18	(2,197)	(691)
Loans and borrowings	19	(1,768)	(533)
Lease liabilities	20	(3,151)	(3,290)
Provisions		(134)	(125)
Total non-current liabilities		(13,789,909)	(21,849,828)
Total liabilities		(14,493,074)	(22,487,990)
Net assets		-	-
Shareholders' equity and other reserves			
Share capital	25	-	-
Retained earnings		-	-
Total equity		-	-

The notes on pages 93 to 138 form part of these accounts. The financial statements were approved by the Board of directors on 9th July 2025 and signed on its behalf on 10th July 2025 by:


Neil McDermott
Chief Executive Officer


George Pitt
Chief Finance Officer

Statement of changes in equity for the year ended 31 March

	Share capital £'000	Retained earnings £'000	Total equity £'000
As at 31 March 2023	-	-	-
Share capital issued	-	-	-
Total comprehensive income for the year	-	-	-
As at 31 March 2024	-	-	-
Share capital issued	-	-	-
Total comprehensive income for the year	-	-	-
As at 31 March 2025	-	-	-

As at 31 March 2025 the company has one authorised ordinary share, issued and fully paid.

The notes on pages 93 to 138 form part of these accounts.

Statement of cash flows for the year ended 31 March

	Note	2025 £'000	2024 £'000
Cash flows from operating activities			
Profit for the year		-	-
Adjustments to reconcile profit for the year to net cash flows:			
<i>Reversal of non-cash incomes and expenses:</i>			
Movement in supplier obligation levy	24	7,328,143	(5,652,571)
Fair value movement of CfDs	23.1	(7,328,143)	5,652,571
Depreciation of property, plant and equipment	9, 10	618	496
Loss on disposal of property, plant and equipment		-	-
Amortisation of intangible assets	11	62	60
Increase in deferred income	18	1,506	691
<i>Working capital adjustments:</i>			
Decrease/(Increase) in operational costs levy receivable	13	(320)	(475)
Decrease/(Increase) in Supplier Obligation Levy receivable	12	73,399	76,856
Decrease/(Increase) in trade and other receivables	14	1,974	(2,696)
(Decrease)/Increase in operational costs levy payable	16	2,335	(1,015)
(Decrease)/Increase in Supplier Obligation Levy and generators payments payable	17	60,474	40,517
(Decrease)/Increase in trade and other payables	18	1,842	9,913
Net cash inflow from operating activities		141,890	124,347
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(155)	(235)
Purchase of intangible assets	11	(4,525)	(1,494)
Net cash outflow from investing activities		(4,680)	(1,729)
Cash flows from financing activities			
Proceeds from loans and borrowings	19	1,761	171
Repayment of loans and borrowings	19	(241)	(172)
Repayment of lease liabilities	20	(325)	(259)
Net cash inflow/(outflow) from financing activities		1,195	(260)
Net (decrease)/increase in cash and cash equivalents in the year		138,405	122,358
Cash and cash equivalents at the beginning of the year		457,075	334,717
Cash and cash equivalents at the end of the year	15	595,480	457,075

The notes on pages 93 to 138 form part of these accounts.

Notes to the financial statements

for the year ended 31 march 2025

1. Authorisation of financial statements

The financial statements of Low Carbon Contracts Company Ltd (the “company” or LCCC) for the year ended 31 March 2025 were approved and authorised for issue in accordance with a resolution of the Board on 9th July.

The company is a company limited by shares, incorporated and domiciled in the UK. The company’s registered office is at 10 South Colonnade, London, E14 4PU. The company is unlisted and wholly owned by the Secretary of State (SoS) for Energy Security and Net Zero (the “shareholder”) making it the company’s ultimate controlling party called Department of Energy Security and Net Zero (DESNZ).

1.1 Principal activities

The company was set up to help Great Britain meet its carbon reduction targets by facilitating low carbon investment. Since its incorporation, it has served as the counterparty for Contracts for Difference (CfDs). In the current financial year, the company has expanded its role by signing agreements to act as a counterparty for Low Carbon Hydrogen Agreement (LCHA), Dispatchable Power Agreement (DPA) & Revenue support Agreement (RSA).

In addition to its counterparty responsibilities, LCCC has continued to provide advisory and implementation work on a number of low carbon energy schemes including Industrial Carbon Capture (ICC), Bioenergy with Carbon Capture and Storage (BECCS), Hydrogen/Natural Gas Shippers Obligation, Hydrogen Certification and nuclear Regulated Asset Base model (RAB).

The company will also undertake such other activities that the Board considers to be consistent with the company’s functions, duties, obligations and constitution.

The company and Electricity Settlements Company Ltd (ESC)

currently share a number of common resources to minimise overall costs, but they remain legally separate entities. At present all administrative functions of ESC are provided by the company, with the cost of these functions being recovered by the company through a recharge to ESC (note 2.5).

2. Accounting policies

2.1 Basis of preparation

These financial statements are presented in pounds sterling and all values are rounded to the nearest thousand pounds (£’000).

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the United Kingdom and applied in accordance with the provisions of the Companies Act 2006 applicable to companies reporting under IFRS.

These accounts have been prepared under the historical cost convention as modified for the treatment of financial instruments.

2.2 Going concern

The directors have a reasonable expectation that the company has adequate resources to continue to operate for the foreseeable future. The financial statements are, therefore, prepared on a going concern basis.

In forming this view, the directors note that the company:

- i. applies prudent financial management in order to ensure that its commitments are accommodated within the timing of its collection of its operational costs levy and the Supplier Obligation Levy;
- ii. undertakes a robust and detailed annual business planning and budgeting process to establish its operational cost requirements for each financial year; and
- iii. has considered the potential

impact of credit risk and liquidity risk detailed in note 3.

The day-to-day operational costs of the company are funded by electricity suppliers, as outlined below, under the operational costs levy which is set by the Contracts for Difference (Electricity Supplier Obligations) Regulations 2014 (as amended) and referred to hereafter as the “Regulations”.

The operational costs levy is reset by new amending Regulations and has currently been set to March 2026. In the absence of new regulation, the levy would continue at the same amount as the most recent regulation enabling the company to continue operating.

During the course of a year, the company may, where it identifies that there is likely to be a shortfall in the collection of the operational costs levy against its requirements, request DESNZ to support an in-year adjustment to the applicable operational costs levy rate. Such an adjustment would be subject to public consultation and the making of new regulations in accordance with the same process that applies to the setting of the operational costs levy. The company can also request a working capital loan from DESNZ if there is a shortfall in its operating cash flow.

Payments to CfD generators are funded by suppliers under the Regulations. The terms of the CfD state that the company’s obligation is to pay when paid (i.e. the company has no obligation to pay the generators until it receives adequate funds from suppliers to perform its obligation).

LCCC’s responsibilities have extended into new schemes, with Hydrogen Allocation Round 1 (HAR 1) - Green Hydrogen Agreements, Dispatchable Power Agreement (DPA) & Revenue Support agreement (RSA) being signed in FY 24-25. Additionally, UK Government announced funding for Sizewell C as part of the Spending

Review announcement in June 2025.

Under the Low Carbon Hydrogen Agreement (LCHA), payments to HAR 1 projects will be initially funded by the Exchequer, with the intention to transition to the Gas Shipper Obligation In the future Government has committed to covering revenue support for HAR1 projects until the obligation is in place, with DESNZ confirming its responsibility for funding all LCHAs entered by LCCC during this interim period. First payment is expected in FY 2025/26.

Payments associated with the RSA are HMT funded. Similarly to the Green Hydrogen funding letter, the RSA Secretary of State Direct Agreement (SOSDA) provides security to the counterparty (and LCCC) that if LCCC do not have the funds, HMT will provide them, giving assurance for LCCC going concern. Currently the earliest expected payment under the RSA would be 2028/29.

The DPA is funded using the existing Supplier Obligation levies. The earliest payment is expected in financial year 2028/29 so this is not considered a risk for this going concern assessment.

RAB payments will be funded under the “The Nuclear Regulated Asset Base Model (Revenue Collection) Regulations.” Similarly to the levy used to fund CfD difference payment, this is set in legislation, and suppliers have a legal obligation to pay providing assurance for LCCC Going Concern. It is expected that LCCC will make the first RAB payments to Sizewell C under the RAB in financial year 2025/26.

2.3 Operational costs levy income

Under the Regulations, the company is entitled to recover its operational costs through the operational costs levy (for delivering CfD schemes) on suppliers referred to above. The levy rate charged is based on the company’s budget and the total forecast electricity demand for the financial year. The rate set for the

2024/25 operational costs levy was £0.1089/MWh and was apportioned to suppliers based on the actual electricity they supply in the levy year from 1 April 2024 to 31 March 2025. The operational cost levy has not been amended from 2024/25 so remains at £0.1089/MWh for 2025/26.

As the levy rate is based on estimates of the company’s expenses for the financial year and on the estimated overall amount of electricity supplied over the levy year, the amount collected is unlikely to match actual expenditure. As set out in the Regulations, any surplus at the end of the financial year will be reimbursed to suppliers and is classified as operational costs levy payable under current liabilities. The refund is made as soon as practicable in the following financial year.

The operational costs levy is recognised as ‘other income’ in the financial year to which it relates and is presented net of any operational costs levy repayable to suppliers.

LCCC continues to apply its accounting policy which follows the IFRS Conceptual Framework for Financial Reporting.

The levy is recognised on an accrued basis and is driven by the recognition of operational expenditure. The levy is collected alongside the principal Supplier Obligation Levy (relating to payments to CfD generators) in the same daily invoice using the same settlement systems. The company’s settlement service provider, EMR Settlement Limited (EMRS), administers the collection process.

2.4 CfD Total Reserve Amount and Interim Levy Rate payment

As required by the Regulations, the company collects Supplier Obligation Levy payments from electricity suppliers which comprise two key elements:

- a. an Interim Levy Rate, charged on a daily basis at a fixed £/MWh rate on electricity supplied each

- day across each levy quarter; and
- b. a Total Reserve Amount which is a lump sum ‘reserve’ payment made in respect of each levy quarter at the start of the quarter.

The Total Reserve Amount is the amount the company determines is needed for there to be a 19 in 20 (i.e. 95%) probability of 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;
- c. the estimated income to be received by the company from CfD generators in the quarter;
- d. the estimated amount of electricity to be supplied by suppliers in the quarter; and
- e. the estimated amount the company will need in the quarter to pay CfD generators.

At the end of every quarterly levy period, the company undertakes a reconciliation of suppliers’ payments (i.e. Total Reserve Amount and Interim Levy Rate payment) against suppliers’ CfD liabilities. The amount of the reconciliation payment to be paid to, or by, a supplier in respect of the quarter is:

- a. the total amount payable to the generators, less
- b. the Total Reserve Amount and Interim Levy Rate payment for that period.

Reconciliation payments become due five days after the reconciliation notice is issued, on the same day as the next quarter’s Total Reserve Amount becomes due.

If electricity prices are such that there is an aggregate amount expected to be paid by generators such that LCCC will have sufficient funds during the quarter, then the Interim Levy Rate

is set to zero and funds returned to suppliers during the quarterly reconciliation.

The Interim Levy Rate (£/MWh) is set quarterly and is based on the forecast of the amount expected to be paid to CfD parties in respect of the quarter under every CfD or connected agreement to which the company is, or is likely to become, a party to during the relevant quarter, having regard to the:

- a. estimated payments that the company will need to make to CfD generators in respect to generation during the quarter.
- b. estimated income expected to be received by the company from CfD generators in respect of the quarter; and
- c. estimated amount of electricity to be supplied by suppliers during the quarter.

One of the key factors relating to the collection and recognition of levy payments from suppliers is the date of expected generation of low carbon electricity which will result in the company's payment to generators under the CfDs (see note 2.19 for the recognition of Total Reserve Amount and Interim Levy Rate).

As the levy payments made by suppliers to the company are in advance of the required payments by the company to generators, the company's liability is only to "pay when paid" and additionally 21 days of collateral cover is also required from suppliers, and therefore the credit and liquidity risks are minimal.

2.5 Recharges

ESC is a sister company, also owned by the Secretary of State for Energy Security and Net Zero, which is responsible for managing the Capacity Market settlement process. In order to maximise operational cost efficiency, the company provides certain services to ESC and makes certain payments on its behalf. Typically, this includes common costs such as staff costs, shared

IT infrastructure and the use of shared resources and facilities. The recharge includes costs incurred on those activities which allow ESC to perform its functions in relation to the Capacity Market. Shared overheads are allocated across all schemes for which the company is responsible for.

This recharge is based on an estimate of the time the company's employees will spend on ESC activities during the relevant financial year, together with an appropriate allocation of overhead costs (including rent, service charges, IT infrastructure support and telephony) and a use of asset charge. It also includes a proportion of the salaries of the Board members who divide their time between the two companies. The company undertakes these activities on behalf of ESC and the ESC Board retains responsibility and accountability for the quality and cost of services provided by the company.

The company and ESC are part of the same VAT group; therefore no VAT is charged on recharge income. The company's income is outside the scope of VAT, so it will be unable to recover its input VAT on any of its expenditure.

2.6 Government grants

Grants from the Government are recognised at their fair value when there is a reasonable assurance that the grant will be received, and the company will comply with all the attached conditions.

2.7 Financial Instruments under IFRS 9

2.7.1 Overview

IFRS 9 "Financial Instruments" outlines the accounting treatment for financial instruments, including financial assets, financial liabilities, and certain contracts to buy or sell non-financial items.

2.7.2 Classification:

Under IFRS 9, financial assets are classified into one of the following

categories based on both the entity's business model for managing the asset and the asset's contractual cash flow characteristics:

- Amortized Cost: Financial assets held within a business model with the objective to collect contractual cash flows that are solely payments of principal and interest.
- Fair Value through Other Comprehensive Income (FVOCI): Financial assets where the business model is to both collect contractual cash flows and sell the financial assets.
- Fair Value through Profit or Loss (FVTPL): All other financial assets, including those held for trading.

