

We will start the webinar at 10.32 to allow people to finish previous calls.

In Conversation with LCCC and DESNZ: Nuclear RAB



Agenda

1.

Logistics

2.

**LCCC
Introduction**

3.

**Nuclear RAB-
DESNZ**

4.

**Nuclear
RAB –The
Impacts**

5.

**Q&A and
Poll Results**

Logistics

Duration: 60 mins

With plenty of time for questions.

Recording

Session will be recorded. Slides and recording will be circulated shortly



Slido.com
#NuclearRAB

Questions welcomed throughout; we will answer them all at the end



Mute and cameras

We will keep all participants on mute with cameras off

LCCC's Guiding Principle.... *to maintain investor confidence in the CfD scheme and minimise costs to consumers.*

We are the:

- Independent Counterparty for Contracts for Difference (CfD) scheme
- Settlement Body for the Capacity Market scheme
- Counterparty for Industrial CCUS, EfW CCUS and H2, subject to legislation
- Counterparty for T&Sco Revenue Support Agreements, subject to legislation
- Counterparty for Nuclear Regulated Asset Base payments mechanism
- Counterparty to the Dispatchable Power Agreement (CCUS)

Benefits for Generators:

- CfD quoted as “the gold standard” by the investor community
- Fixed price stability for 15 years
- CPI indexed
- Legal provisions and protections

Our Vision

“To accelerate the delivery of net zero...”

Our Mission

“...by shaping and implementing schemes which enable low-carbon investment at least cost to the consumer”

£54bn

We have mobilized in investment of new low carbon energy generation up to AR4

3.6GW

AR5 will deliver clean, homegrown Energy. Enough to power 2 million homes

240

CfD contracts under management up to AR5



Nuclear RAB - DESNZ

Saira Khan

Michael Lindsay

Patrick Barry

Nuclear Regulated Asset Base (RAB)

