



LOW CARBON
CONTRACTS COMPANY

POWERING NET ZERO



Electricity
Settlements
Company

LCCC Breakout Session

Introduction to Initial Conditions

Precedent

23/09/2021

LCCC

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lowcarboncontracts.uk

Initial Conditions Precedent

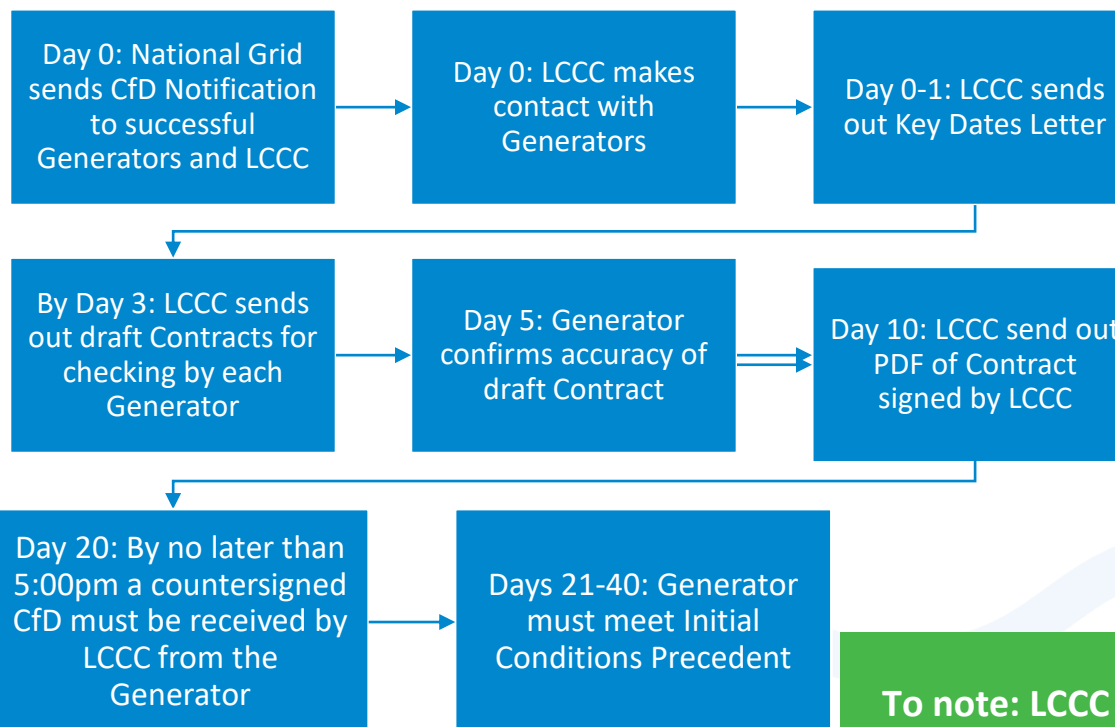
What do Generators need to provide to LCCC after winning a CfD?



Contract Production

Day 0 to 10 following successful auction

nationalgridESO



To note: LCCC can only offer a contract to a party named in the CfD Notification. It can only be that party who signs the agreement

Initial Condition Precedents (ICPs)

- Within 20 Business Days of signing the CFD, Generators must provide:
 - Legal opinion in the exact form satisfactory to LCCC confirming the valid formation of the Generator and its power and authority to enter into the CFD;
 - Evidence of compliance with the LCCC's "know your customer" requirements;
 - Description of the proposed Facility including the proposed location and layout.
- Failure to fulfil the Initial Conditions Precedents within 20 BDs provides LCCC with a right to terminate the CFD.
- We strongly advise Generators to progress their ICPs prior to signing the CFD



Legal Opinion

- Schedule 1 (Conditions Precedent) Part A (Initial Conditions Precedent) paragraph A requires a legal opinion to be provided by an external law firm, LCCC have drafted a template which must be used by all Generators.
- The template legal opinion is set out in Appendix 1 of the guidance document. This template may only be tailored to include details specific to the Generator.
- This form of legal opinion is drafted on the basis that the Generator is a company incorporated in England and Wales. Minor consequential changes may be proposed if the Generator is incorporated in another jurisdiction outside of England and Wales. Amendments in respect of companies registered outside of England and Wales must be satisfactory to LCCC. All such alternative forms of wording must provide equivalent assurance to the wording in this template and be submitted in draft form to the LCCC for consideration.
- Whatever jurisdiction the Generator is incorporated, the governing law of the legal opinion must be English law to align with the CFD governing law.
- The legal opinion must be dated on or have a date which is within twenty (20) Business Days after the Generator has signed the CfD, but must not contain a date which is more than three (3) Business Days prior to receipt of the legal opinion by LCCC.

Know Your Customer (KYC)

- In order to address anti-money laundering and managing public money obligations, LCCC follows a “Know Your Customer” (KYC) process where information is collected and reviewed at the ICP stage and at intervals thereafter. LCCC will ask for KYC information at various points including:
 - ICP stage
 - Whenever it becomes aware of a legal or beneficial change of ownership in a project
 - At regular intervals, typically of a year or two in duration, commencing from the Start Date of the KYC check
 - Or sooner if required at the LCCC’s discretion
- Your designated Contract Manager will guide you through the KYC process and initiate the checks on your behalf. Generators should allow themselves sufficient time to gather this information in advance of the ICP process.
- KYC checks are outsourced to a leading industry expert who might require Generators to provide supporting information as part of the KYC investigation
- All data will be held in accordance with the confidentiality provisions of your CfD or Investment Contract and processed in compliance with data protection legislation.

Facility Description

- The Facility Description must be provided by the Generator under the Initial Conditions Precedent and is an important descriptor, used in other conditions within the contract where “Facility” is referred to. It is therefore important that Generators give proper consideration to how they describe their Facility at the outset.
- The description of the Facility is required pursuant to paragraphs (C) and (D) of Part A(Initial Conditions Precedent) of Schedule 1 (Conditions Precedent) to the Contract for Difference Standard Terms and Conditions (May 2019 template)
- Paragraph (C) states that Generators must provide a description of the Facility in a form and content satisfactory to the CfD counterparty and must include details of assets comprising the Facility, an aerial view of the unique geographical location (with co-ordinates) of the Facility whether an extract from the Ordnance Survey map or equivalent showing the proposed locations of the Facility, Facility Metering Equipment and (if the Facility Generation Technology is Offshore Wind), the Offshore Transmission System.
- Paragraph (D) states that Generators must provide a description of any Electricity Storage Facility, in form and content satisfactory to the CfD Counterparty (acting reasonably), including details of any assets relating to Electricity Storage or Electricity Storage Facilities which are intended to be located within the Facility site or be used by or be associated with the Facility.
- ACT – AR3 introduced the Physical Separation Requirements. As such Generators need to provide a process flow diagram identifying the Synthesis Chamber, Combustion Chamber, Purification Unit/s and/or Compression Unit/s, and the pipe or conduct connecting the Synthesis and Combustion Chambers