Financial liabilities are generally measured at amortised cost, except for liabilities that are designated at fair value through profit or loss. LCCC classifies financial assets and measures at amortised cost with the exception of financial assets arising from CfD financial instruments (see note 2.9.2.1).

2.7.3 Recognition and measurement

Financial assets at amortised cost are initially recognised at fair value, subsequently measured at amortised cost using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

2.7.4 Impairment of financial assets

2.7.4.1 Assets carried at amortised cost

The impairment model in IFRS 9 is based on the **expected credit loss (ECL)** approach, which requires earlier recognition of credit losses compared to the incurred loss model under IAS 39. This model applies to:

- Financial assets measured at amortised cost.
- Debt instruments measured at FVOCI.
- Certain loan commitments and financial guarantees.

Entities are required to recognise a 12-month ECL from the date of initial recognition and assess whether the credit risk has increased significantly. If so, the loss allowance is based on lifetime ECL.

Trade and other receivables at amortised cost are considered to be low risk, and therefore the impairment provision is determined as 12 months' expected credit losses.

2.7.5 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash held at bank and is subject to an insignificant risk of change in value. Supplier's credit cover is established to ensure the LCCC's ability to receive payments in case of any non-payment by the Supplier within the CfD scheme. If a Supplier fails to pay the full invoiced amount, EMRS on behalf of LCCC, will draw down on their credit cover. A corresponding payable is then recorded to indicate the amounts due to suppliers if the Credit Cover is not used. Credit Cover is not used to protect the non-payment of the Operational Costs Levy and Late Payment Interest.

2.8 Determination of fair value of financial instruments

The fair values of financial instruments that are not traded in an active market are determined using appropriate valuation techniques. The company uses judgement to select a variety of methods and makes assumptions that are mainly based on market conditions at the end of each reporting period.

The company's policy is to recognise transfers into and out of fair value hierarchy levels at the end of each reporting period as follows:

- Level 1 – quoted active market prices at the end of each reporting period;
- Level 2 – inputs other than quoted market prices which maximise the use of observable market data;
- Level 3 – if one or more of the significant inputs is not based upon

observable market data.

2.9 Recognition and measurement of financial assets & liabilities

2.9.1 Initial Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings and payables as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Financial assets arising from financial instruments are classified, at initial recognition, as financial assets at fair value through profit or loss (FVTPL).

2.9.2 Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

2.9.2.1 Financial liabilities (and assets) at fair value through profit or loss (FVTPL)

Financial liabilities (and assets) at fair value through profit or loss include financial liabilities (and assets) designated upon initial recognition (i.e., when the company becomes party to the contract and the recognition criteria is met, or at a later date if the recognition criteria is subsequently met) as at fair value through profit or loss.

Financial liabilities (and assets) designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition and only if the criteria in IFRS 9 are satisfied.

2.9.2.1.1 Contracts for Difference (CfDs)

CfDs are a mechanism introduced to support new investment in low carbon generation. They have been established as private law contracts between the generator and the company. CfDs are being accounted for as derivatives, hence they are classified as FVTPL and are stated at fair value, with any resultant gain or

loss recognised in the statement of comprehensive income.

The fair value of the CfDs has been calculated using the income approach based on level 3 inputs, which reflects the present value of future cash flows that are expected to occur over the contract term of the CfD. To calculate future cash flows, the company makes its best estimate of the payments which it will be committed to make, if and when the generators supply low carbon electricity in accordance with the contractual terms of the CfD. The company does this using a discounted cash flow model, and also applying inputs and assumptions, to obtain a reliable estimate of future electricity prices which the company concludes results in the fair value measurement. The fair value measurement reflects what a market participant would take into account when establishing the price, and assumes an orderly transaction between market participants, at the measurement date.

The difference between the fair value of the CfD financial instrument at initial recognition (day one) and the transaction price, is deferred unless the calculation can be based on observable inputs which at this point in time is not the case for CfDs.

The deferred difference between the fair value of the CfD financial instrument on day one and the transaction price is amortised on a straight line basis over the relevant payment period of the CfDs, which commences from the earlier of: i) the actual start date of generation or ii) the end of the Target Commissioning Window (TCW) identified in the CfD, as this is the point at which the contractual liability will start to unwind (i.e. it is the point at which the potential payment period under the CfD commences).

The significance of these two dates is that they are the part of the contractual provisions which determine when the right to potential CfD payments starts. The contract

payment period is typically for 15 years, although contracts relating to biomass conversion have an expiration date in 2027 and the bespoke Hinkley Point C contract has a contract payment period of 35 years. CfDs may be signed many years in advance of actual generation. The main benefit to generators is the fact that they can derive economic value from these contracts over the payment period life of the contract.

Typically, if generators start generating within their TCW (which is specified in the contract) then the generation period starts from the date of generation and, subject to all conditions being met, the generator can extract benefit for the full term of the contract. If generators miss the end of their TCW (and it is not extended under the terms of the contract) then the payment life period commences at the end of their TCW even if the generator is not in a position to generate. If the generator does not achieve the required minimum generation capacity by the contractual Longstop Date, the company has a right to terminate the CfD.

After initial recognition, the company recognises the deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

Changes in fair value arising after day one are recognised in the reporting period that they occur and are accounted for in the statement of comprehensive income and in the statement of financial position as they arise.

CfDs which were initially signed by the Secretary of State and subsequently transferred to the company have been recognised at DESNZ's CfD carrying value at the date of transfer. Any day one difference is calculated at the point the CfD was signed by the Secretary of State and is treated in line with

company policy as stated above. Subsequent revaluations of these contracts will also be treated in line with company policy.

The company has designated CfDs at fair value through profit or loss.

2.9.2.1.2 Green Hydrogen

The Hydrogen Production Business Model (HPBM) aims to support hydrogen production in the UK, similar to the CfD for low carbon electricity, with the counterparty being LCCC. Initial funding will be provided by His Majesty's Treasury (HMT), with a Gas Shippers Obligation (GSO) expected in the future. The HPBM will support hydrogen producers awarded a Low Carbon Hydrogen Agreement (LCHA) by paying them a subsidy. This subsidy will be calculated as the difference between a strike price and a reference price, like the current CfD scheme. To qualify, hydrogen production will need to meet the Low Carbon Hydrogen Standard (LCHS) requirements and be sold for qualifying purposes. The LCHS sets a maximum threshold of greenhouse gas emissions allowed in the production process for hydrogen to be considered 'low carbon hydrogen' and be eligible for support.

Generally, LCHA shares similarities with the CfD contract, both lasting 15 years with various initial and operational conditions.

Under the LCHA LCCC is contractually obligated to make three types of payments to hydrogen producers: the Difference Amount (DA) where the difference between the strike price and the sale of hydrogen is calculated, the Price Discovery Incentive (PDI) where if the producer sells hydrogen above the floor prices they will receive a cash incentive, and the Sliding Scale Top-Up (SSTU) which protects the producer should sales volume fall below the sales cap of 50%. Each of these payments has distinct accounting implications under IFRS.

Difference Amount: Is considered a derivative under IFRS 9, hence classified as FVTPL and stated at fair value, with any resultant gains or losses recognised in the statement of comprehensive income. It meets all three criteria: it derives its value from an underlying variable (the gas reference price), requires no initial investment, and is settled at a future date. No payment is made at the time of contract signing; instead, the obligation is triggered once the producer begins hydrogen production and sales and meets all operational conditions.

The fair value of the difference amount has been calculated using the income approach based on level 3 inputs, which reflects the present value of future cash flows that are expected to occur over the contract term. To calculate future cash flows, the company makes its best estimate of the payments which it will be committed to make.

The company does this using a discounted cash flow model, and also applying inputs and assumptions, to obtain a reliable estimate of future hydrogen prices which the company concludes results in the fair value measurement. The fair value measurement reflects what a market participant would take into account when establishing the price, and assumes an orderly transaction between market participants, at the measurement date.

The difference between the fair value of the DA at initial recognition (day one) and the transaction price, is deferred unless the calculation can be based on observable inputs.

The deferred difference between the fair value of the DA on day one and the transaction price is amortised on a straight line basis over the relevant payment period of the contract, which commences from the earlier of: i) the actual start date of production or ii) the end of the Target Commissioning Window (TCW) identified in the contract, as this is the point at which the contractual liability will start to unwind (i.e. it is the point at which the potential payment period under the contract commences).

The significance of these two dates is that they are the part of the contractual provisions which determine when the right to potential DA payments starts. The contract payment period is typically for 15 years. The main benefit to producers is the fact that they can derive economic value from these contracts over the payment period life of the contract.

Typically, if producers commission their plant (start date) within their TCW (which is specified in the contract) then the contract period starts from the start date and, subject to all conditions being met, the producer can extract benefit for the full term of the contract. If producers miss the end of their TCW (and it is not extended under the terms of the contract) then the payment life period commences at the end of their TCW even if the producer is not in a position to trade. If the producer does not achieve the required minimum installed capacity by the contractual Longstop Date, the company has a right to terminate the LCHA.

After initial recognition, the company recognises the deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account

when pricing the asset or liability.

Changes in fair value arising after day one are recognised in the reporting period that they occur and are accounted for in the statement of comprehensive income and in the statement of financial position as they arise.

Price Discovery Incentive: Like the DA, this is also a derivative under IFRS 9. The treatment is similar to DA however in the current valuation, PDI is recognised as nil. Without a live UK tradeable hydrogen market, the hydrogen prices are forecasted to mirror natural gas prices (as per the floor price in the contract) resulting in maximum DA. The sensitivities in note 26.5 looks at scenarios that include PDI should this be triggered and if triggered, future movements will be recognised through FVTPL.

Sliding Scale Top- Up: In contrast, SSTU) is not considered a derivative. It is a variable financial liability based on the volume of hydrogen sold, with payments triggered when sales fall below 50% of the monthly reference volume.

Although the Strike Price used in its calculation is adjusted annually for inflation via the Consumer Price Index (CPI), this adjustment does not introduce derivative-like variability. Therefore, SSTU is treated as a financial liability rather than a derivative. Financial modelling and forecasts do not indicate that SSTU will be triggered so no liability or contingent liability is recognised.

2.9.2.1.3 Dispatchable power Agreement

Dispatchable Power Agreement (DPA) is a contractual framework established under the Energy Act 2013 to support the development and operation of low-carbon, dispatchable power generation facilities in the UK. Under the DPA, the company, acting as the counterparty, enters into long-term agreements with generators. These agreements include two primary payment mechanisms and one potential future receipt.

Availability Payments: Compensate the generator for maintaining the operational readiness of the facility, regardless of whether electricity is dispatched. The Availability Payment is calculated using a fixed rate (indexed annually to CPI), adjusted for the facility's Net Dependable Capacity (the net generating capacity (in MW) of the Facility on a continuous and reliable basis), and availability performance. Although the payment structure is contractually defined and predictable, no payments are due or recognised in the financial year until the generator is not yet operational. The facility is expected to become available during the 12-month TCW beginning on 1 October 2028.

Availability Payments are classified as financial liabilities under IFRS 9, as they represent a contractual obligation to deliver cash. They do not qualify as derivatives, since the only indexation is to CPI, which is considered a standard inflation adjustment and does not introduce derivative-like variability. There is no embedded derivative or speculative element.

At contract inception, LCCC has measured the financial liability at fair value, calculated as the present value of expected future cash flows, discounted using an appropriate market-based rate. The liability will be recognised only when the condition of plant availability is met. Until then, the contingent liability is disclosed in the notes to the financial statements.

Once recognised the liability will be measured at amortised cost using the Effective Interest Rate (EIR) method. Interest expense will be recognised in the Statement of Comprehensive Income over the contract term. The liability will be reduced by actual payments made to the generator. It will be presented as financial liabilities on the Statement of Financial Position.

Availability Payments are funded through the Supplier Obligation Levy under the Energy Act 2013.

Corresponding revenue from the levy will be recognised to offset the expense, ensuring no net impact on LCCC’s profit or loss.

Variable Payments: Compensation based on actual electricity output and market conditions, reflecting the CO2 cost differential between low-carbon and higher-carbon generation. CO2 cost differential measures the facility’s carbon efficiency relative to a benchmark (the Reference Plant), adjusted for the prevailing carbon price.

Variable Payments are conditional and daily settled financial obligations based on:

- Gas Reference Price (GRP) - Derived from Gas GB Day Ahead Contracts
- Carbon Support Price (CSP) - (Published by HM Treasury (in £/ kWh), converted to £/tCO₂e using UK Government GHG conversion factors).
- Carbon Market Reference Price (CMRP) – It is a derived data point used to reflect the effective carbon price in the UK.
- Metered Electricity Output – It is the BM Unit Metered Volume for the Facility during a Settlement Unit, as measured by the Electricity Metering Equipment.

These payments are only triggered when the Generator dispatches electricity ahead of higher-carbon alternatives but after renewables.

Variable Payments meet the definition of a derivative financial instrument under IFRS 9 as it meets all three criteria: Their value is derived from observable market indices (GRP, CSP, CMRP), no initial investment is required, settled at a future date based on actual generation and market prices.

Accordingly, they are classified as financial liabilities at fair value through profit or loss (FVTPL).

At the inception of the agreement, the derivative is recognised at initial fair

value and disclosed in the financial statements.

Subsequently, the Variable Payment is remeasured at each reporting date using a discounted cash flow model that incorporates updated forecasts of electricity generation, gas and carbon prices, and other relevant contractual parameters. Changes in the fair value of the derivative are recognised through profit or loss in accordance with the fair value through profit or loss (FVTPL) classification.

Gain Share: The gain share is a potential future payment from the generator to LCCC, designed to share financial upside if the project performs better than expected. It will be evaluated on either the 5th or 10th anniversary of the earlier of the DPA start date, or the end of the TCW. Currently, it is uncertain whether LCCC will receive this payment. The outcome depends on numerous unpredictable factors, including project performance and cost outcomes.

2.9.2.2 Other financial liabilities

After initial recognition, loans and borrowings are subsequently measured at amortised cost using the EIR method (if material). Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

2.9.3 Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

2.10 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and impairment losses, if any. The company’s capitalisation threshold for property, plant and equipment is £2,000, except for laptops (which are all capitalised irrespective of value) or where an individual asset is part of a group of assets that in aggregate exceed £2,000.