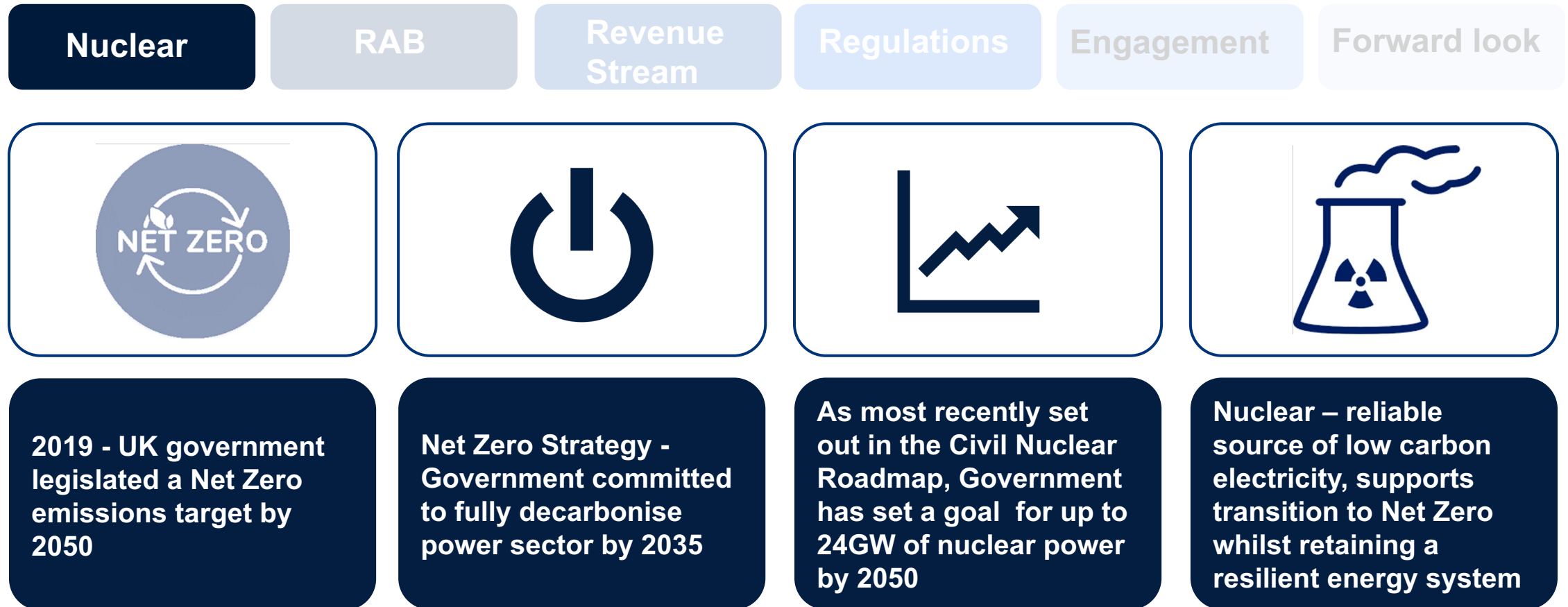
Saira Khan

Patrick Barry

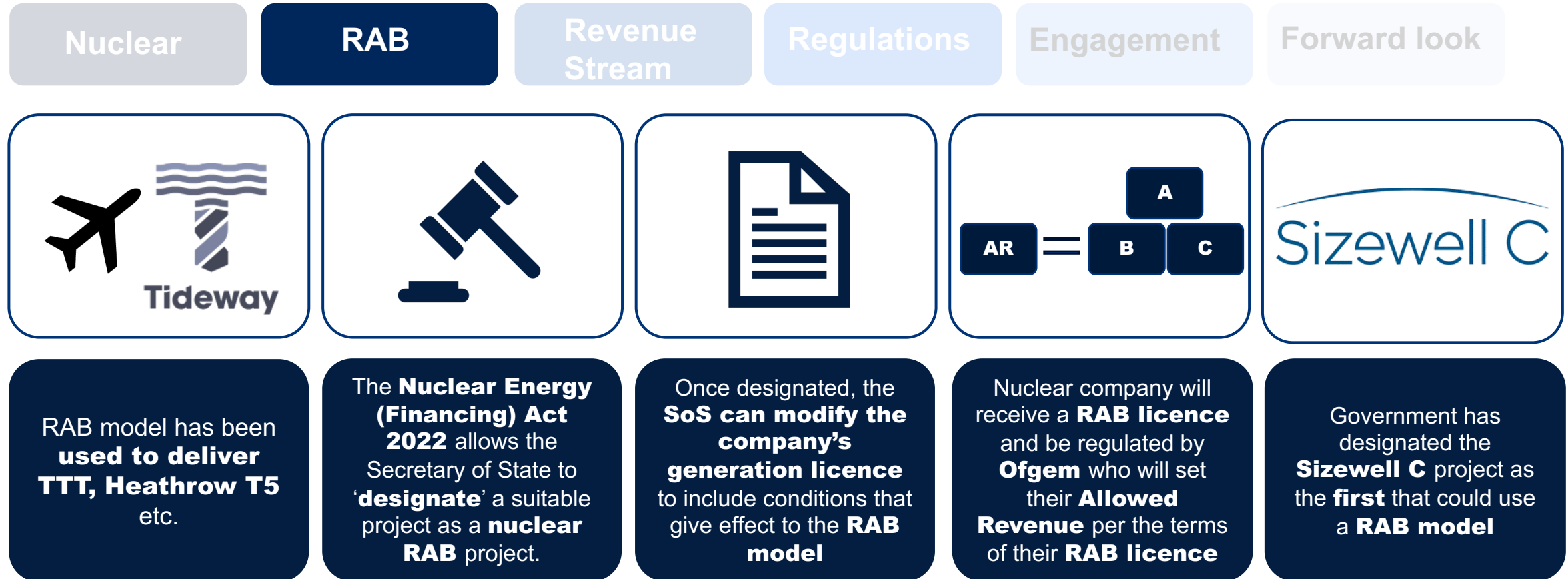
Michael Lindsay



Role of Nuclear



Nuclear Regulated Asset Base (RAB)



Nuclear RAB Revenue stream

Nuclear

RAB

Revenue
Stream

Regulations

Engagement

Forward look

1

Nuclear companies are entitled to an **Allowed Revenue** set by Ofgem

2

Nuclear companies sell electricity into the wholesale market, generating **Market Revenue...**

3

The difference is 'netted off' with suppliers through the **Difference Payment***

*Nuclear companies receive full Allowed Revenue during construction



Regulations



- The Revenue Regulations * set out the detailed mechanics of the revenue stream
 - **Similarities to CFD revenue mechanics** (e.g. Interim levy rate, Reserve amounts, Collateral, Mutualisation, Operational costs levy etc.)
 - **Key differences to account for nuclear RAB**
 - Revenues based on AR set by Ofgem and not electricity generation
 - Payments during construction
 - Shorter supplier notice periods to inform accuracy of RAB levies
 - Provision of information to key persons so the revenue stream can function effectively

*The Nuclear Regulated Asset Base Model (Revenue Collection) Regulations 2023

Engagement and Forward look

Nuclear

RAB

Revenue
Stream

Regulations

Engagement

Forward look

**Summer
2022**

Public consultation on the
proposals for the revenue
stream



**Autumn
2023**

Consultation on nuclear
RAB industry codes and
licence modifications



**February
2024**

Government response to
consultation on nuclear RAB
industry codes and licence
modifications



BSC mods in effect

Engagement and Forward look

Nuclear

RAB

Revenue
Stream

Regulations

Engagement

Forward look

April 2024

Government responds to consultation on modifications to the Sizewell C project's economic licence



May/June 2024

Government response to consultation on the methodology for key elements of the SZC economic licence.



