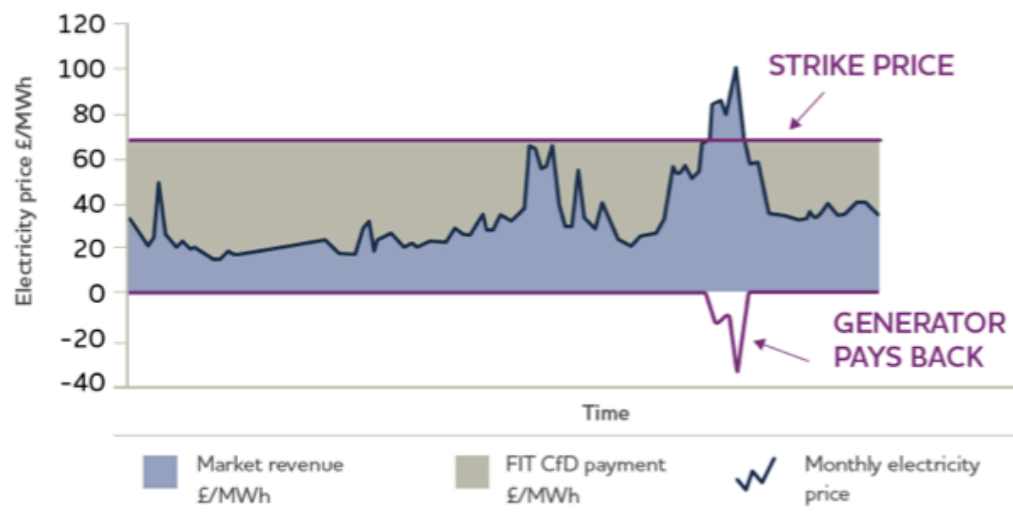


## Contract for Difference UK

A Contract for Difference (CFD) is a private law contract between a low carbon electricity generator and the Low Carbon Contracts Company (LCCC), a government-owned company. A generator party to a CFD is paid the difference between the 'strike price' – a price for electricity reflecting the cost of investing in a particular low carbon technology – and the 'reference price' – a measure of the average market price for electricity in the GB market. It gives greater certainty and stability of revenues to electricity generators by reducing their exposure to volatile wholesale prices, whilst protecting consumers from paying for higher support costs when electricity prices are high.



Source: UK Government White Paper, July 2011, licensed under the Open Government License v1.0

### Supplier Obligation and Operational Costs Levy

The obligation to make payments to CFD Generators under CFDs (save for payments under investment contracts prior to the Supplier Obligation taking effect) will be funded by a new statutory levy on all UK-based licensed electricity suppliers (Supplier Obligation). In addition, the operational costs of the LCCC (Low Carbon Contracts Company) will be funded by a new statutory levy on all UK-based licensed electricity suppliers (Operational Costs Levy). The LCCC will be responsible for collecting funds due from suppliers under the Supplier Obligation and the Operational Costs Levy.