Property, plant, and equipment are depreciated at rates calculated to write them down to their estimated residual value on a straight-line basis over their estimated useful lives. The depreciation expense is charged to the statement of comprehensive income.

Assets are depreciated over the following periods:

	Years
Leasehold improvements	5
IT equipment	3
Furniture and Fittings	10

Right-of-use assets are depreciated or amortised to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The depreciation or amortisation starts at the commencement date of the lease.

Right-of-use assets classified as property, plant and equipment are depreciated over the following periods:

	Months
London Office building & related facilities – 50 desks	131
London Office building & related facilities – 60 desks	108
Birmingham office	60

Residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

2.11 Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses, if any.

Intangible assets have finite lives and are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category that is consistent with the function of the intangible assets.

Intangible assets are amortised over the following periods:

	Years
Settlement System	5
Other IT Software	5

2.12 Leases

2.12.1 Company as a lessee

At the inception of a contract, the company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

2.12.2 Measurement of lease liabilities

Lease liabilities are initially measured at the present value of the contractual lease payments that are not paid at the commencement date, discounted (if material) by using the rate implicit in the lease. If this rate cannot be readily determined, the company uses its incremental borrowing rate. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term.

2.12.3 Measurement of right-of-use assets

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, adjusted for any lease payments made at or before the commencement date, and increased for any initial direct costs. Whenever the company incurs an obligation for costs to dismantle and remove a

leased asset, restore the site on which it is located, or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset.

The company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 2.13.

2.13 Impairment of non-financial assets

Intangible assets are only subject to amortisation to the extent that they are available for use. Intangible assets which are not available for use are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

At each reporting date, the company reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at

the lowest levels for which there are largely independent cash inflows (cash-generating units). Impairment losses are charged to the statement of comprehensive income and prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

2.14 Staff Costs

Under IAS 19, ‘Employee Benefits’, all staff costs are recorded as an expense as the company is obligated to pay them; this includes the cost of any untaken leave as at the reporting date.

2.15 Pensions

The company operates a defined contribution personal pension scheme for eligible employees. Under the defined contribution scheme, the company pays fixed contributions into a fund separate from the company’s assets. Contributions are charged in the statement of comprehensive income when they become payable.

2.16 Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, which can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle that obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The accounting policy allows for an increase in the provision due to the passage of time (time value of money) which would be recognised as an interest expense.

As of 31 March 2025, the company has two provisions, which are for

dilapidations. The dilapidation provision relates to a future liability for dilapidation costs for its leased premises at 10 South Colonnade and Birmingham office. The company is required, at the expiry of the lease term, to return the premises to their previous state and condition, including removing any furniture and fittings installed by the company. In accordance with IAS 37 a provision has been created for the relevant estimated future costs. However, due to the immaterial impact of discounting over the lease period, discounting has not been applied.

2.17 Segmental reporting

The company operates solely within the UK and within one business segment; hence no segmental reporting is required. This is consistent with the internal reporting provided to the directors of the company, who are considered the company’s chief operating decision makers.

2.18 Loans and borrowings

Loans and borrowings represent a short-term unsecured loan and a grant in aid capital loan from DESNZ. Loans and borrowings are recognised initially at fair value, net of transaction costs incurred. Loans and borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs, if any) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the EIR method.

The grant in aid capital loan from DESNZ is repayable in line with the depreciation/ amortisation over the useful life of the relevant asset. The loans are interest free and recognised under borrowings. The benefit of a below market rate of interest on the loans, if material, is recognised in the statement of comprehensive income over the period of the loan.

2.19 Supplier Obligation Levy recognition

The statement of financial position reflects three separately reported elements of the Supplier Obligation Levy which are as follows:

- i. Supplier Obligation Levy (reported as a non-current asset i.e. receivable in more than one year);
- ii. Supplier Obligation Levy receivable (reported as a current asset i.e. receivable in less than one year); and
- iii. Supplier Obligation Levy payable (reported as a current liability i.e. payable within one year).

Supplier Obligation Levy balances are not treated as financial assets or liabilities as they arise from statutory provisions, rather than contractual. Each of the separately reported elements is described in more detail below.

2.19.1 Supplier Obligation Levy

The Supplier Obligation Levy, reported as a non-current asset, is recognised in the statement of financial position to reflect the company’s right to benefit from the obligations of electricity suppliers under the Regulations to make payments to the company in order for the company to then settle the related CfDs. The other side of this asset entry is recognised as “other income” and is classified as Supplier Obligation Levy in the statement of comprehensive income. This receivable is measured as equal and opposite to the CfD fair value movement recognised in the statement of financial position as a noncurrent liability/asset under the heading ‘Contracts for Difference’ (the corresponding entry to the CfD fair value movement also being to the statement of comprehensive income). This results in the company’s statement of comprehensive income remaining neutral to the impact of the CfD valuation movements and remaining consistent with the

company’s role as defined by the Regulations.

2.19.2 Supplier Obligation Levy receivable

The Supplier Obligation Levy receivable reported as a current asset is recognised in the statement of financial position to reflect the actual amount of Interim Levy Rate and Total Reserve Amount payments owed by suppliers at the reporting date, in respect of the levies for those quarterly obligation periods which have been set up to the reporting date.

2.19.3 Supplier Obligation Levy payable

The Supplier Obligation Levy payable, reported as a current liability, is recognised in the statement of financial position to reflect the actual amounts owed to suppliers in respect of over-collection of the Interim Levy Rate and Total Reserve Amount at the reporting date. This situation occurs where the estimated payments to be made by suppliers under the Regulations in respect of the Interim Levy Rate and Total Reserve Amount are reconciled to the actual payments which should have been made by suppliers and a difference arises. The over-collection will be returned to suppliers through issuing a credit note after the reporting date which will then be used to offset any subsequent collection of the Total Reserve Amount for future quarterly obligation periods. To the extent that the subsequent quarterly payments owed by suppliers are below the level of the credit note issued, then a cash refund will be made by the company.

2.19.4 Generators payments payable

The generators payments payable is the amount owed to the electricity generators in response to the supply of low carbon electricity in accordance with CfDs and is classified under current liabilities in the statement of financial position.

3. Financial risk management

3.1 Financial risk management and financial risk factors

All the schemes potentially expose the company to a variety of financial risks: market risk, credit risk and liquidity risk although the CfD scheme is currently the only scheme with operational payments. However, in practice the financial risk is minimal given the Supplier Obligation Levy funding arrangements with licensed suppliers (described above and set out in more detail below) and short-term financial support from DESNZ if required.

3.1.1 Credit and liquidity risk

The company is not exposed to credit and liquidity risk due to the funding arrangements under the legislation i.e., the company has no obligation to pay the generators until it receives adequate funds from suppliers to perform its obligations.

3.1.2 Market risk

Market risk is the risk that the fair value of future cash flows of the CfDs will fluctuate because of changes in market prices. Market risk comprises three types of risk:

- i. price risk;
- ii. inflation risk; and
- iii. interest rate risk.

I. Price risk

Amounts payable under CfDs are exposed to price risk through the fluctuation in future wholesale electricity prices, specifically, on how such prices will differ in the future from the prices used to fair value the liability. However, the company is not financially exposed to this risk because the liability is funded through a levy on suppliers.

II. Inflation risk

Amounts payable under CfDs are affected by the indexation of strike prices to reflect actual inflation. As such, inflation risk arises from the impact of change

in indexation on the Interim Levy Rate determined by the Electricity Levy Forecasting model (ELFO) and in the actual contracts. ELFO has been developed within the company to forecast Interim Levy rates (ILR) and the Total Reserve amount (TRA) due from suppliers. Inflation rates are not continuing at the relatively low levels experienced in recent years. However, the company is not financially exposed to this risk because the liability is funded through a levy on suppliers.

III. Interest rate risk

The company does not have any interest-bearing borrowings that are subject to interest rate risk.

3.1.3 Maturity profiles

Maturities of finance liabilities are provided in the following table:

	<1 year	2-5 years	>5 years	Total
	£'000	£'000	£'000	£'000
As at 31 March 2024				
Contracts for Difference	1,484,737	5,211,103	15,149,350	21,845,190
Trade and other payables	61,229	-	-	61,229
Loans and borrowings*	250	388	145	783
Lease liabilities	325	1,595	1,695	3,615
Total	1,546,541	5,213,086	15,151,190	21,910,817
As at 31 March 2025				
Contracts for Difference	1,177,482	5,674,136	6,906,816	13,758,434
Trade and other payables	298	-	-	298
Loans and borrowings*	642	1,631	30	2,303
Lease liabilities	391	1,938	1,213	3,542
Total	1,178,813	5,677,705	6,908,059	13,764,577

Contracts for Difference amounts are based on the carrying values of CfD financial liabilities. Note 23 provides disclosures relating to the fair value of the CfDs.

*All figures in above table beyond the first year are discounted, except for loans and borrowings, as the impact of discounting on these items is negligible.

4. Critical accounting judgements, estimates and assumptions

The preparation of the company's financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The results form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or, in the period of the revision and future periods, if the revision affects both current and future periods.

4.1 Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the company. Such changes are reflected in the assumptions when they occur.

4.1.1 Valuation of CfD liabilities and assets

The fair value of the unquoted CfD contracts is calculated using the income approach (discounted cash flow model) and represents the

company's best estimate of the payments which the company will be committed to make or payments receivable from generators, if and when the generators supply low carbon electricity in accordance with their contractual terms. Annual cash flow is estimated as strike price minus forecast reference price, multiplied by estimated eligible generation volume. The series of periodic net operating expense is then discounted using a nominal discount rate based on the HM Treasury nominal rate of 2.15% adjusted by the latest OBR CPI inflation forecasts for each modelled year.

The valuation requires management to make certain assumptions about the model inputs, including cash flows, the discount rate, credit risk and volatility. Significant inputs are disclosed in more detail in note 23 including a sensitivity analysis.

In 2024 the decision was made to transfer the financial model used to calculate the fair value of the CfD's, from Excel to Python. This was due to the exponential growth in the number of contracts LCCC manage and to increase granularity from annual to monthly to capture seasonal trend and enhance our cash flow forecast accuracy. The model was also changed from real terms to using nominal discount rate aligning itself with best practice.

The transfer to Python is considered a change in accounting estimate as per IAS8 as it involves modifications to measurement techniques used to calculate the fair value of the CfDs. The estimated impact of the change in model on the 31 March 2024 CfD portfolio increased the liability between £2 billion and £3 billion. Accordingly, it is applied prospectively, and the new model is in use from the current financial year.

One of the key inputs into the cash flow model is the estimate of future electricity prices which is derived by applying certain inputs

and assumptions such as overall electricity demand, commodity prices, carbon prices, government policy, technology, and deployment of new generating capacity. Most commercial and public sector modelling of the electricity system for long term forecasting takes a very similar approach, but the detailed assumptions and methodology may differ. Given the complexity, range of possible inputs, and long-term nature of the modelling, and also to some extent the iterative relationship between the expectations of overall system cost and long-term demand (especially industrial demand), long-term system forecasts are not generally seen as a single "most likely" outcome with degrees of uncertainty either side. In fact, there are multiple sets of inputs that are internally consistent, and credible. Often a set of these inputs will be used as a "scenario," and multiple deliberately different scenarios are used to illustrate different possible futures when undertaking long-term forecasting. The range of uncertainty can be significant when forecasting (as illustrated in note 23.5 higher and lowest third party price sensitivities) but does not necessarily mean that an individual scenario is not reasonable.

The company has used an independent industry recognised price series for the CfD valuation at 31 March 2025. The independent industry recognised price series applied was not an outlier of other industry recognised price series.

As the Hinkley Point C contract value is significantly material, small changes in estimates of inputs can have a material impact on the accounting estimate. LCCC obtained independent industry advice during the year to support the load factor estimate used in the valuation of Hinkley Point C. This included a ramp up period for load factor and using the midpoint of the independent range in the financial modelling. As per IAS 8, this was considered a change in input estimate as more

information became available rather than being an error.

Hinkley Point C has encountered delays with the estimated start date moving backwards. Given how far in to the future the start date is, there is still uncertainty in the estimate. Based on continued slippage, LCCC have used the mid case scenario provided by the generator rather than the base case, considered under IAS8 to be a refinement of input estimate.

4.1.2 Hinkley Point C Strike price adjustment

The Hinkley Point C CfD contract contains a clause which states that if a CfD in relation to Sizewell C is entered into before the reactor one start date then the applicable strike price will be reduced with effect from the date of satisfaction of the Sizewell C condition by £3/MWh. There have been legal developments around RAB and Government investment during the year and management recognise that the likelihood of Sizewell C entering into a CfD is greater than the prior year. Management have taken a view that Sizewell C is more likely to occur however recognise there is still some uncertainty and have recognised 85% of the strike price adjustment in the valuation.

See note 23 for sensitivity analysis and note 29.4 for disclosure of non-adjusting post balance sheet event.

4.1.3 Green Hydrogen valuation

The fair value of the Green Hydrogen agreements are calculated using the income approach (discounted cash flow model) and represents the company's best estimate of the payments which the company will be committed to make or payments receivable from producers, if and when the producer sells hydrogen to offtakers in accordance with their contractual terms. The fair value is estimated for the Difference Amount (DA) and Price Discovery Incentive (PDI) as they are classified as derivatives.

The DA is calculated as the strike price minus the forecasted reference

price, multiplied by the sum of the invoiced volume to relevant offtakers which qualify under the LCHA. The PDI is intended to encourage producers to sell hydrogen above the floor price. The calculation takes the PDI ratio (10%) of the difference between the floor price and the lower of the reference price and the strike price.

The series of periodic net operating expense is then discounted using a real discount rate based on the HM Treasury nominal rate of 2.15% adjusted by the latest OBR CPI inflation forecasts for each modelled year.

The valuation requires management to make certain assumptions about the model inputs, including cash flows, the discount rate, credit risk and volatility. The year end valuation has been used as a proxy for day one valuation meaning there is no fair value movement recognised in the primary statements this financial year with the deferred amount presented in note 26. Green Hydrogen agreements were signed between December 2024 and March 2025 with management considering input changes in this time were minimal.