CMA report on referral of Final Investment Decision subsidy scheme (including RAB levies)

By the end 2024

Target for a Final Investment Decision for SZC and the commencement of revenue collection – subject to relevant approvals.





Nuclear Regulated Asset Base —The impacts



Rod Lee

Supplier Operations Manager

Nuclear RAB – What does it mean for you?



- Nuclear Regulated Asset Base is a new government scheme designed to support the funding of construction and operations of nuclear energy generation



- Funding will operate in a similar way to the existing Contracts for Difference scheme



- Suppliers will have at least 30 days notice of ILR & TRA for each quarter – the initial ILR/TRA will be triggered by Ofgem



- Costs of this levy are not yet public - DESNZ will provide this when they can

Nuclear RAB – Core delivery bodies and responsibilities

DESNZ



- Owner of the Scheme
- Manages regulations
- Oversees performance of the Scheme

Ofgem



- Regulator for the designated Assets
- Oversight and day to day management of Nuclear Licence

Low Carbon Contracts Company



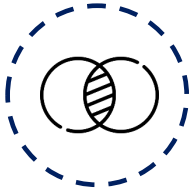
- Revenue Collection Counterparty for Nuclear RAB contracts
- Levy company to fund these contracts

EMR Settlement Limited



- LCCC's Settlement Services Provider for Nuclear RAB levy activities
- 1st Point of Contact for Supplier Operational queries
- Publishes Settlement Calendar and Guidance on behalf of LCCC

Nuclear RAB – Similarities and Difference to CfD



Similarities:

- Daily invoicing processes
- Credit Cover/ Collateral process
- Mutualisation process
- EMRS interaction for Suppliers
- Ops Cost Levy



Differences:

- At least 30 days notice of ILR & TRA
- Reduced visibility in longer term forecast as we approach end of financial year
- No scheme driven reconciliation adjustment
- Same payment mechanics for Construction and Operational phases of RAB Contracts

Nuclear RAB – Construction vs Operational Phases

Construction Phase:

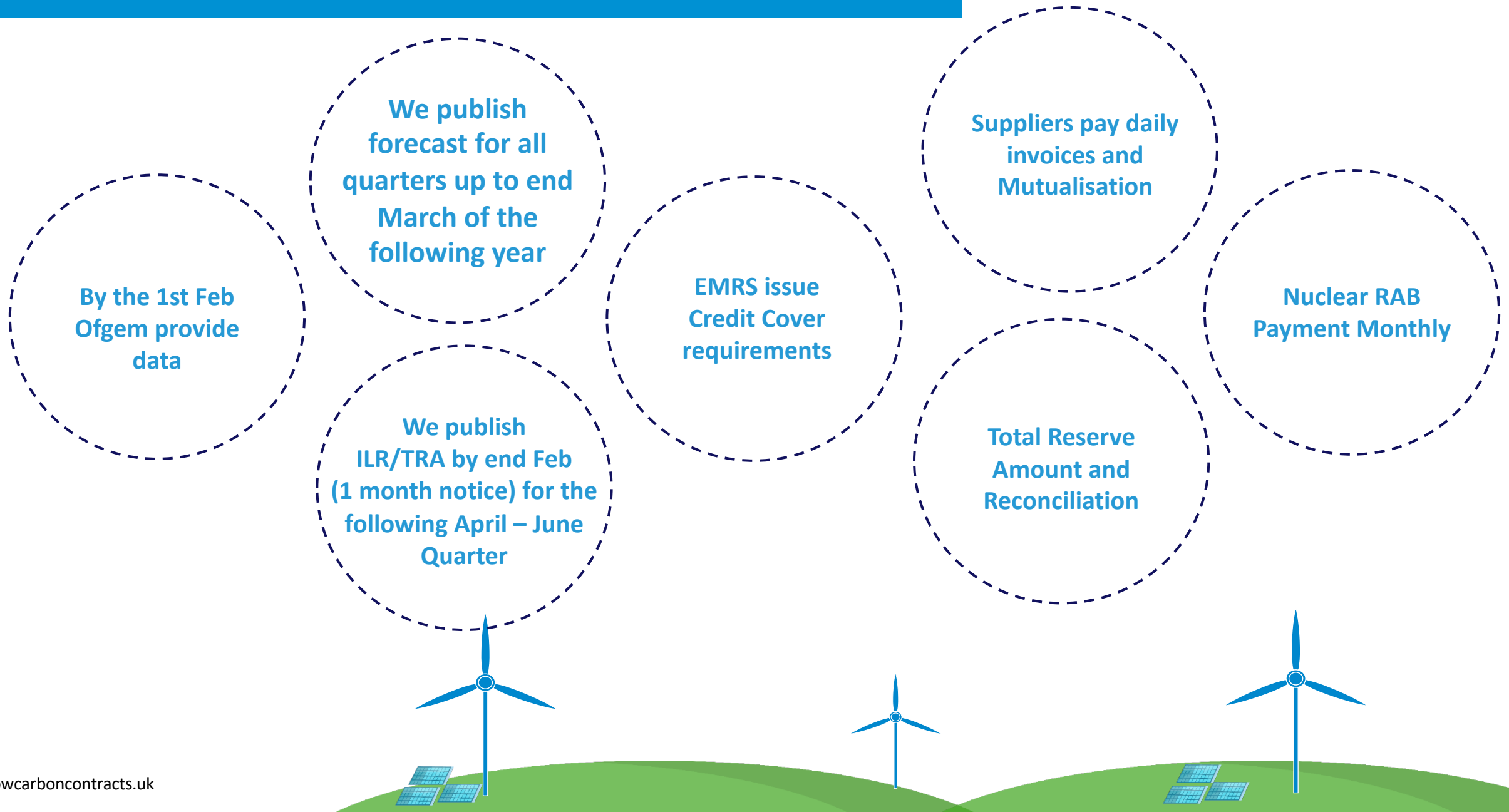
- Ofgem will issue a £ amount to pay to the Nuclear Generator once a year which will have little to no adjustment
- Corrections will be applied in subsequent years

