



UK Government

Low Carbon Contracts Company and Electricity Settlements Company Operational Costs 2026/27, 2027/28 and 2028/29

Government Response to consultation



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Contents

List of acronyms	4
Introduction	5
Background	5
Publication and dissemination of the consultation	6
Outcome of the consultation	7
Next Steps	8
Questions	9
Operational costs of the Low Carbon Contracts Company – CfDs	9
Summary of responses	9
Government response	9
Forecast electricity demand	9
Summary of responses	10
Government response	10
Operational costs of the Low Carbon Contracts Company – RAB	10
Summary of responses	10
Government response	10
Operational costs of the Electricity Settlements Company	10
Summary of responses	10
Government response	11
Annex: List of organisations that responded to the consultation	12

List of acronyms

Acronym	
BECCs	Power Biomass Carbon Capture and Storage
CCUS	Carbon Capture Use and Storage
CfD	Contract for Difference
CM	Capacity Market
DESNZ	Department for Energy Security and Net Zero
DPA	Dispatchable Power Agreement
ESC	Electricity Settlements Company
LCCC	Low Carbon Contracts Company
LCD CfD	Low Carbon Dispatchable CfD for large scale biomass generators
MWh	Megawatt-hour
RAB	Regulated Asset Base
TWh	Terawatt-hour

Introduction

1. In the ‘Low Carbon Contracts Company and Electricity Settlements Company operational costs 2026/27, 2027/28 and 2028/29: consultation on the operational cost levies’¹, published on 26 November 2025, the government sought views on the proposed 2026/27, 2027/28 and 2028/29 operational cost budgets and resulting levies for the Low Carbon Contracts Company (LCCC) and the Electricity Settlements Company (ESC).
2. This document sets out the government Response to that consultation.

Background

3. LCCC is responsible for delivering key elements of Contracts for Difference (CfDs) under the Energy Act 2013, which includes CfDs for renewable electricity generators, a CfD for the Hinkley Point C nuclear project, the Dispatchable Power Agreement (DPA) (which is a form of CfD for Power Carbon Capture Use and Storage (CCUS) generators) and a Low Carbon Dispatchable CfD for large scale biomass generators (LCD CfD).
4. Subject to future policy decisions and the will of Parliament, during the budget period LCCC may also be responsible for delivering CfDs under the Energy Act 2013 supporting;
 - the deployment of large-scale power bio-energy with Carbon Capture and Storage (BECCS) electricity generators;
 - work relating to DESNZ proposals to support nuclear generation; and
 - work relating to DESNZ proposals to potentially support landfill gas generation.
5. LCCC is also responsible for delivering the role of revenue collection counterparty for the Regulated Asset Base (RAB) for new nuclear under the Nuclear Energy (Financing) Act 2022.
6. ESC is responsible for delivering key elements of the Capacity Market (CM) under the Energy Act 2013.
7. The LCCC, as counterparty to CfDs (including the Investment Contracts which have been transferred to it²), enters into and manages the contracts with low carbon generators, awarding top-up payments for qualifying generation. As Revenue Collection

¹ [Low Carbon Contracts Company and Electricity Settlements Company operational costs: 2026/27, 2027/28 and 2028/29 - GOV.UK](#)

² Investment Contracts which have been transferred to the LCCC are treated, by virtue of regulation 2(4) of the Contracts for Difference (Electricity Supplier Obligations) Regulations 2014 as CfDs for various purposes. Any reference to CfDs in this document is to be treated as including any such Investment Contracts.

Counterparty, LCCC is responsible for channelling funds between electricity suppliers and relevant licence nuclear companies. The ESC is responsible for all financial transactions relating to the Capacity Market, including making capacity payments to capacity providers and managing supplier credit cover and capacity provider’s auction credit cover.

8. The operational costs of both the LCCC and the ESC are recovered through levies on electricity suppliers set out in legislation (“the Regulations”^{3 4 5}). The Energy Act 2013 and Nuclear Energy (Financing) Act 2022 requires that we consult before making any regulations to amend the levies.

Publication and dissemination of the consultation

9. The consultation ran from 26 November 2025 to 2 January 2026 with the consultation document published on the government’s website. In addition, the department also published the consultation on Citizen Space, an online platform used by several public bodies to disseminate consultations.
10. In total, one response was received to the consultation; the organisation that responded is listed in the Annex. The respondent welcomed the opportunity to review and respond to the proposed operational costs budgets for the LCCC and the ESC.
11. Previous consultations have received no more than 5 responses, with the last consultation conducted in 2021 only receiving one. Table 1 provides a breakdown of the number of responses received to previous consultations:

Table 1:

Financial years covered by the consultation	Number of responses received
2014/15	5
2015/16	5
2016/17	2
2017/18	2
2018/19 – 2020/21	3
2021/22	1
2022/23 – 2024/25	1

³ Regulation 23 of the Contracts for Difference (Electricity Supplier Obligations) Regulations 2014 (as amended).

⁴ Regulation 9 of the Electricity Capacity (Supplier Payment etc.) Regulations 2014 (as amended).