4.2 Significant judgement

4.2.1 Fair value measurement of Hinkley Point C CfD

The company entered into the Hinkley Point C CfD on 29 September 2016. This project has a maximum lifetime generation cap of 910,000,000MWh. The contract will expire at the earlier of 35 years after the start date of the second reactor or when the total CfD payments made have reached the generation cap.

The Hinkley Point C CfD duration is more than double (35 years) the length of other CfDs (15 years) entered into by the company. This has made it considerably more challenging for management to provide a reliable single point fair value estimate for Hinkley Point C CfD, however in recent years (since 2019/20), the availability of third-

party price forecasts has improved to the extent that LCCC has been able to recognise Hinkley Point C in a similar manner to other CfDs.

4.2.2 Deferral of differences between fair value and transaction price for CfDs and Green Hydrogen

The fair value of the CfDs and Green Hydrogen agreements, disclosed in note 23 and note 26, is derived at initial recognition based on the valuation technique that uses data other than from observable sources. In accordance with IFRS 9, the measurement of CfDs and Green Hydrogen agreements in the statement of financial position therefore includes an adjustment to defer the difference between the fair value at initial recognition and the transaction price of nil.

Management believes it is reasonable to amortise the difference between the fair value at initial recognition and the transaction price over the same period as the actual contract life reflects the obligation under the contract to make payments and the right to receive monies from suppliers to make those payments. Financial instrument standards require the "deferred difference" to be recognised only to the extent that it arises from a change in factor (including time) that market participants would take into account.

4.2.3 Supplier Obligation Levy

The accounting treatment of CfDs as a financial instrument would result in a charge to/income in the statement of comprehensive income in subsequent periods due to the amortisation of the day one deferred difference, between the fair value of the liability/asset and the transaction price, and the movement in fair value of the CfDs.

In substance, the Supplier Obligation Levy and the CfD obligation to make payments to generators are linked transactions. The company's initial reason for existence is to facilitate the settlement of CfDs to generate low carbon electricity with funding

raised via the Supplier Obligation Levy.

The company's right to receive payments is laid out in the statutory obligations on licensed electricity suppliers as outlined in the Regulations. The company can only make payments related to the CfDs once it has received sufficient funding through the Supplier Obligation Levy. Therefore, any payments related to the CfDs are covered through the Supplier Obligation Levy.

However, there is a timing difference between the point at which changes in the fair value of the CfDs liability are recognised in the financial statements and the point at which the related obligations give rise to mature levy obligations under the Regulations.

The timing difference is analogous to the timing differences discussed in IAS 12 (Income Taxes). It is virtually certain that the company will receive future funding to pay for the CfDs through the Supplier Obligation Levy and management believe it is appropriate to recognise an asset for the timing difference. Therefore, a Supplier Obligation Levy non-current asset is recognised in the statement of financial position to match the timing difference with a corresponding entry in the statement of comprehensive income. For the purposes of fair presentation, this recognition is capped at the amount at which the CfDs are measured in the statement of financial position. This would result in the company's statement of comprehensive income remaining neutral to the impact of the CfD valuation movements and remaining consistent with the company's role as defined by the Regulations.

A different treatment is taken by DESNZ in its accounts because it uses the adaptations in the Financial Reporting Manual which prevent the recognition of any assets related to taxes payable to the Consolidated

Fund, generally taken to extend to taxes and levies more generally. The company applies IFRS in full so as to comply with the Companies Act 2006 so the directors have not applied this adaptation.

5. New standards, amendments and interpretations applicable to the company but not yet adopted

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods.

The following new IFRS S1 and S2 issued by International sustainability Standards Board (ISSB) for sustainability-related disclosures were effective for reporting periods beginning on or after 1 January 2024. However, their adoption in the UK is subject to government endorsement and is not currently mandatory.

The UK government was expected to make an endorsement decision by the first quarter of 2025, but as of now, no decision has been announced. Accordingly, LCCC chose not to adopt these standards for the financial year 2024-25. Adoption in future periods will depend on the outcome of the UK government's endorsement process.

- IFRS S1, 'General requirements for disclosure of sustainability-related financial information - This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across value chain.
- IFRS S2, 'Climate-related disclosures - This standard sets out requirements to disclose information about climate-related risks and opportunities.

The following amendments are effective for the annual periods beginning on or after 1 January 2026.

- Amendments to IAS 21 - Lack of Exchangeability: impacting

when company has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose.

The following amendments are effective for the annual periods beginning on or after 1 January 2026.

- Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures
- Annual Improvements to IFRS Accounting Standards – Amendments to:
 - IFRS 1 First-time Adoption of International Financial Reporting Standards;
 - IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7;
 - IFRS 9 Financial Instruments;
 - IFRS 10 Consolidated Financial Statements; and
 - IAS 7 Statement of Cash flows
- Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7

All of the above amendments and improvements will be assessed for their applicability and impact on financial reporting in FY 2025-26.

6. Other income

The following is an analysis of the company's other income from continuing operations:

	2025 £'000	2024 £'000
Operational costs levy income	29,014	26,343
Less: expected refund to suppliers	(10,507)	(8,172)
Net operational costs levy income	18,507	18,171
Grant Income	9,299	5,453
Recharge to DFT	47	-
Recharges to ESC (refer to note 19)	2,381	1,918
Recharges to DESNZ (refer to note 19)	304	147
Late payment interest	32	(4)
Other income	30,570	25,685

Grant income relates to Government Grant received to fund advisory and implementation work on Industrial Decarbonisation and Hydrogen Revenue Support Scheme (IDHRS) Business model (Industrial Carbon Capture and Storage and Blue/Green Hydrogen). The grant is non-repayable and recognised in the Statement of Changes in Income to match against costs incurred.

7. Staff costs

	2025 £'000	2024 £'000
Wages and salaries (including secondees)	15,968	11,866
Social security costs	1,956	1,281
Agency and contracted staff costs	121	594
Defined contribution pension plans	1,180	894
Staff costs	19,225	14,635
The average number of staff employed by the company (including executive directors):		
	2025 Number	2024 Number
Permanent staff	234	171
Agency and contracted staff	2	11
Total	236	182

The remuneration of directors and the disclosure of the highest paid director are included in the Remuneration Report on pages 65 to 70.

8. Other operating costs

	2025 £'000	2024 £'000
Operational settlement costs	3,236	3,528
Legal, professional and consultancy	2,662	2,943
IT support, telephony and maintenance	1,857	1,707
Insurance	658	621
Premises costs	419	341
HR and Finance costs	691	539
Subscriptions	279	138
Events & Premises	78	172
Travel & Subsistence	204	130
Other costs	140	157
Auditor's remuneration	441	218
Other operating costs	10,665	10,494

Auditor's remuneration represents audit fees of £ 368k (2024: £182k) excluding VAT. The fees shown in the table above are VAT inclusive.

9. Property, plant and equipment

	IT equipment £'000	Total £'000
Cost		
As at 31 March 2023	421	421
Additions during the year	235	235
Disposals during the year	-	-
As at 31 March 2024	656	656
Additions during the year	155	155
Disposals during the year	(51)	(51)
As at 31 March 2025	760	760
Depreciation		
As at 31 March 2023	226	226
Charge for the year	122	122
Disposals during the year	-	-
As at 31 March 2024	348	348
Charge for the year	185	185
Disposals during the year	(51)	(51)
As at 31 March 2025	482	482
Net book value as at 31 March 2024	308	308
Net book value as at 31 March 2025	278	278

10. Right-of-Use assets

	Office building & related facilities (50 desks) £'000	Office building & related facilities (60 desks) £'000	Office building (Birmingham) £'000	Total £'000
Cost				
As at 31 March 2023	2,277	-	-	2,277
Additions during the year	-	1,977	-	1,977
Disposals during the year	-	-	-	-
As at 31 March 2024	2,277	1,977	-	4,254
Additions during the year	-	-	262	262
Disposals during the year	-	-	-	-
As at 31 March 2025	2,277	1,977	262	4,516
Depreciation				
As at 31 March 2023	347	-	-	347
Charge for the year	209	165	-	374
Disposals during the year	-	-	-	-
As at 31 March 2024	556	165	-	721
Charge for the year	209	220	4	433
Disposals during the year	-	-	-	-
As at 31 March 2025	765	385	4	1,154
Net book value as at 31 March 2024	1,721	1,812	-	3,533
Net book value as at 31 March 2025	1,512	1,592	258	3,362

	2025 £'000	2024 £'000
Interest expense on lease liabilities* 50 desks	16	17
Interest expense on lease liabilities* 60 desks	63	51
Interest expense on lease liabilities* Birmingham Office	1	-
Depreciation expense on right-of-use assets – 50 desks	209	208
Depreciation expenses on right-of-use assets – 60 desks	220	165
Depreciation expenses on right-of-use assets – Birmingham Office	4	-
Total cash outflow relating to leases – 50 desks	168	158
Total cash outflow relating leases – 60 desks	158	101
Total cash outflow relating leases – Birmingham Office	-	-

*Interest on right of use asset included in miscellaneous costs.

In accordance with IFRS 16 Office building and related facilities are deemed to be a right-of-use asset. Other expenditure recognised in the year in respect of leases (i.e. short term and leases of low value items) is deemed immaterial. None of LCCC's property leases include variable terms.

11. Intangible assets

	Settlement System £'000	Other IT Software £'000	Software under development £'000	Total £'000
Cost				
As at 31 March 2023	1,877	1,293	490	3,661
Additions during the year	-	-	1,494	1,494
Impairment Charges	-	-	-	-
Reclassification	-	-	-	-
As at 31 March 2024	1,877	1,293	1,984	5,154
Additions during the year	-	-	4,525	4,525
Impairment Charges	-	-	-	-
Reclassification	-	181	(181)	-
Disposals	-	(855)	-	(855)
As at 31 March 2025	1,877	620	6,328	8,825
Amortisation				
As at 31 March 2023	1,877	1,165	-	3,042
Charge for the year	-	60	-	60
As at 31 March 2024	1,877	1,225	-	3,102
Charge for the year	-	62	-	62
Disposal	-	(855)	-	(855)
As at 31 March 2025	1,877	431	-	2,308
Net book value as at 31 March 2024	-	68	1,984	2,052
Net book value as at 31 March 2025	-	189	6,328	6,517

The original settlement systems are fully amortised, however they are still in use. LCCC has spent operational costs on the system to update for regulation changes and followed a continuous improvement mindset which has prolonged the life of the asset. Given the work undertaken and the scale of task to replace the settlement system, it is expected the settlement system will be used until at least 2026.

The additions in the current year relate to the ongoing multi-year internal build of a user interface platform (Zero) and new settlements systems, and development of the new levy forecasting model.

12. Supplier Obligation Levy receivable

	2025 £'000	2024 £'000
Interim Levy Rate accruals	59,415	118,916
Interim Levy Rate receivable	39,621	53,519
Total Supplier Obligation Levy receivable	99,036	172,435

Interim levy rate accruals represent income that has been earned in this financial year but not yet billed to a supplier. It is recorded as a current asset on the balance sheet and included in income from supplier obligation levy on the income statement.

Interim levy accounts receivable represents funds owed by supplier that have already been invoiced but not yet received. It is listed as a current asset on the balance sheet and recognised under the heading Supplier Obligation Levy receivable and included in income from supplier obligation levy on the income statement.

The Interim Levy Rate receivable reflects the amounts owed by suppliers to fund the necessary payments to generators under the CfDs. For the current year, there is no unutilised Total Reserve Amount due to be returned to suppliers, as disclosed in note 15, (2023/24: £388.2m).

13. Operational costs levy receivable

	2025 £'000	2024 £'000
Operational costs levy receivable	618	573
Operational costs levy accrued	2,134	1,859
Total operational costs levy receivable	2,751	2,432

Operational cost levy rate accruals represents income that is due from supplier in this financial year but not yet billed. It is recorded as a current asset on the balance sheet and included in income from Operational cost levy on the income statement.

Operational cost levy receivable represents funds owed by supplier that have already been invoiced but not yet received. It is listed as a current asset on the balance sheet and recognised under the heading Operational cost levy receivable and included in income from Operational cost levy on the income statement.

14. Trade and other receivables

	2025 £'000	2024 £'000
Prepayments	853	737
Due from DESNZ	2,127	3,991
Due from ESC	-	237
Staff Loan	11	-
Total trade and other receivables	2,991	4,965

LCCC has assessed the expected credit losses on its financial assets, including trade receivables, from note 12 to 14 and concluded that the impact is immaterial to the financial statements. Therefore, no material ECL provision has been recognised. The Company will continue to monitor credit risk exposure and adjust the ECL calculation in the future if conditions change.

15. Cash and cash equivalents

	2025 £'000	2024 £'000
Cash at bank	539,253	398,685
Suppliers' credit cover	56,227	58,390
Total cash and cash equivalents	595,480	457,075

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank and suppliers' credit cover as stated above. Cash at bank includes cash of £369.9m relating to Total Reserve Amount received from suppliers to cover the shortfall in Supplier Obligation Levy. There is no utilised Total Reserve Amount in the current year. Suppliers' credit cover is a restricted cash balance and relates to credit cover provided by the electricity suppliers.

16. Operational costs levy payable

	2025 £'000	2024 £'000
Operational costs levy payable	10,507	8,172
Total operational costs levy payable	10,507	8,172

17. Supplier Obligation Levy and generators payments payable

	2025 £'000	2024 £'000
Generators payment payable	74,773	108,822
Total Reserve Amount payable	369,959	388,227
Interim Levy Rate Accruals	116,326	-
Generators payment accrual	67,164	70,699
Total Supplier Obligation Levy and generators payments payable	628,222	567,748

The Supplier Obligation Levy is made up of two components: the Interim Levy Rate and the Total Reserve Amount. The Interim Levy Rate payable reflects the excess levy and Total Reserve Amount is the unutilised reserve payable back to suppliers. The generators payment payable reflects the amount owed to the electricity generators in response to the supply of low carbon electricity in accordance with the CfDs.