Operational Phase:

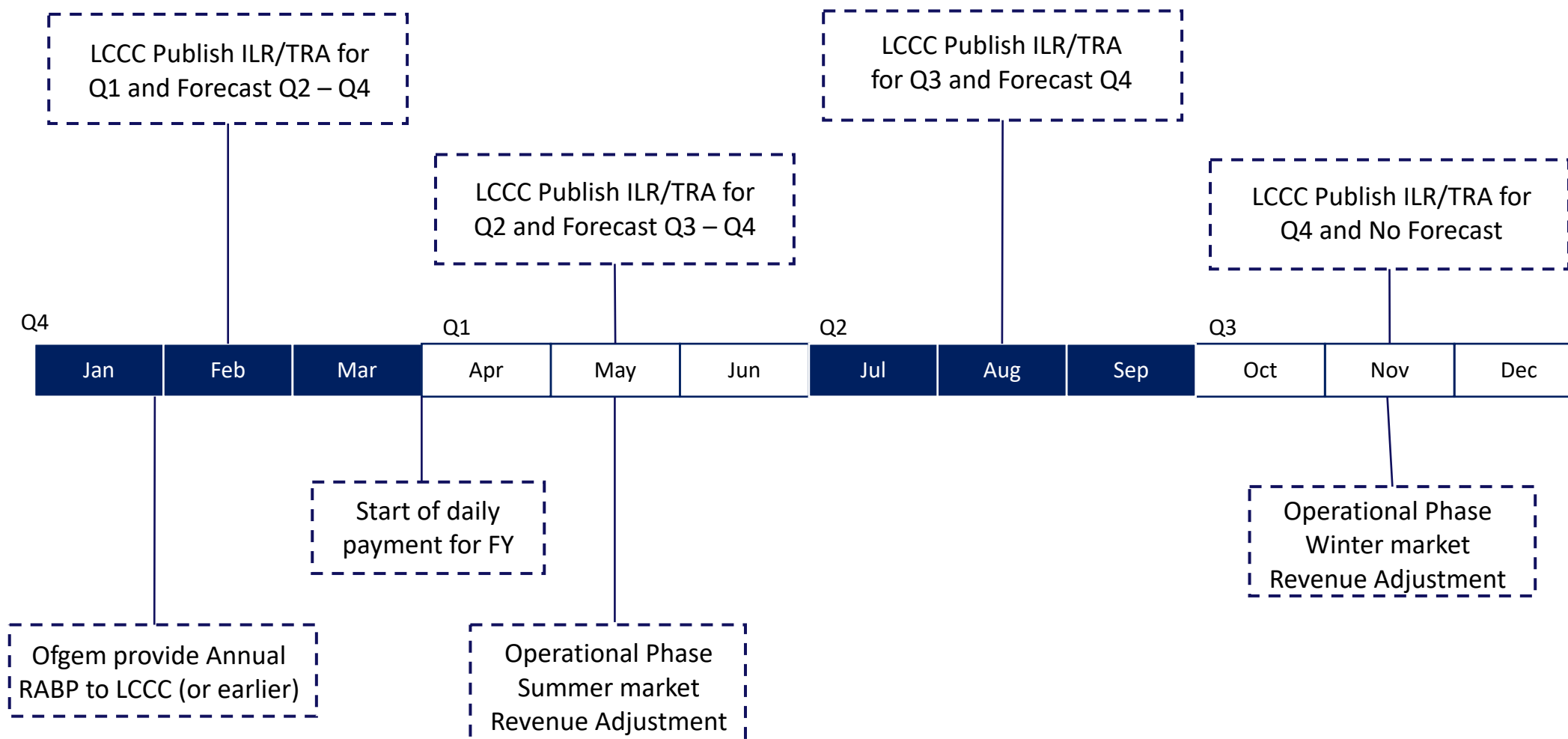
- Seasonal market revenue adjustments applied to annual payment for Nuclear Generator
- Shut down payment increase with 1 month notice
- Year on year shift in payment could go up or down to 0



