



Department for
Business, Energy
& Industrial Strategy

Revenue stream for the Nuclear RAB model

Government response to consultation in
respect of revenue regulations relating to the
implementation of the nuclear RAB model
revenue stream



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Introduction

Fundamental to the successful implementation of a nuclear Regulated Asset Base (RAB) model is a robust revenue stream that ensures a secure and consistent flow of revenues between electricity suppliers and a licensee nuclear company for the duration of that nuclear project's regulatory period. On 14 June 2022 the Government launched a consultation in respect of revenue regulations which would set out the detailed mechanics of how the nuclear RAB revenue stream would be implemented.

The nuclear RAB revenue stream consultation ran from 14 June 2022 to 9 August 2022 and provided an overview of the proposals for the revenue regulations. It sought stakeholder views on the proposed policy to follow the precedent set by the CFD revenue regime primarily set out in The Contracts for Difference (Electricity Supplier Obligations) Regulations 2014 (as amended) ('CFD ESO regulations') wherever appropriate. The consultation also sought views on the features of the proposed revenue stream unique to a nuclear RAB model. These matters related in particular to:

- Information sharing mechanics required for the determination of supplier payment obligations under the regulations.
- Wider information sharing provisions required for the effective functioning of the revenue stream.
- The notice period for forthcoming quarterly supplier interim levy rates and reserve amounts.
- Secretary of State directions to offer to contract under section 18 of the Nuclear Energy (Financing) Act 2022, including considerations relating to the bespoke nature of revenue collection contracts and certain matters the terms of the revenue collection contract must cover.
- The revenue collection counterparty notifying the Secretary of State if it considers it will be unable to carry out its functions.
- The revenue collection counterparty projecting future supplier payment obligations.
- Potential exemptions to supplier payment obligations.
- Potential measures relating to vulnerable groups and consumers in receipt of Universal Credit.
- The revenue collection counterparty's operational costs.

This Government response outlines the consultation position, provides a high-level summary of the stakeholder responses to the consultation questions and the Government's response to each individual question.

Respondents engaged with the consultation in different ways, some responded to the consultation questions through Citizen Space, while others responded by email. Some respondents did not structure their responses around the specific questions posed, therefore

the Government has sought to consider those responses by reference to the consultation question/position that they are most suited to.

Consultees

The Nuclear Energy (Financing) Act 2022 (the 'Act') places a statutory obligation on the Secretary of State to consult with the persons specified in section 25 of the Act before making revenue regulations. These persons are:

- Scottish Ministers
- Welsh Ministers
- Every nuclear company in relation to which a designation under section 2(1) of the Act has effect
- Every nuclear company that is a relevant licensee nuclear company under the Act
- Every person who holds a licence to supply electricity under section 6(1)(d) of the Electricity Act 1989
- The Authority (i.e. Ofgem)
- The national system operator (i.e. National Grid ESO)

Section 25 of the Act also makes provision for the Secretary of State to consult any other persons it considers appropriate. The Government decided to include the public (i.e. any person with an interest in this policy area) under this provision.¹ This is because this was the first time we consulted on the policy for the revenue regulations which could support multiple nuclear projects benefitting from the RAB model in the future.

The Government received 40 responses to the consultation from organisations and members of the public (see annex 1 for full list of respondents). For the purpose of analysis, based on the responses received, stakeholders have been grouped into the following categories:

- Electricity/energy suppliers
- The Authority (i.e. Ofgem)²
- The national system operator (i.e. National Grid ESO)
- Nuclear developers
- Other nuclear sector organisations
- Trade bodies (nuclear/ energy focused)
- Trade bodies (Energy Intensive industries)

¹ To note – this does not necessarily oblige us to carry out a full public consultation in respect of any further revenue regulations proposed to be made at a later date. Whether a public consultation is necessary or appropriate will depend on all of the circumstances, including the specific subject-matter of the proposed regulations.

² Ofgem requested for their response to be published in full- please see annex 2

- Environmental groups /NGOs
- Members of the public

Summary of responses

Revenue regulations proposed to be replicated from the CFD regulations

The consultation proposed that the revenue regulations would largely replicate the revenue mechanics set out in the CFD ESO regulations, except where there would need to be differences to account for RAB specific revenue mechanics.

Question 1:

Do you have any comments on how BEIS proposes to replicate the relevant parts of the CFD ESO regulations (as described from pages 17-22 of the consultation) with the objective of the proper functioning of the nuclear RAB revenue stream?