18. Trade and other payables

	2025 £'000	2024 £'000
Current:		
Suppliers' credit cover	56,285	58,017
Accruals and other payables	5,499	2,055
Other taxation and social security	730	439
Trade payables	298	226
Due to ESC	698	930
Total trade and other payables	63,510	61,667
The carrying values of trade and other payables approximate to their fair values.		
Non-Current:		
Deferred income	2,197	691
Total trade and other payables	65,707	62,358

The deferred Government grant income is related to Grant in aid received for the development of intangible assets (Settlement systems and Platforms for managing schemes) which will be recognised in line with amortisation as per IAS 38.

19. Loans and borrowings

	2025 £'000	2024 £'000
Current:		
Grant in aid capital loan	536	250
	536	250
Non-current:		
Grant in aid capital loan	1,768	533
Total loans and borrowings	2,303	783

DESNZ provide LCCC with a grant in aid capital loan which provides LCCC cash for capital purchases whilst recognising the expense over the asset's useful life. The grant in aid capital loan from DESNZ is repayable in line with the depreciation over the useful life of the relevant asset.

20. Lease liabilities

	Office building & related facilities (50 desks) £'000	Office building & related facilities (60 desks) £'000	Office building (Birmingham) £'000	Total £'000
Cost				
As at 31 March 2023	1,897	-	-	1,897
Additions in year – 60 desk	-	1,977	-	1,977
Repayment of finance lease obligations	(158)	(101)	-	(259)
As at 31 March 2024	1,739	1,876	0	3,615
Additions during the year – Birmingham office	-	-	251	251
Repayment of finance lease obligations	(168)	(158)	1	(325)
As at 31 March 2025	1,571	1,718	252	3,541
Lease Liability Ageing				£'000
Less than 1 year				325
Between 1 and 5 years				1,595
Greater than 5 years				1,695
As at 31 March 2024				3,615
Less than 1 year				391
Between 1 and 5 years				1,938
Greater than 5 years				1,213
As at 31 March 2025				3,542
Current				325
Non-current				3,290
As at 31 March 2024				3,615
Current				390
Non-current				3,151
As at 31 March 2025				3,541

In the current year, Birmingham office lease was signed and started from 21st March 2025 with rent free period of 3 months. It is recognised as per IFRS 16.

DESNZ uses discount rates from the Public Expenditure System (PES) paper. The discount rates to be applied as at 31 March 2025 is 4.81%. Therefore, lease liabilities for the Birmingham office is computed using current year rate. The existing leases for 10SC office are based on the PES discount rate that was in effect at the time when its leases were signed.

21. Related party transactions

The following table details the transactions that have been entered into with related parties for the relevant financial year:

	Services to related parties £'000	Services from related parties £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Entities with significant influence:				
2024				
DESNZ	5,600	–	3,991	1,550
ESC	1,918	–	237	930
2025				
DESNZ	9,603	–	2097	4500
ESC	2,381	–	–	698

Services to ESC comprise shared costs of premises, staff and directors' payroll costs, IT infrastructure and depreciation which are incurred in the first instance by the company but are then recharged at an agreed percentage to ESC based on an estimated usage of those services.

Services to DESNZ includes costs for advisory work and implementation for ICC and Hydrogen business models totalling £9,299k (2024: £5,453k), £87k (2024: £84k) relating to the development of a Regulated Asset Base (RAB) model to fund the provision of new nuclear energy infrastructure projects and £217k (2024: £63k) in relation to the development of Greenhouse Gas Removal (GGR).

Amounts owed to DESNZ include the grant in aid capital loan £2,303k (2024: £783k) (refer to note 19), deferred income amounting to £2,197k (2024: £691k).

21.1 Compensation of key management personnel of the company

Key management personnel include executive directors, and their compensation is disclosed in the Remuneration Report on pages 65 to 70.

22. Financial Instruments under IFRS 9

	Note	2025 £'000	2024 £'000
Financial assets			
Contracts for Difference	23.1	6,080,220	4,616,532
Trade receivables	14	2,138	4,228
Cash and cash equivalents	15	595,480	457,075
Total financial assets		6,677,838	5,077,835
Total current		597,618	461,303
Total non-current		6,080,220	4,616,532
Total financial assets		6,677,838	5,077,835
Financial liabilities			
Contracts for Difference	23.1	13,782,659	21,845,190
Trade and other payables	18	62,780	61,229
Loans and borrowings	19	2,303	783
Lease liabilities	20	3,541	3,615
Total financial liabilities		13,851,283	21,910,817
Total current		63,705	61,804
Total non-current		13,787,578	21,849,013
Total financial liabilities		13,851,283	21,910,817

23. CfDs

Under the legislation there is an obligation placed on licensed electricity suppliers to fund the CfD liabilities as they crystallise through the Supplier Obligation Levy. The future levy amounts which will be received from the licensed suppliers will be accounted for within the company and will be triggered by the generation and supply of low carbon electricity.

As at 31 March 2025 the company was counterparty to 363 contracts, including Hinkley Point C (HPC).

From 2022/23, high market prices caused a number of CfDs to move to a carrying asset position. This is reflected in the presentation on the primary statements and through note 23 where the CfD portfolio is split between assets and liabilities.

23.1 Measurement differences relating to day one recognition

All CfDs (including HPC) are issued for £nil consideration through the CfD auction process, this being deemed the transaction price. As explained in note 2.9.1.1 the difference between the fair value of the instrument at initial recognition (day one) and the transaction price is deferred unless the fair value at initial recognition is based on observable inputs (which is not currently the case).

The following table presents the carrying amount of the liability/asset on the SOFP. The balance is calculated using fair value movement, amortisation of deferred initial values and payments. CfDs including HPC are split between assets and liabilities based on the carrying amount of the CfD at year end. If a CfD has transferred from liability to asset (or vice versa), a reclassification line is included in the table below.

	CfDs exc. HPC (Liabilities) £'000	CfDs exc.HPC (Assets) £'000	HPC CfDs (Liabilities) £'000	HPC CfD (Assets) £'000	Total recognised in SOFP as at 31 March £'000	Recognised in SOCI for year ending 31 March £'000
CfD as at 31 March 2023 recognised in the statement of financial position	10,833,770	(6,130,441)	8,737,504	-	13,440,833	-
Liability / Asset reclassification	(1,700,191)	1,700,191	-	-	-	-
Remeasurement of the CfD liability	7,400,003	(204,161)	(3,038,677)	-	4,157,165	4,157,165
CfD liability released relating to terminated contracts	(4,469)	(316,598)	-	-	(321,067)	(321,067)
Payments to the CfD generators	(1,822,356)	(42,390)	-	-	(1,864,746)	-
Deferred difference recognised during the year	1,439,606	376,867	-	-	1,816,473	1,816,473
CfD as at 31 March 2024 recognised in the statement of financial position	16,146,363	(4,616,532)	5,698,827	-	17,228,657	-
CfD FV movement recognised in SOCI for year ended 31 March 2024						5,652,571
Liability / Asset reclassification	(330,824)	330,824	(5,698,827)	5,698,827	-	-
Remeasurement of the CfD liability	(1,205,175)	(995,558)	-	(6,689,115)	(8,889,848)	(8,889,848)
CfD liability released relating to terminated contracts	(100,891)	(163,803)	-	-	(264,694)	(264,694)
Payments to the CfD generators	(2,164,298)	(33,777)	-	-	(2,198,075)	-
Deferred difference recognised during the year	1,437,485	388,914	-	-	1,826,399	1,826,399
CfD FV movement 31 March 2025 recognised in the statement of financial position	13,782,659	(5,089,932)	-	(990,288)	7,702,439	-
CfD FV recognised in SOCI for year ended 31 March 2025						(7,328,143)

During the year, the net favourable movement of -£7,702m (2023/24: £5,653m unfavourable) in the fair value of CfDs is recognised in the statement of comprehensive income. In the CfD portfolio contracts are split between assets and liabilities where HPC is disclosed separately given its materiality.

In 2024/25, the CfDs excluding HPC liability is £13,783m (2023/24 £15,816m and the total liability including HPC £21,845m). The aggregation of the measurement differences relating to CfDs classified as an asset now includes HPC totalling £6,080m (2023/24 £4,617m).

Since HPC was recognised in 2020, this marks the first time the fair value movements in relation to deferred day one amount held on the balance sheet, have transitioned from a liability to an asset. In 2025, a number of changes in inputs mostly had a favourable impact on the accounting estimate reducing the HPC liability below the day one deferred amount.

The electricity prices in the long-term price series have gone up from 2023/24 reducing the difference between market price and strike price resulting in lower payments.

The likelihood of Sizewell C being constructed has increased since the prior year. This is important as there is a clause in the HPC agreement that the HPC strike price will reduce by £3 should Sizewell C be built. This amount of the £3 adjustment recognised in the valuation has increased from 50% in 2022/23 to 75% in 2023/24 and is at 85% at 31 March 2025.

HPC has been delayed, and the forecast now assumes some contract erosion. The HPC load factor has been reduced following independent review performed during the year. LCCC used the information provided in the independent review which suggested a ramp up in load factor and took the mid load factor from the “reasonable range” provided in the report.

The discount rate changed from 2.05% to 2.15% which has a greater impact on HPC given the length of the contract.

These inputs, used to estimate the CfD valuation fair value estimate, are reviewed annually and based on the most appropriate information available at the time that market participants would take into account when valuing the asset/liability as per IFRS 9.

Additionally, LCCC transferred the financial model from Excel to Python and moved to monthly granularity which partially offset the in year reduction of the liability.

23.2 Movement in deferred measurement differences

The table below shows the movement in deferred measurement differences. The CfDs (excluding HPC) are split between losses and gains based on the amount deferred at initial recognition.

	CfDs exc.HPC (Losses) £'000	CfDs exc.HPC (Gains) £'000	HPC CfD £'000	Total £'000
Deferred measurement differences as at 31 March 2023	20,510,779	(271,972)	50,826,301	71,065,109
Recognition of AR5	2,673,793	-	-	2,673,793
Deferred measurement differences recognised during the year	(1,495,407)	-	-	(1,495,407)
Measurement differences recognised relating to terminated CfDs	(346,949)	25,882	-	(321,067)
Deferred measurement differences as at 31 March 2024	21,342,216	(246,089)	50,826,301	71,922,428
Recognition of AR6	12,606,444	-	-	12,606,444
Deferred measurement differences recognised during the year	(1,336,593)	(225,111)	-	(1,561,704)
Measurement differences recognised relating to terminated CfDs	(100,891)	(163,803)	-	(264,695)
Deferred measurement differences as at 31 March 2025	32,511,176	(635,003)	50,826,301	82,702,474

23.3 Fair value measurement of CfDs

The fair values of CfDs represent the company's best estimate of the payments which the company will be committed to make, if and when the generators supply low carbon electricity in accordance with their contractual terms. They are based upon the estimates of future electricity prices using an independent price series.

Should no low carbon electricity be supplied in accordance with the contractual terms, then the company is not under any obligation to make these payments.

The timing difference is analogous to the timing differences discussed in IAS 12 (Income Taxes). It is virtually certain that the company will receive future funding to pay for the CfDs through the Supplier Obligation Levy and management believe it is appropriate to recognise an asset for the timing difference. Therefore, a Supplier Obligation Levy non-current asset is recognised in the statement of financial position to match the timing difference with a corresponding entry in the statement of comprehensive income. For the purposes of fair

presentation, this recognition is capped at the amount at which the CfDs are measured in the statement of financial position. This would result in the company's statement of comprehensive income remaining neutral to the impact of the CfD valuation movements and remaining consistent with the company's role as defined by the Regulations.

23.3.1 Fair value of CfDs (fair value through profit and loss)

The following table provides an analysis of financial instruments which are measured subsequent to initial recognition at fair value. The split between losses and gains is based on valuation based on the full life of the contract. They are grouped into input levels 1 to 3 within the fair value hierarchy based on the degree to which the fair value is observable:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
As at 31 March 2023			84,505,940	84,505,940
Losses	-	-	92,051,033	92,051,033
Gains	-	-	(2,899,947)	(2,899,947)
As at 31 March 2024	-	-	89,151,086	89,151,086
Losses	-	-	93,427,142	93,427,142
Gains	-	-	(3,022,229)	(3,022,229)
As at 31 March 2025	-	-	90,404,913	90,404,913

23.3.2 Reconciliation of CfDs

The following table shows the impact on the fair values of CfDs, classified under level 3, by using the assumptions described below. The split between losses and gains is made on the valuation of the full life of the contracts.

	CfDs exc.HPC (Losses) £'000	CfDs exc.HPC (Gains) £'000	HPC CfD £'000	Total £'000
As at 31 March 2023	27,539,849	(2,597,714)	59,563,805	84,505,940
Gain / Loss reclassification	(115,249)	115,249	-	-
Change in fair value during the year	7,368,268	(172,426)	(3,038,677)	4,157,165
Measurement differences deferred during the year (AR5)	2,673,793	-	-	2,673,793
CfDs terminated in year	(76,011)	(245,056)	-	(321,067)
Payments to the CfD generators	(1,864,745)	-	-	(1,864,745)
As at 31 March 2024	35,525,905	(2,899,947)	56,525,128	89,151,086
Gain / Loss reclassification	(8,095)	8,095	-	-
Change in fair value during the year	(2,070,356)	(130,377)	(6,689,115)	(8,889,848)
Measurement differences deferred during the year (AR6)	12,606,444	-	-	12,606,444
CfDs terminated in year	(264,694)	-	-	(264,694)
Payments to the CfD generators	(2,198,075)	-	-	(2,198,075)
As at 31 March 2025	43,591,129	(3,022,229)	49,836,013	90,404,913

23.3.3 CfD (excluding HPC) movement in gains and losses since initial recognition

The table below summarises the CfD portfolio and illustrates the movement between the recognition of gains and losses. The table excludes terminated CfDs and HPC. It includes one CfD held at nil value in gains at 31 March 2025 which was terminated in April 2025.