Nuclear RAB – Core Mechanics



Nuclear RAB – Supplier Timeline (Typical Year)

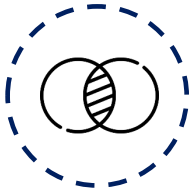


Nuclear RAB – Credit Cover



- Supplier's responsibility to lodge and maintain sufficient Credit Cover
- 30 day's notice - Implications
- Cash or letter of credit obligations

Nuclear RAB – Reserve



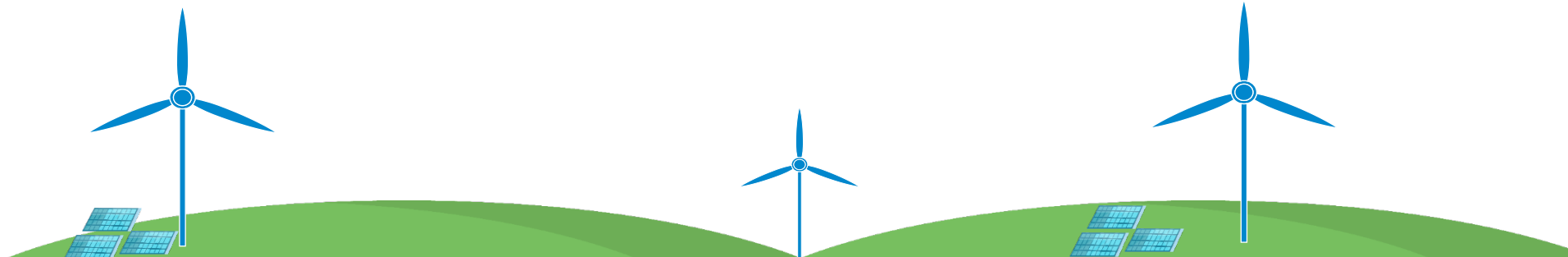
Similarities to CfD:

- LCCC determines the TRA
- EMRS apportions by market share to suppliers
- Invoices sent by 8th WD of the qtr.
- Invoices must be paid within 5 WD



Differences to CfD:

- RAB TRA will be notified 1 month in advance



Nuclear RAB - Reconciliations

Construction Phase:

- Scheme costs don't change
- 10 Quarterly reconciliations
- Improving quality of metered data for market share calculations

Operational Phase:

- Reconciliation can be used to give money back to suppliers
- 10 Quarterly reconciliations
- Improving quality of metered data for market share calculations

NB - Interim Rate Payment and the Reserve Payments are reconciled while Operational Cost Payments are not



Nuclear RAB: Operational Costs

£0.0028 per megawatt hour

After 31st March 24



Nuclear RAB – Key takeaways



- Similar to CfD
- Less notice for ILR/TRA
- More challenging for suppliers to forecast beyond the financial year
- More stable costs year on year
- Slightly different risk profile between Construction Phases and Operational Phases for Supplier Pricing models
- Costs of this levy are not yet public, however, DESNZ will provide this when they can

Future Engagement and Q&A

#NuclearRAB

<https://app.sli.do/event/gLrCNYjHLV7XZ7QcryijET>



What topics
would you like us
to cover?

How would you
like us to engage
with you?



Get in touch

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



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THANK YOU