Summary of responses

There were 12 responses received on this question including from a nuclear developer, electricity suppliers, nuclear sector organisations and a trade body (nuclear focused). They were largely supportive of proposals to replicate relevant parts of the CFD ESO regulations. They agreed that this would offer a recognised and reliable revenue model which suppliers, generators and investors are familiar with, and would reduce the administrative burden of imposing a new levy on suppliers.

One respondent asked whether there was scope for the regulations to allow for the pooling of funds between nuclear RAB and CFDs. Another respondent also considered that the mutualisation process may cause an issue for smaller suppliers and suggested that suppliers should be able to demonstrate their financial ability to participate in the mutualisation process.

It was also requested that the Government considers placing an obligation on suppliers to pass on beneficial payments to consumers, or for these payments to be routed through the Government. They also considered that where suppliers are due to make operational costs levy payments to the revenue collection counterparty, and generators are due to make payments to suppliers, the operational costs levy payments should be paid for using any outstanding amounts owed by generators.

Government response

The Government welcomes the responses received to this question and considers it appropriate to proceed with the proposal set out in the consultation to replicate the CFD ESO

regulations subject to any specific drafting differences needed to tailor them to the nuclear RAB revenue model.

It is not considered appropriate for revenue regulations to make provision for the revenue collection counterparty to pool funds to cover shortfalls between nuclear RAB and CFDs as they are separate schemes. Such a mechanism could undermine investor confidence in the robustness of the RAB revenue stream and additionally, pooling funds would add unnecessary complexity to payment systems and potentially increase the risk of payment errors.

The intention is that the revenue regulations will include robust credit enhancement features (as replicated from the CFD ESO regulations), these include, for example, requiring suppliers to pay reserve amounts, post collateral and a mutualisation of default process, thus removing the need for the pooling of funds. These features would protect the revenue collection counterparty from supplier default so that it can meet its payment obligations.

The Government does not foresee the mutualisation process causing an issue for suppliers as they would only have to pay their market share under this circumstance (as they do under CFDs). Should revenue regulations introduce a mechanism which exempts some suppliers from the mutualisation process due to their financial position, this could result in non-exempt suppliers having to pay larger amounts to cover the required costs.

In response to the suggestion that the Government introduces an obligation on suppliers to pass back any beneficial payments to their consumers, or for those payments to be routed to the Government (and subsequently passed onto consumers) - whilst the expectation is that suppliers would pass costs through to their consumers, this is not a requirement in the regulations (replicating the approach used in CFDs). Therefore making it a requirement to share the benefit would be inappropriate, instead it is considered that suppliers should determine how best to reflect costs and benefits from the policy in their tariffs. If there was a specific provision in regulations for this, it would be difficult to keep track of and enforce, and potentially diminish flexibility on suppliers as to how they pass on benefits.

The Government also considers that payments due to or from the relevant licensee nuclear company should be kept separate from the operational cost levy. This is because it could result in shortfalls where suppliers do not receive the payments owed to them and/or the revenue collection counterparty not receiving payments for carrying out its functions. Furthermore, it would be complex to administer and could increase the revenue collection counterparty's operational costs.

Question 2:

To assist development of impact assessments, specifically in relation to potential costs to suppliers in administering their proposed payment obligations under the RAB revenue stream, it would be helpful if electricity suppliers could provide BEIS with any evidence on how much it currently costs them to administer their payment obligations under the CFD regime. Do suppliers expect this administrative cost to be different under the nuclear RAB model, e.g. administering daily payments, holding reserves, making collateral available etc?

Summary of responses

The 6 responses received from electricity suppliers did not provide cost estimates in response to this question, however, they did provide comments on the nature of costs they would likely incur. This included costs related to internal forecasting of non-commodity costs (NCCs), commercial considerations on how to pass NCCs through to customer pricing, dealing with the daily receipt of invoices and ensuring collateral is available.

Suppliers also noted that by replicating much of the CFD revenue mechanics, most of the administrative costs arising from nuclear RAB would be minimal as it could be wrapped into existing processes (e.g. forecasting, billing etc.) related to CFDs.

Government response

Although quantitative evidence was not received on this question, supplier responses indicated that most of the administrative costs associated with nuclear RAB would be kept to a minimum as they would be able to use the systems they have in place from their CFD processes.

Frequency of supplier payments

The consultation set out that the collection frequency of interim rate payments and the operational costs levy payments from suppliers should be on a daily basis, replicating the existing CFD regime. Alternatively, the consultation also considered whether the payment frequency from suppliers could be on a monthly basis.