	Number of CfDs	Fair value at initial recognition £'000	Fair value at 31 March 2025	CfD Asset/Liability in the statement of financial position	Unamortised deferred difference at reporting date £'000
CfDs assessed as gains at initial recognition	12	(213,468)	(506,728)	(293,320)	(213,408)
CfDs assessed as losses at initial recognition	20	1,631,422	(2,515,502)	(4,146,867)	1,631,365
CfDs assessed as gains at 31 March 2025	32				
CfDs assessed as gains at initial recognition	9	(27,061)	47,811	74,261	(26,450)
CfDs assessed as losses at initial recognition	321	39,249,531	43,543,316	13,058,653	30,484,663
CfDs assessed as losses at 31 March 2025	330				
	362	40,640,424	40,568,897	8,692,727	31,876,170

23.4 Key inputs and underlying assumptions for CfDs

23.4.1 Estimated future forecast wholesale electricity prices

Forecast wholesale electricity prices used to estimate the fair value of CfDs are derived from an independent price series. Energy price series estimates the wholesale price by:

- calculating the short run marginal cost (SRMC) of each plant (including a representation of plants in interconnected markets), taking account of start-up and shut-down costs;
- calculating the available output of intermittent renewables;
- calculating the half hourly demand for electricity by taking into account demand side response; and
- determining the marginal plant required to meet demand.

Economic, climate, policy, generation, and demand assumptions are external inputs to the model including demand load curves for both business and non-business days and seasonal impacts. Specific assumptions can also be modelled for domestic and non-domestic sectors and smart meter usage.

The forecast trajectory of electricity prices is uncertain. In the valuation, management has used an industry recognised independent price series which is not an outlier. The internal model used to calculate the fair value has been updated for short-term prices, installed capacities, TLM, and load factors.

In the valuation, the wholesale price has been reduced to reflect the price the wind generator is likely to receive. Additionally, wholesale electricity forward prices have been used for the liquid trading horizon (covering the nearest 2 years period). On windy days, the price that wind generators receive is likely to be reduced.

23.4.2 Estimated future wholesale electricity generation

23.4.2.1 Transmission Loss Multiplier (TLM)

TLM reflects the fact that electricity is lost as it passes through the transmission system from generators to suppliers. If the TLM is incorrect, this will have implications for the volume of electricity subject to CfD payments. Any change in TLM will be corrected through adjustments in strike prices although the change in TLM is expected to be immaterial.

23.4.2.2 Start date

Generators nominate a Target Commissioning Date (TCD) in their binding application form for a CfD, and this date is specified in their CfD, following contract award. However, the generator is free to commission at any time within their Target Commissioning Window (TCW), a period of one year from the start of the TCW for most technologies, with no penalty, or after the end of the TCW and up to their “Longstop Date” (one to two years after the end of the TCW depending on technology and seven years for HPC) with a penalty in the form of reduction of contract length for each day they are late in commissioning after the end of the TCW. The contract can be terminated if the generator has not commissioned 95% (or 85% for Investment Contracts and offshore wind) of their revised installed capacity estimate by the Longstop Date. The valuation uses the latest estimate from generators on the start date.

The estimated start dates for reactor one and reactor two of the HPC project are 1 June 2030 and 1 June 2031, respectively. The TCW for reactor one is 1 May 2025 to 30 April 2029. The TCW for reactor two is 1 November 2025 to 31 October 2029. Therefore, the model is assuming contract erosion as the contract life (35yrs) will commence at the end of the TCW.

An EDF SA press release in January 2024 included three scenarios, a baseline reactor start date of June 2029, a midpoint of June 2030 and an unfavourable date of June 2031 for reactor one with reactor two starting a year later. In the interest of preparing the accounts as market participants would with the available information, the mid case has been chosen for the valuation. These scenarios are included in the sensitivity analysis in note 23.5.

Given the length of time until the estimated start date there remains a degree of uncertainty and significant change to the start date will change the timing of future cash flows and have a material impact on the discounted fair value.

23.4.2.3 Installed Capacity

The figure for the maximum installed capacity was provided by the generator in its application for a CfD and specified in its CfD contract following allocation. Thereafter the installed capacity figure can only be reduced by the generator for a permitted contractual construction event (which is a narrowly defined concept) or by the difference by which the relevant project has an installed capacity of 95% (or 85% in the case of Investment Contracts and offshore wind) of its current contractual installed capacity figure and 100%. The actual output of the generator will depend on the load factor.

The HPC CfD does not have an installed capacity cap and is only entitled to CfD payment support up to a generation cap of 910,000,000 MWh.

23.4.2.4 Load Factor

Load Factor is defined as the actual power output of a project as a proportion of its rated installed capacity. It is a percentage figure which is used to transform installed capacity into actual power output (generation). Load factor assumptions are based on reference factors published by DESNZ for

given technology types; however, actual power outputs are sensitive to technological and environmental factors which may impact actual cash flows. Plant specific load factors (where a minimum of 6 months’ generation data is available) is also available for consideration when valuing the CfDs.

In previous years the Nuclear New Build Generation Company (HPC) Limited ((NNB GenCo) provided the company with a generation profile, which forecasted the generation over the life of the contract. This year work was commissioned to gain an independent view which resulted in reasonable range where the midpoint has been chosen to value HPC and a ramp up period.

23.4.3 Strike price

The strike price is an agreed price which determines the payments made to the generator under the contract with reference to its low carbon output and the market reference price.

The relevant strike price is specified in each CfD and is not intended to change for the duration of the project, other than through indexation to CPI and certain network charges, or in the event of certain qualifying changes in law. The strike price used in the valuation of the CfDs is the 2024/25 strike price and reflects the CPI rate for April 2025, in line with the requirements of the CfD contract.

If a CfD (or equivalent support) in relation to Sizewell C is entered into before the reactor one start date, then the applicable strike price shall be reduced with effect from the date of satisfaction of the Sizewell C condition by £3/MWh. There have been legal developments around RAB and Government investment during the year and management recognise that the likelihood of Sizewell C entering into a Contract for Difference (or equivalent) is greater than the prior year. Management have taken a view that

the Sizewell C is more like to occur than not and have recognised 85% of the strike price adjustment, using £89.95/MWh (2023/24 - £90.25/MWh) in the valuation. In reality the strike price adjustment will either occur or not occur and this included in the sensitivity analysis in note 23.5.

This year included a one-off material event (£54.3m) stemming from changes to a partial pass-through cost in the CfD. The pass-through cost was the Balancing Services Use of System (BSUoS) charges, which were partially passed on as part of generators’ CfD Difference Payments. BSUoS charges were removed from generators in the GB electricity market as of 1 April 2023. The nature of the existing CfD, BSUoS compensation mechanism required adjustments by LCCC to reflect when generators stopped paying BSUoS charges.

The nature of the original compensation mechanism, and LCCC’s adjustment mechanism, required LCCC to perform reconciliations of previous year’s CfD Difference Payments against adjusted Strike Prices. The value, and timing of these reconciliations were not known by LCCC until the 2024/25 financial year.

23.4.4 Equity gain share for HPC

The equity gain share mechanism consists of two separate components: (i) a mechanism to capture gains above specified levels where the HPC project outperforms relative to the original base case assumptions; and (ii) a mechanism to capture gains above specified levels arising from the sale of equity and economic interests (direct or indirect) in the HPC project.

In each case, as and when the Internal Rate of Return (IRR) thresholds are reached:

- If the relevant IRR is more than 11.4%, the company will receive 30% of any gain above this level.

- If the relevant IRR is more than 13.5%, the company will receive 60% of any gain above this level.

No adjustment to the valuation has been made for equity gain share on the grounds that none of the conditions outlined above have been met and it is currently not possible to reasonably estimate if they will be met in the future.

23.4.5 Construction gain share for HPC

If the construction costs of HPC come in under budget, the strike price will be adjusted downwards so that the gain (or saving) is shared with the company. The gain share is 50/50 for the first billion pounds, with savings in excess of this figure being shared 75% to the company and 25% to NNB Generation Company.

Reducing the strike price will reduce the amounts paid out to NNB Generation Company under the CfD will reduce and hence the benefit of the lower construction costs is shared between NNB Generation Company and ultimately consumers. There is, however, no similar upward adjustment if the construction cost of HPC is over budget.

No adjustment to the valuation has been made for construction gain share on the grounds that there has not been any construction gain share during the year and none is forecast to occur in the future.

23.4.6 OPEX reopener for HPC

The strike price may be adjusted upwards if the operational expenditure costs are more than assumed and downwards if they are less. There are two operational expenditure reopener dates, at 15 years and 25 years after the first reactor start date. The rationale behind the reopener is that the strike price is based on long-term assumptions on operational expenditure costs. The reopener provides a way of mitigating long-term cost risks for both parties.

No adjustment to the valuation has been made for OPEX reopener on the grounds that the opex reopener dates have not been reached yet and there is no evidence that original assumptions are invalid.

23.5 Sensitivity analysis

As explained in note 4.1.1 long term system forecasts are not generally seen as a single most likely outcome with degrees of uncertainty either side. Rather there are multiple sets of inputs that are internally consistent and credible. A set of these inputs is usually used as a ‘scenario’ and multiple deliberately different scenarios are used to illustrate different possible futures when undertaking long term forecasting. Therefore, individual forecasts may use a very different set of assumptions such as generation mix, carbon and fuel costs, electricity demand and interconnector capacity, but still be within what we would describe as the ‘universe of reasonableness’. Management has decided to use the reference case scenario of an industry recognised independent forecast that is not an outlier.

An additional element in the calculation of the CfD liability is the discount rate that is applied. Uncertainty increases with time and so the choice of discount rate plays a significant part in determining how much uncertainty is weighted into a present value calculation, a higher discount rate places less weight on increasingly more uncertain years of a present value calculation.

From 24/25 LCCC is no longer using real terms to value the CfD’s but has now aligned to industry practice and have applied the nominal discount rate from HMT of 2.15% adjusted by the latest CPI inflation forecasts for each modelled year.

For future year-on-year comparability we include an undiscounted valuation of the CfDs to compare with table 23.3.2:. Prior to 2025 the model was prepared in real terms, as part of the updated model this has changed to nominal rates causing a larger undiscounted valuation.

	CfDs exc.HPC £'000	HPC CfD £'000	Total £'000
As at 31 March 2021	38,864,510	61,221,251	100,085,761
As at 31 March 2022	34,843,617	58,381,214	93,224,831
As at 31 March 2023	25,626,931	60,424,228	86,051,159
As at 31 March 2024	33,002,777	57,716,392	90,719,169
As at 31 March 2025	47,917,880	80,310,807	128,228,687

The following table shows the impact on the fair value of CfDs, classified under level 3 by applying reasonably possible alternative assumptions. Due to the significance and uniqueness of the HPC CfD the impact (and certain assumptions) has been shown separately. A favourable outcome reduces the liability. Conversely, an unfavourable outcome increases the liability, leading to higher LCCC cash flows.

	Favourable/ (unfavourable) HPC CfD £'000	Favourable/ (unfavourable) Other CfDs £'000	Favourable/ (unfavourable) Total impact £'000
Change in fair value of CfDs if:			
Highest price third party series	17,781,219	48,706,424	66,487,643
Lowest price third party series	(19,234,842)	(28,686,452)	(47,921,294)
Discount rate of 3.5%	11,975,228	3,773,650	15,748,878
2023/24 Discount rate	(1,062,899)	(302,878)	(1,365,777)
Undiscounted	(30,474,794)	(7,348,983)	(37,823,777)
Specific to Other CfDs			
2% more load factor	-	(811,378)	(811,378)
4% more load factor	-	(1,622,756)	(1,622,756)
2% less load factor	-	811,378	811,378
4% less load factor	-	1,622,756	1,622,756
Estimated Commissioning Date moves backward by one year	-	245,928	245,928
Generation starts at the earliest possible date	-	105,369	105,369
Specific to HPC CfD:			
10% less load factor	4,983,601	-	4,983,601
2% increased load factor	(996,720)	-	(996,720)
Generation cap*	-	-	-
Generation start date one year earlier from estimated start date	(420,497)	-	(420,497)
Generation start date delayed one year from estimated start date	1,420,224	-	1,420,224
Sizewell C strike price adjustment (100%, £3)	547,229	-	547,229
Sizewell C strike price adjustment (0%, £nil)	(3,099,915)	-	(3,099,915)

*In 24/25 the HPC generation cap is no longer triggered even if it reaches 100% load factor due to contract erosion.

The fair value is virtually certain upon the actual capacity generated once the plant is built and the electricity prices which will prevail at the time of generation. The favourable and unfavourable changes show how the impact of changes in capacity and prevailing electricity prices will affect the fair value of CfDs due to the change in the level of cash flows.

23.6 Significant unobservable inputs

The following table discloses the valuation techniques and significant unobservable inputs for CfDs recognised at fair value and classified as level 3 along with the range of actual values used in the preparation of the financial statements.

	Fair value of CfDs (£'000)	Valuation technique	Significant unobservable input	Range Min-Max	Units
2021	88,930,047	DCF	Electricity prices	24.62 - 77.77	£/MWh
2022	97,951,406	DCF	Electricity prices	37.84 - 244.00	£/MWh
2023	84,505,940	DCF	Electricity prices	39.07 - 141.35	£/MWh
2024	89,151,086	DCF	Electricity prices	25.54 - 78.94	£/MWh
2025*	90,404,911	DCF	Electricity prices	41.51 - 295.13	£/MWh

*From 2024/25 nominal rates have been used in the CfD model whereas prior years are in real terms.

