Department for Business & Trade

# Government Response to British Industrial Competitiveness Scheme: Consultation on Regulatory Changes and Scheme Delivery

July 2026

# Contents

## Rationale for the consultation

The Government's *Modern Industrial Strategy* announced the British Industrial Competitiveness Scheme (BICS) to address high industrial electricity costs impacting British manufacturing competitiveness. The scheme targets manufacturing frontier industries within the Industrial Strategy's growth sectors (IS-8) and manufacturing foundational industries which provide key inputs to the frontier industries.

The scheme will exempt eligible businesses from the indirect costs of the Renewables Obligation (RO), Feed-in Tariffs (FIT), and the Capacity Market (CM).

Following a consultation on the approach to and eligibility for the scheme (published last November and a government response on 16 April), this second consultation sought views on the regulatory changes required to implement BICS and scheme delivery.

## Summary of the consultation

The consultation was published on 16 April by the Department for Business and Trade (DBT) and sought views on regulatory changes and scheme delivery for BICS.

Through the consultation, DBT sought views and evidence from a wide range of audiences, including:

- Electricity suppliers
- Ofgem
- Citizens Advice
- Consumer groups
- Generators and any bodies who represent them
- Other electricity consumers
- Businesses

DBT sought views on:

- Regulatory changes required to implement BICS
- Scheme delivery

The consultation gave stakeholders an opportunity to provide their views and evidence to the questions posed.

This consultation was available on GOV.UK and was emailed directly to a number of stakeholders who had previously expressed an interest in this issue or could be perceived as an interested party.

The consultation ran for 4 weeks from the 16 April 2026 and closed on 14 May 2026. A total of 77 responses were received from stakeholders, including businesses, business representative organisations, electricity suppliers and others. Not every question was answered by all respondents.

All the responses have been carefully analysed and considered, and this document provides a full government response. Responses captured in this document refer to "respondents", whereby each individual response submitted has equal standing, regardless of whether this was received on behalf of a trade body or an individual company.

## Policy executive summary

This section sets out a high-level summary of the policy positions taken in this consultation response. The scheme aims to reduce electricity costs for manufacturing frontier industries within the Industrial Strategy's growth sectors (the 'IS-8') and manufacturing foundational industries which provide key inputs to the frontier industries, who meet the relevant threshold of electricity intensity. Eligible businesses are to be exempt from paying the indirect costs of the Renewables Obligation (RO), Feed-in Tariffs (FIT) and the Capacity Market (CM).

**Confirmation of regulatory changes**
The Government will proceed to implement BICS by amending the relevant RO, FIT and CM legislation[1] to exempt BICS-eligible businesses from up to 100% (subject to pro-rating) of costs passed onto them by electricity suppliers.

For the RO, an 'indicative level', suggesting how the obligation for England and Wales (and Scotland) will be adjusted to account for the BICS exemption, will be published alongside the obligation level for 2027 to 2028 by 1 October 2026. This indicative level will provide an indication of what the obligation level is likely to be, once the BICS exemption is implemented. A final BICS-adjusted obligation level, taking into account final estimates of the amounts of BICS-exempt electricity to be supplied, will then be published before 1 April 2027.

**Scheme delivery**

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[1] The Renewables Obligation Order 2015 (SI 2015/1947), the Feed-in Tariff Order 2012 (SI 2012 2782), the Electricity Capacity (Supplier Payment etc.) (Amendment and Excluded Electricity) Regulations 2024 (SI 2024/434) and the Electricity Capacity (Supplier Payment etc.) Regulations 2014 (SI 2014/3354).

The Government confirms that businesses will be required to be registered on Companies House to be eligible and must have electricity usage of over 33 MW/h per year.

Businesses who receive their electricity through a third party's (such as landlord/site owner's) private network will be eligible for BICS, subject to verifiable levy information being available. In recognition of the fact that some businesses who are subject to eligible levies may not be able to provide verifiable evidence of this, we will continue to work with delivery partners to explore what arrangements can be made to accommodate businesses with private network arrangements from year 2 of the scheme onwards. A private wire connection is a direct physical link between an electricity generator and a consumer, bypassing the public distribution network. A Private Network is a privately owned electricity system consisting of associated cables and infrastructure, used to transport and supply electricity to multiple demand users.