Question 3:

It is proposed that the interim rate payments and the operational costs levy payments should be paid daily by suppliers under the RAB revenue regulations, replicating what is currently done under the CFD regime. Do you have any comments on this approach?

Summary of responses

This question received 7 responses, the majority of which were from energy suppliers and nuclear sector organisations. Most agreed with the proposal for suppliers to pay the interim rate payments and operational costs levy on a daily basis under the revenue regulations. One supplier did express their preference for payments on a monthly basis. Their reasons for this being that although forecasts or use of historic data for suppliers' market share could lead to instances of under or overpayment of these levies, the impact on suppliers would be softened by fewer unexpected increases in the interim levy rate, or requests for additional reserve payments during the quarter.

Government response

Overall, responses received on this question did not provide any substantive evidence to suggest that monthly supplier payments would be the better approach as compared to the daily payment frequency. As such, the Government considers it appropriate to proceed with daily

supplier payments, replicating the CFD revenue regime for the reasons set out in the consultation.

Information sharing mechanics in determining supplier payment obligations

The consultation set out the proposal for revenue regulations to make provision for information sharing between Ofgem and the revenue collection counterparty. This would allow them to gather the required information from each other to determine how much would need to be paid under revenue collection contracts.

Question 4:

It is proposed that the revenue regulations will include appropriate information sharing provisions between Ofgem and the revenue collection counterparty (as described on page 24 of the consultation) to facilitate the determination of payments under revenue collection contracts and the calculation of amounts which must be raised from (or paid to) suppliers. Do you have any comments on this approach?

Summary of responses

This question received 7 responses including from electricity suppliers, Ofgem, nuclear sector organisations and a nuclear developer. They agreed with the proposal set out in the consultation for information sharing powers between Ofgem and the revenue collection counterparty. One respondent suggested that there should be a separate information sharing agreement between Ofgem and the revenue collection counterparty so that they do not have to rely on the regulations for information exchange.

Government response

The Government considers it appropriate to take forward the position set out in the consultation for the revenue regulations to allow for information exchange between Ofgem and the revenue collection counterparty.³ This would enable them to provide or request the required information from each other to work out the payments that would need to be made under revenue collection contracts.

Wider information sharing

The consultation sought views on revenue regulations making provision for information flows to allow persons such as the revenue collection counterparty, Ofgem and the Secretary of State to provide or receive information and/or to ensure that the revenue stream functions effectively. It was also proposed that information sharing obligations in regulations would not be granular

³ To note it is intended for there to be other information sharing arrangements/ agreements contained outside of regulations.

in detail but instead, the specifics of information exchange would be contained in the RAB licence and/or revenue collection contract and/or as agreed between the relevant persons.

Question 5:

It is proposed that the revenue regulations should contain appropriate information sharing interfaces between the persons mentioned above, with more detail of the information exchange to be contained, where appropriate, in the RAB licence or revenue collection contract and/or as agreed between the relevant persons (e.g. between Ofgem and the revenue collection counterparty). Do you have any comments on this approach?

Summary of responses

The Government received 10 responses on this question - Ofgem, electricity suppliers, and the nuclear sector organisations largely agreed with the proposal set out in the consultation. However, concerns were raised regarding confidentiality and commercially sensitive information. A nuclear developer suggested that the Secretary of State's power to request information from relevant licensee nuclear companies should not be unreasonably wide and instead be limited to information needed in respect of revenue collection contracts.

Government response

The Government proposes to proceed with the position set out in the consultation with respect to wider information sharing in the revenue regulations. It is intended that the revenue regulations would limit this to information relating to revenue collection contracts which the Secretary of State reasonably requires in connection with the performance of its functions. Where a party receives information, it is expected that the revenue regulations would also make provision restricting the disclosure of that information.

Notice periods for the interim levy rate, total reserve amount and individual suppliers' reserve amounts

The consultation proposed that the revenue regulations place an obligation on the revenue collection counterparty to provide suppliers with notice of their interim levy rate and total reserve amounts at least 1-month prior to the commencement of the forthcoming quarterly obligation period.⁴ This is in comparison to the CFD ESO regulations where suppliers are given at least 3 -months' notice before the start of a quarterly obligation period.

The consultation also proposed that the notice period for the suppliers' individual reserve amount would be in effect around 2 & a half weeks before the commencement of the quarterly obligation period (under the CFD regime the notice period for individual supplier reserve amounts is around 2 -months and 2 & a half weeks prior to the start of the quarterly obligation period).

⁴ 1 month under the revenue regulations would be equivalent to 30 calendar days.