24. Supplier Obligation Levy

	Recognised in SOFP as at 31 March £'000	Recognised in SOCI for year ending 31 March £'000
As at 31 March 2023	13,440,833	-
Levy receivable recognised against remeasurement of CfD liability	4,157,165	4,157,165
Levy receivable derecognised relating to terminated contracts	(321,067)	(321,067)
Supplier Obligation Levy received during the year, net of repayable	(1,864,745)	-
Amortisation charge during the year	1,816,473	1,816,473
As at 31 March 2024	17,228,658	
Supplier Obligation levy recognised in SOCI for year ended 31 March 2024	-	5,652,571
Levy receivable recognised against remeasurement of CfD liability	(8,889,848)	(8,889,848)
Levy receivable derecognised relating to terminated contracts	(264,694)	(264,694)
Supplier Obligation Levy received during the year, net of repayable	(2,198,075)	-
Amortisation charge during the year	1,826,399	1,826,399
As at 31 March 2025	7,702,439	
Supplier Obligation levy recognised in SOCI for year ended 31 March 2025	-	(7,328,143)

A non-current Supplier Obligation Levy asset is recognised in the statement of financial position to match the timing difference between the point at which changes in the fair value of the CfDs liability are recognised in the financial statements and the point at which the related obligations give rise to mature levy obligations under the Regulations. A corresponding entry is made in the statement of comprehensive income.

25. Share capital

	Number
Authorised shares	
Ordinary share capital £1 each	1
Ordinary share capital issued and fully paid:	£
As at 31 March 2023 and 31 March 2024	1
Share capital issued during the year	-
As at 31 March 2025	1

26. Green Hydrogen

As at 31 March 2025 the company had signed 5 contracts from the first Hydrogen Allocation Round (HAR1). Further 5 HAR1 contracts were signed post 31 March 2025.

Initially the scheme will be funded by HMT until legislation is in place and there is an obligation placed on licensed gas shippers to fund the LCHA through the Gas Shipper Obligation (GSO).

Contrary to the CfD’s where there is a single contractual difference payment, the Green Hydrogen contracts have three payment mechanisms. Firstly, the DA where the difference between the strike price and the sale of hydrogen to offtakers is calculated. The PDI, where if the producer sells hydrogen above the floor prices they will receive a cash incentive. Finally the SSTU which protects the producer should sales volume fall below the sales cap of 50%. Further details can be found above in note 2.9.2.1.2. The DA and PDI are derivatives but the SSTU is treated as a financial liability as it is based on volume and not price.

However, as the valuation model assumes that the hydrogen price is equal to the gas price and volume does not drop below 50%, the PDI and SSTU are not triggered. For this reason, the valuation figures in note 26 only represent the DA.

Unlike the CfD contracts which have a defined allocation round timeline, HAR1 has been phased with contracts being signed from December 2024. Due to different signing dates of individual contracts and close proximity to year end, management have made the decision to use the year end fair value as a proxy for day one valuation, deferring the difference between yearend valuation and nil cost to enter into the contracts.

The reason for this decision is due to immaterial changes in inputs to the model between December 2024 to March 2025. These include updating the model to reflect the latest gas price series, discount rates and more reliable information to forecast sales volumes.

The “Measurement differences relating to day one recognition”

presented in note 26.1 and the “Movement in deferred measurement differences” presented in note 26.2 are added together to give the total valuation presented in the “Reconciliation of LCHAs” within note 26.3.2.

26.1 Measurement differences relating to day one recognition

All Green Hydrogen contracts are issued for £nil consideration through the HAR1 allocation process, this being deemed the transaction price. As explained in note 2.9.1 the difference between the fair value of the instrument at initial recognition (day one) and the transaction price is deferred unless the fair value at initial recognition is based on observable inputs (which is not currently the case).

The following table presents the carrying amount (FV movement since day one recognition) of the liability/asset on the SOFP. The year end valuation has been used as a proxy for day one valuation so there is no fair value movement this financial year.

	Green Hydrogen Liabilities £'000	Green Hydrogen Assets £'000	Total £'000
Green Hydrogen agreements as at 31 March 2024 recognised in the statement of financial position	-	-	-
Liabilities to assets	-	-	-
Remeasurement of the HAR1	-	-	-
Green Hydrogen liability released relating to terminated contracts	-	-	-
Payments to the Green Hydrogen producers	-	-	-
Deferred difference recognised during the year	-	-	-
Green Hydrogen agreements as at 31 March 2025 recognised in the statement of financial position	-	-	-

26.2 Movement in deferred measurement differences

The table below shows the movement in deferred measurement differences. The Green Hydrogen agreements are split between losses and gains based on the amount deferred at initial recognition.

	Green Hydrogen Liabilities £'000	Green Hydrogen Assets £'000	Total £'000
Deferred measurement differences as at 31 March 2024	-	-	-
Recognition of Green Hydrogen agreements in HAR 1 agreements in HAR 1	1,243,456	-	1,243,456
Deferred measurement differences recognised during the year	-	-	-
Measurement differences recognised in respect of terminated Green Hydrogen agreements	-	-	-
Deferred measurement differences as at 31 March 2025	1,243,456	-	1,243,456

26.3 Fair value measurement of Green Hydrogen agreements

The fair values of Green Hydrogen agreements represents the company’s best estimate of the payments which the company will be committed to make, if and when the producers sell hydrogen in accordance with their contractual terms. As the UK hydrogen market is still in its early stages payments have been based on the estimates of future gas prices using an independent price series.

Should no hydrogen be sold in accordance with the contractual terms, then the company is not under any obligation to make these payments.

26.3.1 Fair value of Green Hydrogen agreements (fair value through profit and loss)

The following table provides an analysis of financial instruments which are measured subsequent to initial recognition at fair value. The split between losses and gains is based on valuation based on the full life of the contract. They are grouped into input levels 1 to 3 within the fair value hierarchy based on the degree to which the fair value is observable:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
As at 31 March 2024	-	-	-	-
Losses	-	-	1,243,456	1,243,456
Gains	-	-	-	-
As at 31 March 2025	-	-	1,243,456	1,243,456

26.3.2 Reconciliation of Green Hydrogen agreements

The following table shows the impact on the fair values of Green Hydrogen agreements, classified under level 3, by using the assumptions detailed below.

	Green Hydrogen Liabilities £'000	Green Hydrogen Assets £'000	Total £'000
As at 31 March 2024	-	-	-
Change in fair value during the year	-	-	-
Deferred during the year (HAR1)	1,243,456	-	1,243,456
Green Hydrogen agreements terminated during the year	-	-	-
Payments to the HAR generatorsGH producers	-	-	-
As at 31 March 2025	1,243,456	-	1,243,456

26.3.3 Green Hydrogen agreement summary

The table below summarises the Green Hydrogen portfolio and illustrates the movement between the recognition of gains and losses excluding terminated Green Hydrogen agreements, if any.

	Number of Green Hydrogens	Fair value at initial recognition	Fair value at 31 March 2025	GH Asset/ Liability in the SOPF	Unamortised deferred difference at reporting date
Green Hydrogen assessed as gains at initial recognition	-	-	-	-	-
Green Hydrogen assessed as losses at initial recognition	-	-	-	-	-
Green Hydrogen agreements as gains at 31 March 2025	-	-	-	-	-
Green Hydrogen assessed as gains at initial recognition	-	-	-	-	-
Green Hydrogen assessed as losses at initial recognition	5	1,243,456	1,243,456	-	1,243,456
Green Hydrogen agreements as losses at 31 March 2025	5	1,243,456	1,243,456	-	1,243,456

26.4 Key inputs and underlying assumptions for Green Hydrogen

26.4.1 Estimated future forecast wholesale hydrogen prices

There is currently no well-defined UK hydrogen market therefore predicting sales prices is challenging. The model currently assumes that the natural gas price is the hydrogen price as this represents the minimum threshold at which producers can viably sell hydrogen.

Forecasted wholesale gas prices used to estimate the fair value of the Green Hydrogen agreements are derived from an independent price series. Energy price series estimates the wholesale price by:

- calculating the short run marginal cost (SRMC) of each plant (including a representation of plants in interconnected markets), taking account of start-up and shut-down costs;
- calculating the available output of intermittent renewables;
- calculating the half hourly demand for electricity by taking into account demand side response; and
- determining the marginal plant required to meet demand.

Economic, climate, policy, generation, and demand assumptions are external inputs to the model including demand load curves for both business and non-business days and seasonal impacts. Specific assumptions can also be modelled for domestic and non-domestic sectors and smart meter usage.

The forecast trajectory of gas prices are uncertain. In the valuation, management has used an industry recognised independent price series consistent with the price series used in the CfD valuation which is not an outlier.

26.4.2 Estimated future wholesale hydrogen production

26.4.2.1 Start date

The commencement date is specified in the LCHA following contract award where the producer nominates a Target Commissioning Date (TCD). However, the producer is free to commission at any time within their Target Commissioning Window (TCW), a period of one year from the start of the TCW to the end of the TCW and up to their “longstop date”. The longstop date is defined as one year after the end of the TCW with no penalty incurred as long as the producer reaches 80% of their installed capacity estimate by the end of their TCW and 90% by their longstop date.

A penalty in the form of reduction of contract length for each day they are late in commissioning is applied after the end of the TCW. The contract can be terminated if the producers has not commissioned 80% of their revised installed capacity estimate by the TCW end date and 90% by their longstop date. The valuation uses the latest estimate from producers on the start date.

26.4.2.2 Sales Volume

Defined as the total invoiced volume from the producer, eligible for inclusion in the LCHA. The model currently assumes that all volumes qualify as there is no historical data. Therefore 100% of the producer’s reference volume is used. The reference volume is based on the initial installed capacity and the assumed load factor. If the volume factor falls below 50% it would activate the SSTU payment which is designed to protect producers in the early stages of developing a UK hydrogen market.

The model assumes that the sales volume is equivalent to the reference volume. The reference volume is the assumed load factor multiplied by installed capacity multiplied by total number of billing days and

hours in a day. This represents the maximum quantity producers can sell to an offtaker over the contract duration, ensuring compliance with the contractual terms and assuming that producers will optimise revenue potential.

26.4.2.3 Strike price

The strike price is an agreed price which determines the payments made to the producer under the contract with reference to its hydrogen output and the market reference price.

The relevant strike price is specified in each LCHA and is not intended to change for the duration of the project, other than through indexation to CPI, or in the event of certain qualifying changes in law. The strike price used in the valuation of the LCHA is the 2024/25 strike price and reflects the CPI rate for April 2025, in line with the requirements of the LCHA contract.

26.4.2.4 Reference price

The DA is calculated as volume sold multiplied by the strike prices less the reference price where the reference price is the greater of the floor price and the achieved sales price. If the difference between the strike price and the reference price is positive the company shall pay the producer on a monthly basis. However, if the difference is negative, indicating that the reference price exceeds the strike price, the producer shall pay the DA to LCCC.

Based on initial forecast data received, achieved sales price is likely to equal gas prices which will result in the reference price also matching the gas price meaning that a DA is payable from LCCC to the producer for the length of the LCHA.

26.5 Sensitivity analysis

As explained in note 4.1.1 long term system forecasts are not generally seen as a single most likely outcome with degrees of uncertainty either side. Rather there are multiple sets of inputs that are internally consistent and credible. A set of these inputs is usually used as a ‘scenario’ and multiple deliberately different scenarios are used to illustrate different possible futures when undertaking long term forecasting. Therefore, individual forecasts may use a very different set of assumptions such as achieved sales price, hydrogen sales volume, installed capacity estimate, carbon and fuel costs and gas demand, but still be within what we would describe as the ‘universe of reasonableness.’

Management has decided to use the reference case scenario of an industry recognised independent forecast that is not an outlier and is consistent with the forecasts used for Green Hydrogen modelling.

An additional element in the calculation of the Green Hydrogen agreements liability is the discount rate that is applied. Uncertainty increases with time and so the choice of discount rate plays a significant part in determining how much uncertainty is weighted into a present value calculation, a higher discount rate places less weight on increasingly more uncertain years of a present value calculation.

LCCC has derived a real discount rate from the HM Treasury nominal discount rate of 2.15% adjusted by

the latest CPI inflation forecasts for each modelled year, given that the strike price is indexed to CPI, resulting in the following real discount rates:

2025/26	-1.00%
2026/27	0.22%
2027/28	0.15%
2028/29 and thereafter	0.15%

For comparability we include an undiscounted valuation of the Green Hydrogen agreements to compare with table 26.3.2:

	Total
	£’000
As at 31 March 2025	1,254,514

The following table shows the impact on the fair value of Green Hydrogen agreements, classified under level 3, by applying reasonably possible alternative assumptions. The changes in the table below include all the DA and PDI if triggered. SSTU payments are excluded from the fair value calculation as they do not meet the criteria for classification as a derivative. The table below indicates that a favourable outcome results in a decrease in the liability, whereas an unfavourable outcome results in an increase in the liability.

	Favourable/ (unfavourable) Total impact Green Hydrogen £’000
Change in fair value of Green Hydrogen agreements if:	
Decrease volume factor 80%	248,691
Decrease volume factor 40%	746,073
Increase price factor 2.0	141,693
Increase price factor 1.5	70,846
Start date delay 1 year	3,630
Start date delay 2 years	7,825
Highest price third party series	(5,507)
Lowest price third party series	20,257
Discount rate of 3.5%	143,209
2023/24 Discount rate 2.05%	(11,568)
Undiscounted	(11,058)

The favourable/unfavourable changes show the impact of capacity (volume factor) and hydrogen prices (price factor) as these will affect the fair value of GH agreements due to the change in cash flows.

Sales volumes relate to the volume of hydrogen producers are able to trade to qualifying offtakers. The model assumes that 100% of volumes qualify resulting in the largest DA payable. Should the volume factor fall below 50% this would trigger the SSTU payment of mechanism which is excluded from the table above as it is classed as a financial liability and not a derivative. If SSTU is triggered and the volume factor fell to 40% as per the sensitivity analysis above SSTU payments have been forecasted to total £98.1m.

The price factor in the model has been set to 1 which means that the gas price has been achieved. Anything above this indicates that producers have been able to sell hydrogen above the gas price and so PDI is triggered to encourage growth of the UK hydrogen market. A PDI payment is less than a DA payment hence why the HAR1 portfolio would reduce if this was triggered.

27. Dispatchable Power Agreement
27.1 Variable Payment

At the inception of the agreement, as immaterial variable payment is estimated to be made during the tenure of contract, the initial fair value is considered to be nil. Therefore, there is no immediate impact on the balance sheet.