⁵ Regulation 23 of the Nuclear Regulated Asset Base Model (Revenue Collection) Regulations 2023.

Outcome of the consultation

12. Following analysis of the response to this consultation, the government intends to implement its proposals as set out in the consultation. Feedback did not indicate that any amendments to the budgets proposed for the LCCC and the ESC are required.
13. The estimated operating costs for the LCCC with respect to CfDs, the forecast of gross electricity demand to be used to calculate its operational cost levies and the levy rates that will be included in regulations are confirmed in Table 2.

Table 2:

Year	Estimated costs £000s	Forecast Electricity Demand (terawatt hours (TWh) ⁶)	Levy rate (if applied from 1 April each year) (£/megawatt hour (MWh))
2026/27	38,274	261.55	0.1463
2027/28	44,941	262.27	0.1714
2028/29	49,659	261.35	0.1900

14. The estimated operating costs for the LCCC with respect to the RAB for new nuclear, the forecast of gross electricity demand to be used to calculate its operational cost levies and the levy rates that will be included in regulations are confirmed in Table 3.

Table 3

Year	Estimated costs £000s	Forecast Electricity Demand (TWh)	Levy rate (if applied from 1 April each year) (£/MWh)
2026/27	1,647	261.55	0.0063
2027/28	1,773	262.27	0.0068
2028/29	1,918	261.35	0.0073

15. At the time of the consultation, the LCCC forecast a total gross demand of 266.11 TWh for 2026/27, 266.72 TWh for 2027/28 and 265.99 TWh for 2028/29. Updated forecasts,

⁶ This forecast of gross electricity demand is based on a dedicated forecast model developed by the LCCC. The model uses statistical techniques taking into account trends in electricity demand and embedded generation, which is connected to the distribution network rather than the transmission grid. It also considers the long-term variability of weather.

as set out in Table 2 and 3, have been used for the final levy rate calculations and result in a marginally higher levy rate.

16. The total operational costs budget (the “settlement costs levy”) to be charged to electricity suppliers to fund the ESC will be specified in regulations as £9.112m for 2026/27, representing a £1.378 increase on the £7.734m budget for 2025/26. The total budget for 2027/28 is £10.346m, representing an increase of £1.235m on the budget for 2026/27, and £11.474m for 2028/29, representing an increase of £1.128m on 2027/28.

Next Steps

17. The Energy Act 2013 and the Nuclear Energy (Financing) Act 2022 provides that regulations setting the operational cost levies are subject to the ‘affirmative’ Parliamentary procedure. This means that any amendments to the Regulations have to be debated and approved by Parliament before they are made. Legislation to amend the Regulations to reflect the outcome of this consultation has now been laid before Parliament. The intention is that, subject to the will of Parliament, the provisions for the 2026/27, 2027/28 and 2028/29 levies will come into effect on the day after the day on which the amending regulations are made in respect of the settlement cost levy and on 1 April 2026 in respect of the operational cost levies.

Questions

Operational costs of the Low Carbon Contracts Company – CfDs

Consultation questions		1 response
1.	Do you have any comments on LCCC’s estimated operational costs relating to CfDs set out in this consultation document?	

Summary of responses

- 18. The respondent did not have any specific comments relating to the overall increase in operational costs for the LCCC, but noted they understand the rationale behind the increase in costs over the budget period. They highlighted the increased volume of agreements the LCCC will be responsible for administering in the period align with the increase in costs.
- 19. In relation to the LCD CfD specifically, the respondent noted they are supportive of the need to recover additional costs to support the operation of the contract. The respondent emphasized ensuring the LCCC has appropriate resources to ensure the sustainability provisions in the contract are met will be important so that stakeholders can have confidence in the sustainability requirements in the contract, generators ability to meet these requirements, and the LCCC’s ability to enforce them.

Government response

- 20. The government notes these comments but does not believe they require any specific response.

Forecast electricity demand

Consultation questions		0 responses
2.	Do you have any comments on the forecast electricity demand from which the £/MWh levy rates for LCCC are derived?	

Summary of responses

21. No responses were received.

Government response

22. As no responses were received, the government intends to proceed with the proposals set out in the consultation.

Operational costs of the Low Carbon Contracts Company – RAB

Consultation questions		0 responses
3.	Do you have any comments on LCCC's estimated operational costs relating to the RAB for new nuclear set out in this consultation document?	

Summary of responses

23. No responses were received.

Government response

24. As no responses were received, the government intends to proceed with the proposals set out in the consultation.

Operational costs of the Electricity Settlements Company

Consultation questions		1 response
4.	Do you have any comments on ESC's estimated operational costs set out in this consultation document?	

Summary of responses

25. The respondent did not have any specific comments relating to the overall increase in operational costs for the ESC, but noted they understand the rationale behind the increase in costs over the budget period.

Government response

26. The government notes these comments but does not believe they require any specific response.

Annex: List of organisations that responded to the consultation

The following organisations responded to the consultation:

Drax Group plc

This publication is available from: [Low Carbon Contracts Company and Electricity Settlements Company operational costs: 2026/27, 2027/28 and 2028/29 - GOV.UK](#)

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