Question 6:

BEIS proposes to proceed with the 1-month notice period for the interim levy rate and total reserve amount under the nuclear RAB revenue stream for the reasons described from pages 27-28 of the consultation. Do you have any comments on this proposal?

Question 7:

Do you agree that the notice period for individual suppliers' reserve amounts allows for a more accurate individual reserve amount to be determined (so that they are not overpaying, or not underpaying and then exposed to a steeper hike in the next quarterly obligation)?

Question 8:

Do you agree that the c. 2 and a half weeks' notice period for individual suppliers' reserve amounts gives suppliers sufficient time to prepare for the reserve payments that they will need to make?

Summary of responses (questions 6-8)

Question 6 of the consultation received 8 responses which expressed mixed views. Electricity suppliers in the main were not in favour of the 1-month notice period proposed under nuclear RAB and preferred a longer 3 -month notice period akin to that of CFDs.

Their main point of contention was regarding the amount of time it would give them to price tariffs and arrange for credit cover. For example, they expressed that they would use the interim levy rate to determine the price of their tariffs for fixed price contracts for customers. Suppliers would usually begin quoting prices months in advance of the start of the contract. They therefore argued that without a longer notice period they would have to incorporate an additional risk premium into customers tariffs to cover the extended period in which they use a forecast rather than the actual interim levy rate.

Additionally, they were also concerned about not having sufficient notice for the first set of payments under revenue collection contracts. Ofgem was content with the proposals set out in consultation subject to BEIS conducting sufficient analysis and engagement with suppliers to minimise risks, impact and unnecessary disruption on suppliers and the wider current and future energy market.

Other respondents remained neutral in their response expressing that they favoured any approach that would maximise the likelihood of suppliers meeting their obligations to relevant licensee nuclear companies. As such they acknowledged the benefits of the notice period set out in the consultation so that relevant licensee nuclear companies would receive payments which accurately reflect what they are entitled to, as well as a longer notice period to give suppliers sufficient time to prepare for payments.

The responses received from Ofgem, electricity suppliers and a nuclear developer on question 7 largely replicated their response to question 6. Other key responses were received from nuclear sector organisations and the National Grid ESO who largely agreed with the proposals

set out in consultation. This was on the condition that it would give suppliers sufficient time to make their payments so that relevant licensee nuclear companies would not be in financial distress.

The responses on question 8 echoed those received on the previous two questions (i.e. electricity suppliers expressing a preference for a notice period longer than 1 -month, and other stakeholders remaining largely content with the proposed notice period).

Government response (questions 6-8)

The Government understands the concerns suppliers may have about the notice periods proposed in the consultation. To address these concerns, the intention is that revenue regulations would make provision for the revenue collection counterparty to estimate (subject to receiving requisite information from Ofgem) the liabilities of electricity suppliers arising during three consecutive quarterly obligation periods (replicating what is done under the CFDS ESO regulations). The Government believes this should mitigate issues around preparing for payments and future costs to incorporate into their tariffs.

Additionally in respect of the first set of payments under revenue collection contracts, it is anticipated that the revenue regulations would not prohibit the revenue collection counterparty from giving suppliers more than 1 -months' notice of their obligations. As such it is our intention to proceed with the notice period as set out in consultation for the interim levy rate, total reserve amount (i.e. 30 calendar days) and individual supplier reserve amounts (i.e. 2 & a half weeks).

Secretary of State directions and terms of a revenue collection contract

The consultation proposed that revenue regulations would set out certain matters that must be covered by the terms set out in the draft revenue collection contract (appended to the Secretary of State's direction to the revenue collection counterparty, as above). This is to ensure that the agreed revenue collection contract contains terms which give effect to revenue stream mechanics which function properly between Ofgem, the relevant licensee nuclear company and revenue collection counterparty, in line with modifications made to the relevant licensee nuclear company's licence.

Question 9:

It is proposed that revenue regulations set out certain matters that must be covered by the terms in a draft revenue collection contract - to be appended to a Secretary of State direction to the revenue collection counterparty. The objective of this is to ensure that revenue collection contracts are fit for purpose in administering a stable and functioning revenue stream into a RAB nuclear project. Do you have any comments on this proposal?

Question 10:

Do you consider there to be any other matters the revenue regulations should set out, so that they are included in the terms of a draft revenue collection contract for effective functioning of the revenue stream?

Question 11:

Do you have any other comments on the proposals on the provisions to be included in revenue regulations about Secretary of State directions?