It is expected to be highly immaterial because the CO2 Cost Differential is driven by high forecasted carbon prices which make this value consistently negative, outweighing other positive components (gas cost differential, other variable cost, T&S flow charge payment rate) in the formula. It’s a level 3 financial instrument measured at fair value using unobservable inputs as there is no active market data is available.

27.2 Equity gain share for DPA
The Equity gain share is a potential future payment from the generator to LCCC, designed to share financial upside if the project performs better than expected. It will be evaluated annually starting from the fifth anniversary of the earlier of: the DPA start date, or the end of the TCW.

The equity gain share mechanism under DPA consists of two components: (i) a mechanism to capture gains where the project's internal rate of return (IRR) exceeds a specified threshold; and (ii) a mechanism to capture gains arising from sale or transfer of Qualifying Economic Interests or equity (direct or indirect) in the project.

In both cases, gain share is triggered only when project's equity internal rate of return (IRR) exceeds a specified threshold as and when the Internal Rate of Return (IRR) thresholds are reached:

- If the relevant IRR is more than Equity IRR, the company will receive 30% of the gain above specified IRR level.
- If the relevant Sale IRR is more than Equity IRR, the company will receive 30% of the portion of proceeds above the threshold return

Management has assessed that no adjustment to the valuation is required at this stage. No adjustment to the valuation has been made for equity gain share on the grounds that none of the conditions outlined above have been met and it is currently not possible to reasonably estimate if they will be met in the future as the outcome depends on numerous unpredictable factors, including project performance and cost outcomes. Based on this assessment, management considers the potential impact to be immaterial at the reporting date.

28. Contingent liabilities

As of the reporting date, the Company is involved in a number of matters that may give rise to potential obligations depending on the outcome of uncertain future events. These are stated below.

28.1 East Coast Cluster Revenue Support Agreement

As of the reporting date, LCCC has entered into a Revenue Support Agreement (RSA) with Net Zero North Sea Storage Limited (T&SCo) to support the Carbon Capture Usage and Storage (CCUS) project under the Energy Act 2023. The RSA provides financial support in the event of revenue shortfalls during the Event of First User Delay and the Operational Period.

No liability is currently recognised, as the Commercial Operations Date (COD) for T&SCo is scheduled for 19 February 2029, and no triggering event has occurred. However, in the event of a delay beyond the Scheduled COD, LCCC may be required to make payments under the RSA, including First User Delay Payments, Interim Difference Payments, and Reconciliation Payments.

At this stage, the amount of any potential payment cannot be reliably estimated. Therefore, in accordance with IAS 37, a contingent liability is disclosed.

- Nature of obligation: Potential payments under the RSA in the event of operational delays or revenue shortfalls.
- Triggering event: Delay in plants using Transport network achieving COD or revenue underperformance.
- Estimated financial impact: Not currently measurable.
- Timing: Subject to future events; reviewed annually until COD is achieved.
- Funding: Funding for the RSA will be provided by the

Exchequer, development of these arrangements is scheduled to begin in 2027, with the aim of signing a Memorandum of Understanding (MoU).

28.2 Dispatchable Power Agreement – Availability Payment

LCCC has entered into a Dispatchable Power Agreement (DPA) with Net Zero Teesside Power Limited (East Cost Cluster) on November 19, 2024. DPA includes an Availability Payment mechanism, which compensates the generator for maintaining the availability of its facility to generate electricity and capture CO₂, regardless of whether the facility is actively dispatching power.

The Availability Payment represents a financial liability that will be recognised at amortised cost once the condition of plant availability is met. Until that point, the obligation is considered contingent. As per IAS 37, this arrangement constitutes a contingent liability, as this obligation has arisen due to signing of contract, however it is dependent on future events not wholly within LCCC's control such as, the generator achieving operational readiness and meeting availability criteria. Accordingly, no liability has been recognised in the financial statements as at the reporting date. However, the estimated future exposure is £7.72bn. It is disclosed as a contingent liability, to reflect the potential financial exposure once the generator becomes operational.

If this liability formalises, the funding for these payments will be received through the Supplier Obligation Levy, as provided under the Energy Act 2013.

29. Events after the reporting period

Below are the events that are considered non-adjusting post-balance sheet events under IAS 10, as they relates to events that occurred after the reporting period but before the financial statements were authorised for issue.

29.1 Post year end CfD terminations

On 7th May, Ørsted publicly indicated that it intends to discontinue the Hornsea 4 project in the UK in its current form under the CfD awarded in AR6. The day one deferred value of Hornsea 4 was £3.89bn and the FV movement as at 31 March 2025 is an asset of £36m. If a termination occurs, it will be recognised in Financial year 2025/26.

29.2 HyNet Cluster Revenue Support Agreement

On 22 April 2025, LCCC entered into one more Revenue Support Agreement (RSA) with Liverpool Bay CCS Limited in relation to the HyNet Northwest Cluster, which encompasses Northwest England and North Wales. The RSA is a private contractual arrangement designed to provide financial support to Transport and Storage Companies (T&SCo) involved in the movement and storage of carbon dioxide as part of a Carbon Capture, Utilisation and Storage (CCUS) cluster.

Both the signed RSA agreements are backed by the UK government and structured to operate over an initial term of 25 years. Although the HyNet project is expected to commence operations in early 2029, payments under the RSA may begin as early as late 2028, subject to Ofgem's declaration of an Event of First User Delay.

29.3 Green Hydrogen

In January 2024, LCCC was confirmed as the future counterparty for the 11 Green Hydrogen contracts awarded in Hydrogen Allocation Round 1 (HAR1) totalling 125MW.

As of 31 March 2025, five out of the eleven Green Hydrogen contracts awarded under the Hydrogen Allocation Round 1 (HAR1) had been formally signed by the Low Carbon Contracts Company (LCCC) and counterparties. Subsequent to the

balance sheet date, a further five contracts were signed during the post balance sheet period, valued at £932m. These contracts form part of the Low Carbon Hydrogen Agreement (LCHA) framework and are expected to trigger similar future financial obligations once the respective producers commence hydrogen production and meet the required operational conditions. The financial implications of these post-year-end signings will be reflected in the subsequent reporting period, with appropriate valuation and disclosures in line with IFRS 9 and IFRS 13.

29.4 Sizewell C decision (HPC strike price adjustment)

In June 2025 government announced a substantial investment of £14.2bn to build the new Sizewell C nuclear plant. This investment significantly increases the likelihood of the projects commencement, which in turn impacts the strike price of the HPC project. The Final Investment Decision (FID) for Sizewell C, which is expected to take place later in 2025. As seen in the sensitivities, 85% of the HPC strike price adjustment has been recognised and the move to 100% would have a favourable outcome to the valuation, reducing the liability by £0.5bn.

11

Glossary

Glossary

Advanced Conversion Technologies (ACT)	Technologies that turn waste into energy using cleaner methods like gasification or pyrolysis, instead of burning it in a traditional incinerator.
Allocation Round (AR)	<p>The process where low-carbon projects compete for CfDs. The government sets the rules and budget, and successful projects are selected by NESO. For example, AR6 was the sixth round.</p> <p>The process is managed by NESO as the “Delivery Body”, and overseen by the Department for Energy Security and Net Zero (DESNZ).</p>
Apportioned CfD	A type of CfD used when a project has multiple phases measured through one central meter. The total energy is shared out between phases based on how much each one produces.
Battery Source	Technology that stores electricity for later use, helping to balance supply and demand.
Bioenergy with Carbon Capture and Storage (BECCS)	A way to generate power from plants and capture the carbon emissions, removing CO2 from the atmosphere.
Blockchain	A secure digital technology that helps record and verify data. LCCC is using this in its Head End System.
Balancing Market Unit (BMU)	A unit used to track and settle energy transactions in the balancing market, where electricity supply and demand are balanced in real-time.
Capacity agreement	A contract between NESO and a successful bidder in a Capacity Market auction. It gives the capacity provider regular payments in return for making their energy capacity available when needed.
Capacity Auction	A competitive auction where energy providers bid to offer capacity in the future. The lowest-priced bids win capacity agreements. Most Capacity Auctions are held four years before the capacity is needed (called “T-4”).
Capacity Market (CM)	A government scheme that pays energy providers to make sure enough electricity is available when needed. This includes generators, battery storage, and large users who can reduce their demand. The aim is to keep the lights on at the lowest cost to consumers.
Capacity Market Unit (CMU)	A generator, battery, or other source that agrees to provide electricity through the Capacity Market.
Capacity Provider	A capacity provider is the holder of a capacity agreement with the National Energy System Operator (NESO) (as System Operator). Capacity providers can be new or existing generators, electricity storage providers and significant users of electricity who provide voluntary demand side reductions (Demand Side Response). Capacity providers provide capacity under either a capacity agreement resulting from a Capacity Market auction or from a Transitional Arrangement Auction.
Carbon Capture, Usage and Storage (CCUS)	Technologies that capture carbon dioxide emissions from sources like power plants and industrial processes, either reusing it or storing it underground to prevent its release into the atmosphere.

CfD project	This refers to a project as defined within a CfD agreement in relation to a particular facility. Each phase of an offshore wind farm has a separate contract, and therefore each phase is referred to as a separate CfD project.
CfD Standard Conditions	The standard contract terms used for CfDs in each Allocation Round, outlining the rights and obligations of both parties. These terms ensure consistency across CfD agreements. These are available at: https://www.gov.uk/government/publications/contracts-for-difference/contract-for-difference
Contracts for Difference or CfD	A Contract for Difference (CfD) is a long-term agreement between a low carbon electricity generator and LCCC. It is designed to provide the generator with a stable pre-agreed price (the “strike price”) for the lifetime of the contract. This is done by paying the difference where electricity price (the “market reference price”) is less than the strike price and receiving the difference when the market reference price is higher than the strike price.
DDM (or Dynamic Dispatch Model)	The long-term forecast of wholesale electricity prices is derived from the Dynamic Dispatch Model. The DDM was developed by DESNZ to inform policy decisions by modelling investor behaviour in response to fuel and carbon prices and policy environment (the figures for Great Britain are modelled out to 2050).
Delivery Partners	CfD Delivery Partners are organisations involved in delivering the CfD. The CfD Delivery Partners are LCCC Ofgem and the EMR Delivery Body of NESO.
Delivery Year	This is a defined term within the Capacity Market rules referring to the obligation period of a capacity agreement being 1 October to 31 March of the following year.
Demand Side Response	A way to reduce or shift electricity use at busy times, in exchange for payments or incentives. This helps balance supply and demand, avoids using expensive or polluting backup power, and can reduce bills and emissions.
Department for Energy Security and Net Zero (DESNZ)	The UK government department responsible for energy policy and the transition to Net Zero. DESNZ sets the rules for the schemes that LCCC delivers — including the Contracts for Difference (CfD), Capacity Market, and low-carbon hydrogen and carbon capture schemes. LCCC is independent from DESNZ but works closely with the department to support delivery, provide advice and help shape future policy.
Dispatchable Power Agreement (DPA)	A contract that ensures a power generator provides electricity on demand, typically in response to system balancing needs, offering reliable and flexible generation.
DSR (Demand Side Response)	When energy users lower or shift their electricity use at busy times to help balance the system.
ECJ	Means the General Court of the Court of Justice of the European Union. The ECJ on 15 November 2018 (Case T-793 14) annulled the main State aid approval granted by the European Commission for the Capacity Market scheme.
Energy Levy and Forecasting Optimisation (ELFO)	A bespoke in-house forecasting system developed by the team to produce the data and estimates needed for levy setting.

EMRS	EMR Settlement Ltd (EMRS) is a wholly owned subsidiary company of ELEXON Ltd.* It is the settlement services provider under a contract with LCCC to manage the operation of the settlement system. (*ELEXON website: www.elexon.co.uk/)
Energy Data Taskforce	The Energy Data Taskforce was established by Government and Ofgem to develop a set of recommendations for how industry and the public sector can work together to facilitate greater competition, innovation and markets in the energy sector through improving data availability and transparency.
ESC	Electricity Settlements Company Ltd.
Framework Document	The Framework Document is a formal agreement between LCCC and the Department for Energy Security and Net Zero (DESNZ). It sets out how LCCC operates, including our responsibilities, governance, and how we work with government.
Gas Shipper Obligation (GSO)	A scheme to support low-carbon hydrogen using Exchequer funding in its early stages.
Green Hydrogen	Hydrogen made using renewable electricity, producing little or no emissions.
Greenhouse Gas Removals (GGRs)	Technologies that take carbon dioxide out of the air to help fight climate change.
Hydrogen Allocation Round 1 (HAR1)	The first round of government contracts to support low-carbon hydrogen production.
Head End System (HES)	LCCC’s blockchain-based system for securely collecting verified data from project developers
H2 to Power (H2P)	Infrastructure to store and move hydrogen between where it’s made and where it is used.
Hydrogen Production Business Model	A government-backed contract framework to give hydrogen producers long-term income.
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.
National Energy System Operator (NESO)	The organisation that runs the electricity system and keeps supply and demand balanced.

Review of Electricity Market Arrangements (REMA)	A government programme reviewing how the electricity market works to better support Net Zero.
Revenue Support Agreement (RSA)	A contract that helps carbon transport and storage companies by giving them a steady income.
Sustainable Aviation Fuels (SAFs)	Cleaner fuels made from waste or other low-carbon sources to reduce emissions from flying.
Settlement Body	The part of LCCC that collects money from electricity suppliers and makes payments under energy schemes.
Total Reserve Amount	<p>The amount of money LCCC sets aside each quarter to make sure it can pay CfD generators. It’s based on how much is expected to be collected from suppliers, the chance of payment failures, and how much electricity will be generated and supplied.</p> <p>(Optional addition if space allows: This is designed to ensure a 95% confidence level that LCCC can meet its payment obligations.)</p>
Zero	LCCC’s digital platform for managing energy contracts more efficiently.

Executive Leadership Team

This was the Executive Leadership Team as at 10 July 2025



Neil McDermott
Chief Executive Officer



George Pitt
Chief Financial Officer



Allison Sandle
General Counsel & Company Secretary



Rachel Cox
Chief People Officer



Andrew Deeley
Director of Strategy & Development



James King
Director of Scheme Delivery



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