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Electricity Market Reform (EMR)

Changes to your electricity bill from April 2015.

What is Electricity Market Reform (EMR)?
EMR is a government policy to incentivise investment in secure, low-carbon electricity. The aim is to deliver low carbon energy and reliable supplies that the UK needs, while minimising costs to consumers. EMR introduces two key schemes to provide incentives for the investment required in our energy infrastructure.

Contracts for Difference (CfD)
CfD has been put in place to ensure that the UK has enough low carbon generation to meet future electricity demand whilst supporting UK carbon targets. CfD will do this by providing a long term stable revenue for new low carbon initiatives. The cost to operate the CfD scheme is charged to suppliers via the CfD Supplier Obligation, due to start in April 2015. In addition, suppliers are charged scheme administration costs. These costs are all recovered through consumers' energy bills.

The Capacity Market
The Capacity Market is being introduced by the Department of Energy and Climate Change (DECC) to help secure the future of our electricity supply. This offers all capacity providers (new and existing power stations, electricity storage and capacity provided by voluntary demand reduction) a steady, predictable revenue stream on which they can base their future investments. The costs of the scheme are charged to suppliers and then recovered through consumers' energy bills.

Both of these charges will be administered by delivery partners of DECC. This includes National Grid Electricity Transmission plc (NGET) as the EMR Delivery Body.

From 1st April 2015, the follow items will be added to your bill to cover the costs associated with EMR. These are the charges for financial year 2015/16 using information currently available, and may be subject to change.

Charge name	More details	How it's charged/administered	Charge
Contracts for Difference (CfD) Operational Charge	Low Carbon Contracts Company's (LCCC) operational cost to set up the scheme	A one off charge set by the LCCC[1], based on National Balancing Point[2] (NBP) volume consumed between 1st January 2015 – 31st March 2015	£0.079/MWh
CfD Ongoing Operational Charge	LCCC's operational cost to administer the scheme	An ongoing monthly charge set by the LCCC based on your NBP[2] volume consumption	£0.0397/MWh
CfD Supplier Obligation Rate (interim)	LCCC's cost to cover payments for CfD generators (expected to increase as more projects start generating)	An interim rate for the quarter is estimated prior to the start of each quarter which is set by the LCCC. The charge will appear on each monthly invoice and is based on your NBP[2] volume consumed each month	£0.00/MWh (for the first quarter)
Reconciliation of Supplier Obligation Rate	Reconciliation of the supplier obligation rate, against actual (published) rate for the previous quarter	Following publication of actual rates by the LCCC, a reconciliation will be completed for the previous quarter and the difference (-) will be applied to your next invoice	-
Capacity Market Charge	(ESC) cost to set up the scheme	A one-off charge set by the LCCC, based on your Grid Supply Point[3] (GSP) volume consumed between 1st August 2014 – 31st March 2015	£0.007/MWh
Capacity Market Enduring Operational Cost	Electricity Settlements Company's (ESC) cost to administer the scheme. The daily rate is set by the LCCC	A daily rate which will appear on monthly invoices. This is calculated according to your forecasted GSP[2] volume consumption during the Peak Period[+]	£0.013/MWh (charged as a daily rate)
Reconciliation of Enduring Operational Cost	Reconciliation of the enduring operational cost, against actual consumption during the peak period	Reconciliation for the peak period consumption will be reconciled once actual peak demand is known, a reconciliation will be completed	-
Capacity Market Supplier Obligation Rate (interim)	Cost to cover payments for Capacity Market generators	An estimated daily rate which will appear on monthly invoices, calculated according to your forecasted GSP[2] volume consumption during the Peak Period	Charge to be introduced from October 2016

1 Low Carbon Contracts Company: A private company, owned by the Department of Energy and Climate Change (DECC), Low Carbon Contracts will manage the Contracts for Difference (CFD) introduced by Government as part of the EMR programme
2 National Balancing Point (NBP): consumption taking into account energy lost when it is conducted through the transmission network, and through the distribution network, to the meter supply point
3 Grid Supply Point (GSP): consumption taking into account energy lost when it is conducted through the distribution network only, to the meter supply point. +Peak Period: Business days between 1600 - 1900, during November - February

Get in touch
0800 056 8101
customer_services@orsted.co.uk
orstedbusiness.co.uk

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