Summary of responses (questions 9-11)

The responses received on these questions from electricity suppliers, nuclear sector organisations and a nuclear developer agreed that revenue regulations should set out certain matters that must be covered by the terms in a draft revenue collection contract. Regarding the other matters the revenue regulations should set out, the most substantive suggestions came from a nuclear developer who suggested that the revenue regulations should make provision for the circumstances in which the relevant licensee nuclear company is not required to make payments.

In terms of further comments on the Secretary of State's directions, one electricity supplier suggested that where revenue regulations make provision for the publication of a revenue collection contract, it should include information on the nuclear project's lifetime costs, and forecasts of anticipated revenue as they consider it would enable them to estimate the costs being passed onto their consumers.

In the nuclear developer's response to this question they stated that where the Secretary of State consents for the revenue collection counterparty to modify the revenue collection contract, it should also be subject to the consent of the relevant licensee nuclear company, which the contract would have been negotiated with.

Government response (questions 9-11)

As per the consultation proposals, it is intended that the revenue regulations would set out certain matters that must be covered by the terms of the revenue collection contract. The Government agrees with the suggestion that revenue regulations should make provision for the circumstances in which the revenue collection counterparty is not required to make payments to the licensee nuclear company (mirroring the provision on circumstances in which payments should be made to the relevant licensee nuclear company by the revenue collection counterparty). Additional matters raised could be addressed in the revenue collection contract itself as negotiated for each project.

In relation to the information that would be published as part of the revenue collection contract, a range of information relating to project cost projections would not be contained in the revenue collection contract but as part of the licence modifications made to implement the RAB. These would be published as soon as practical after they are made, subject to any

necessary redactions e.g. of sensitive information. It is also expected that suppliers would in any case receive enough information to forecast their future costs since revenue regulations would make provision for the revenue collection counterparty to publish projections of supplier obligations arising for the next three quarterly periods.

Revenue collection counterparty's ability to carry out its functions

The consultation proposed that in addition to the 3-months' notice period in the Act, that revenue regulations include a requirement on the revenue collection counterparty to promptly notify (i.e. potentially before the 3-months' notice period) the Secretary of State as soon as it considers that it may become unable to carry out its functions as the revenue collection counterparty. This is so that the Secretary of State can start making arrangements for a replacement counterparty.

Question 12:

Do you agree with the rationale for including a requirement in regulations on the revenue collection counterparty to promptly notify the Secretary of State at the point that it considers that it may become unable to carry out its functions (in addition to the formal 3-months' notice period in the Act) or, do you consider that the formal 3-months' notice period is sufficient?

Summary of responses

There were 7 responses received on this question with the most substantive ones coming from electricity suppliers, National Grid ESO, a nuclear developer and other nuclear sector organisations. They largely agreed with the consultation's proposal for the additional layer of notification in the revenue regulations.

One respondent from the nuclear sector suggested that to prepare for an event where a replacement counterparty is needed, it may be useful for Ofgem to retain ownership of the revenue collection counterparty's data systems and infrastructure at the onset and have the right to retain key staff members in the event of a replacement. They considered that this would reduce the duration of the transition period and facilitate a smoother transition.

Government response

The Government considers it appropriate to proceed with the proposal set out in the consultation to allow enough time for a new counterparty to be designated and ready to fulfil this role. On the suggestion of Ofgem retaining key data and resource from the counterparty to facilitate the transition to a new counterparty, it is considered that if the role of the counterparty is transferred over to another body, a handover exercise would in any case be carried out by the existing counterparty so that the new one can familiarise itself with the role.

It is also not considered appropriate for Ofgem to retain this data for the purpose of continuing the works of the counterparty during a transition. This is as the revenue collection counterparty

has significant expertise in carrying out this role and it would not normally be within Ofgem's expertise or within the scope of their role as regulator to act in this role in the event that the Low Carbon Contracts Company ('LCCC') can no longer continue. In the event of the need for appointment of another revenue collection counterparty, the Government would need to ensure the incoming counterparty has in place effective systems and resource to enable a smooth transition.

Projecting future supplier charges

The consultation considered whether it would be beneficial for revenue regulations to make provision for Ofgem to provide the revenue collection counterparty with information such as the allowed revenue and forecast market revenue. This would be to allow the revenue collection counterparty to carry out its own calculation of the RAB payments that may be due, in advance of Ofgem confirming the amount. This would potentially allow the revenue collection counterparty to provide projections to suppliers of their likely liabilities in upcoming quarterly periods.

Question 13:

It is proposed that Ofgem confirms RAB payments to the revenue collection counterparty, and that the revenue collection counterparty is not given other information to make its own projections of supplier liabilities. Do you have any comments on this proposal?

Summary of responses

This question received 10 responses, the most substantive ones came from electricity suppliers and nuclear sector organisations. The broad theme amongst those in the nuclear industry was that all calculations feeding into the determination of the RAB payment should be performed by Ofgem. Most agreed that the revenue collection counterparty should not be given additional information around the allowed revenue to make its own calculations of the RAB payment.

Overall electricity suppliers did agree that Ofgem should be responsible for confirming the RAB payment. However, their main concern was about the information available to the revenue collection counterparty and suppliers to inform their business planning, pricing, and future costs.

Government response

It is expected that under the draft revenue regulations, the information Ofgem gives the revenue collection counterparty (i.e. the RAB payment) would allow it to calculate future supplier liabilities over three subsequent quarters similar to the "projection period" under the CFD ESO regulations. For this reason, it is proposed to proceed with the position set out in the consultation.

Exemptions to RAB supplier payment obligations

Energy Intensive Industries ('EII') exemption

The consultation proposed that revenue regulations would replicate the Energy Intensive Industries ('EII') exemption from the CFD regime. The purpose of this would be to avoid the risk of putting GB electricity intensive businesses at a significant competitive disadvantage when operating in international markets as a result of them passing RAB costs onto the price of their products.

Question 14:

Do you have any comments on the proposal that RAB revenue regulations should replicate (by cross referring) the EII exemption from The Electricity Supplier Obligations (Amendment & Excluded Electricity) Regulations 2015 as amended, to allow suppliers to benefit from this exemption in respect of their payment obligations under the RAB model revenue stream?

Summary of responses

There was a broad range of responses received on this question from 21 respondents. Responses received from electricity suppliers, a nuclear sector organisation, a nuclear developer, and the National Grid ESO largely agreed with the proposal to adopt the exemptions.

Members of the public and representatives for environmental groups expressed mixed views. Some agreed with the proposal for the exemptions as a means to keep the UK industry competitive. Others considered it unfair to exempt EIIs from RAB costs but not other non-intensive industries and domestic consumers (especially the most vulnerable). One member of the public suggested that RAB costs should be passed onto all beneficiaries of a nuclear RAB plant including EIIs.

We also received mixed responses from trade bodies representing EIIs. Whilst some strongly agreed with the proposal to adopt the exemption, others raised concerns that under the current scheme some energy intensive businesses do not meet the criteria for the exemption due to not passing the business level tests. As such, there were calls to remove these tests to widen the eligibility criteria for the exemption.

Government response

The Government does not consider there to be a strong case to deviate from the approach set out in the consultation. Therefore, the Government proposes to proceed with the position to replicate the exemption under CFDs by cross referring to the EII exemptions regulations.⁵ This support would mitigate the risks to the competitiveness of UK EIIs selling in international markets and potentially reduce the risk of carbon leakage.

⁵ The Electricity Supplier Obligations (Amendment & Excluded Electricity) Regulations 2015 (as amended) - <https://www.legislation.gov.uk/ukSI/2015/721/contents>

The Government recently ran a consultation reviewing the energy intensive industries exemption scheme.⁶ Should any changes be made to the existing scheme following the outcome of the consultation, these would also apply to the revenue regulations, due to the cross referring to the EII exemption regulations. With respect to exempting EIIs but not vulnerable consumers, as set out in the consultation, it is considered appropriate to take a more holistic approach across the Government to protect vulnerable groups (see below).

The Green Excluded Electricity ('GEE') exemption

The consultation referred to another exemption adopted under the CFD regime, namely the Green Excluded Electricity (GEE) Exemption. This exemption was implemented as a condition of the CFD State Aid approval and relates to electricity that has been imported to Great Britain from an EU member state where electricity is generated by a renewable generating station, which if located in GB would have been potentially eligible to apply for support under a CFD. The Government recently ran a consultation on the removal of the GEE exemption⁷.

The revenue regulations consultation set out that the Government would take a view on the approach for this exemption under revenue regulations following the outcome of the GEE consultation.

Question 15:

Do you have any comments on the approach proposed for the GEE exemption?

Summary of responses

The Government received 9 responses on this question including from electricity suppliers, members of the public, a nuclear developer and other nuclear sector organisations, most of which agreed with the approach set out in consultation on the GEE exemption.

Government response

The Government published a response to the consultation on the removal of the GEE exemption in July 2022. It set out that the Government would implement Option 3 which will repeal the availability of the green import exemptions for the Contract for Difference and Feed-in Tariff schemes. This will seek to amend the relevant legislation for:

- These changes to take place and come into force from 1 April 2023.
- The UK recognition of EU Guarantees of Origin to cease from 1 April 2023.

As set out in the revenue regulations consultation, the Government considers it appropriate to adopt a consistent approach on the exemption. Given that the outcome of the consultation is to

⁶ Energy Intensive Industries: Review of the scheme to provide relief to energy intensive industries for a proportion of the indirect costs of funding renewable electricity policies -

<https://www.gov.uk/government/consultations/review-of-the-energy-intensive-industries-exemption-scheme>

⁷ Feed in Tariffs and Contracts for Difference: proposals relating to Guarantees of Origin -

<https://www.gov.uk/government/consultations/feed-in-tariffs-and-contracts-for-difference-proposals-relating-to-guarantees-of-origin#:~:text=Responses%20generally%20backed%20the%20option,line%20with%20the%20reporting%20year.>

remove the exemption with changes coming into effect from April 2023, it is considered appropriate to not include this exemption in the revenue regulations.

Potential measures relating to vulnerable groups and consumers who are in receipt of Universal Credit

As part of the consultation, the Government considered whether provision should be included in revenue regulations to prevent suppliers from passing on the costs arising from their RAB payment obligations to consumers who are recipients of Universal Credit or otherwise identified as vulnerable through other schemes. The consultation also considered the administrative implications of such a measure.

The Government set out in the consultation that it considers that support for vulnerable groups would be best tackled holistically. This would be through looking into all cost drivers for energy bills and how best to mitigate these as a whole, rather than targeting individual schemes and policy costs (such as nuclear RAB costs). This will support wider protections for vulnerable consumers across a range of different policy areas.

Question 16:

Do you agree with the rationale to not include provisions in the regulations preventing suppliers from passing costs arising from their payment obligations under the RAB revenue stream to Universal Credit recipients or other identified vulnerable consumers, and to instead take a more holistic approach to protect vulnerable groups?

Question 17:

Do you have any views on how revenue regulations could prevent suppliers from passing on costs arising from their payment obligations under the RAB revenue stream to vulnerable groups? Do you consider there to be any benefits or drawbacks on that approach?

Summary of responses (questions 16 and 17)

A number of responses were received across these questions (19 responses on question 16, and 9 responses on question 17) including from Ofgem, electricity suppliers, members of the public and environmental groups. In Ofgem's response they welcomed the policy proposal to take a holistic approach to protect vulnerable consumers and trusts that BEIS would carry out the necessary engagement to assess and mitigate any adverse consumer impacts. Where electricity suppliers provided a response to this question, they were in support of the Government's rationale for taking a holistic approach to support vulnerable groups.

The responses received from members of the public, and environmental groups were not in support of this proposal. They considered it unfair for costs to be passed onto all consumers (including those in receipt of universal credit, or identified as vulnerable through other schemes, and the oldest age groups) but not ELLs. They also expressed their discontent that nuclear RAB costs could be passed onto consumers in advance of the delivery of electricity

(i.e. during the construction of a nuclear RAB project) and that some (i.e. older age groups) may not benefit from the electricity generated from the plant.

Respondents to this question did not explicitly provide any suggestions on how regulations could prevent suppliers passing on costs to vulnerable groups. However, one supplier did express that suppliers do not have sufficient information to identify vulnerable groups which could add inequality in how this regulation is administered.

Government response (questions 16 and 17)

The Government considers it appropriate to proceed with the holistic approach set out in the consultation whereby the Government considers a range of energy schemes and policies that could potentially impact consumers bills to develop a coordinated approach to help those most in need. This is because the responses received did not provide sufficient evidence to suggest there would be any significant disadvantages in taking a holistic approach to protect the most vulnerable.

Additionally, as set out in the consultation, if these groups were to be exempt then suppliers would either need to shoulder the full cost or pass it on to those that are not exempt. Exempting more groups from nuclear RAB costs, would result in the non- exempt groups paying more (which could push them into the vulnerable category). The Government also considers that the administrative complexities (as set out in the consultation) associated with revenue regulations making provision to prevent suppliers from passing on costs to vulnerable groups still stand.

On the point relating to consumers being charged during the construction period of a nuclear RAB project, it is expected that this feature of a nuclear RAB model would lower the cost of finance and thereby the overall cost to consumers. As such, the Government proposes to proceed with the approach set out in consultation to take a holistic approach in supporting the most vulnerable and will continue to keep this under review.

LCCC's operational costs

The consultation set out the proposal for operational costs levies to be charged to suppliers to meet the operational costs of LCCC performing its functions as the revenue collection counterparty. The estimated RAB operational costs levies for FY 22/23, 23/24 and 24/25 were estimated as follows:

- FY22-23: £561k/275.38TWh = £0.0020/MWh
- FY23-24: £681k/271.46TWh = £0.0025/MWh
- FY24-25: £735k/266.87TWh = £0.0028/MWh

Question 18:

Do you have any comments on the above proposals regarding the operational costs levy to meet LCCC's operating costs in acting as the revenue collection counterparty?

Summary of response

Only 4 responses were received on this question including from electricity suppliers, a nuclear sector organisation and a member of the public. Responses suggested that the RAB and CFD levies should be in one invoice rather than two, and that assessments should be carried out to ensure the revenue collection counterparty is carrying out its functions in a cost-effective manner. Respondents also asked for the annual audit of this to be made public.

Government response

The Government proposes to proceed with inserting these costs into the draft revenue regulations to be laid before parliament. Due to CFD and RAB being entirely separate schemes, payments under these levies need to be paid into separate accounts. It was considered that it would cause unnecessary complexity to contain two different invoice reference numbers and two different account details within the same invoice as it could leave both schemes open to potential confusion and payment errors.

On assessing the counterparty's costs, further consultations to seek views on LCCC's operational costs will likely be carried out every 3 years covering a period of three forthcoming financial years (or for such other period determined at the relevant time).

General

Question 19:

Do you have any comments with respect to the Public Sector Equality Duty that can be used to support the Impact Assessment?

Summary of responses

The Government did not receive any substantive responses to this question. However, noted were concerns around nuclear RAB costs being passed on to older age groups who were unlikely to benefit from a plant when it is generating electricity, due to the long construction timeframes of a new nuclear power plant.

Government response

It is anticipated that the bill impacts under a nuclear RAB model would apply equally across all GB consumers. However, as nuclear RAB involves payments from the outset of the construction phase of a RAB project, it may be the case that some protected groups (for example older age groups) may not receive the full benefits of the project due to the length of the construction period. However, analysis suggests that bill impacts under nuclear RAB would

be relatively modest over the construction period and on average less than £1 per month to typical consumer bills, and that these costs would be outweighed by the long-term economic and non-monetised benefits nuclear projects would provide.

The government will continue to develop the policy for these revenue regulations having regard for those with protected characteristics under the Equalities Act 2010.

Next steps

The Government has considered the consultation responses received and considers it appropriate to proceed with the proposals set out in the consultation. The draft revenue regulations that will be laid before Parliament this year will reflect the positions set out in the consultation. The regulations would be subject to the affirmative procedure.

The consultation set out the operational costs levy for the first 3 financial years (22/23, 23/24, and 24/25) to mirror the operational cost levy timetable under CFD ESO regulations. Going forward, prior to any amendments to the revenue regulations to reflect the operational costs levies for the next three financial years (i.e. 25/26 to 27/28), BEIS would conduct a consultation on those future RAB operational costs levies before laying amendments to the regulations (and so on for subsequent likely 3-year cycles).

In the event that BEIS considers that any further changes need to be made to these regulations, amendments would also be subject to the affirmative procedure.

Annex 1 – Full list of respondents

List of Respondents	
Categories	Organisations
Electricity/energy suppliers	SSE Energy Solutions
	EDF
	E.ON
	Centrica
	Scottish Power
The Authority (Ofgem)	
The national system operator (National Grid ESO)	
Nuclear developers	Sizewell C
	Rolls Royce SMR
Other nuclear sector organisations	Westinghouse
	Madvani International
	Bechtel
	Atomic Acquisitions
	Cwmni Eginio
	Urenco
	Holtec
	Cavendish Nuclear
	Terrestrial Energy
Trade bodies (representing Energy Intensive industries)	Chemical Industries Association (CIA)-
	British Ceramic Confederation
	UK steel
	Mineral Products Association

	Energy Intensive Users Group
	Confederation of Paper Industries
Trade bodies (nuclear / energy focused)	Nuclear Industry Association
	Energy Industries Council
Environmental groups/ NGOs	Nuclear Free Local Authorities
	Together Against Sizewell C
Members of the public	

Annex 2 – Ofgem’s response

Ofgem’s response has been published as an accompanying document and can be found here: <https://www.gov.uk/government/consultations/revenue-stream-for-the-nuclear-regulated-asset-base-rab-model>

This consultation is available from: <https://www.gov.uk/government/consultations/revenue-stream-for-the-nuclear-regulated-asset-base-rab-model>

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