For businesses who receive their electricity from a third party (such as landlord/site owner) responsibility for providing evidence will rest with the businesses.

DBT will continue to explore the use of forecasted electricity consumption data for Year 2 of the scheme (for businesses looking to apply in 2027 for 2028 delivery).

There will be a time-limited identification window for the first year of scheme, running from 1 October 2026 to 8 January 2027. DBT will confirm all eligible businesses by the second week of January. In the event of complex cases this may extend to the end of January, DBT will notify electricity suppliers and relevant businesses in advance if this occurs.

For subsequent years of the scheme, businesses will be able to apply and be identified as eligible through a year-round open window. However, there will be no mid-year entry, and businesses will only be able to join the scheme at the start of each delivery year (April for the RO and FIT, October for CM). There will be a clear cut-off date each year for the delivery year ahead.

Eligibility will last for five years, subject to a review at the end of year 2 and an annual declaration to confirm that there have been no changes in circumstances. In some cases, businesses may also be required to notify DBT immediately if there are material changes outside of this process. Any changes that affect eligibility may result in exemptions being revoked. Further detail will be set out in business guidance.

**Update on SIC and HS codes**

The Government confirms that 4 SIC codes and 9 HS codes have been added to the longlist of eligible codes. You can find this in 'Annex A: Standard Industrial Classification (SIC) and Harmonised System (HS) codes eligible for BICS' on the BICS consultation on scheme eligibility and approach webpage. This is the final list of eligible activities which will be reflected in the implementing legislation, and the Government does not intend to make any further changes to the SIC and HS code lists for 2027.

## Evidence from the consultation

In summarising the responses received to each question:

- “the majority” indicates more than 50%;
- “several” indicates between 25% and 50%;
- “some” indicates between 10% and 25%; and
- “a few” represents less than 10% of respondents.

When considering the summaries of responses, note that:

- this summary does not seek to exhaustively capture all views expressed, but to summarise key themes and particularly notable points of feedback within responses;
- respondents used either an online response portal or sent their responses by email; and
- not all respondents answered every question.

The Government engaged closely with directly concerned parties throughout the consultation period to explain and clarify the proposals. Views expressed during these events are not captured in this response. However, we have factored these into our decision making and next steps.

## Additional payments

The Government recognises the immediate challenges that electricity costs present for businesses and has heard calls to provide support and investment certainty sooner rather than later for BICS eligible businesses.

As such, on 16 April, the Government announced that businesses eligible for BICS will receive an additional payment in 2027 to reflect the support they would have received had the scheme been in place sooner.

### How businesses will receive their additional payment

The Government have given due consideration to all options to deliver this and have listened to calls for delivery of payments to be as simple and efficient as possible.

The Government can now confirm that businesses confirmed as eligible for BICS will receive additional payments from their electricity suppliers or through third party arrangements. This will be delivered as a one-lump sum payment through a bill credit mechanism. For businesses with distinct billing positions where bill credits are not suitable, we will work with electricity suppliers and businesses to understand the best mechanism to deliver payments effectively.

Payments will be funded by the Exchequer, with funding delivered to electricity suppliers from the Government in advance of them distributing payments to businesses. Payments will not be subject to RO, FIT or CM reconciliation settlement processes, as they will not be delivered as exemptions from these policy costs.

We welcome continued engagement with electricity suppliers to ensure a clear and efficient delivery process that can be used across the industry to deliver payments consistently and accurately to businesses and will set out additional details on delivery through guidance.

If you are an electricity supplier who has not engaged directly with DBT please contact bics.correspondance@businessandtrade.gov.uk.

**How the value of additional payments will be calculated**
This payment will be proportionate in value to what businesses would have been entitled to had BICS exemptions been in operation earlier.

To ensure businesses receive support that closely mirrors this, calculations to confirm the value of payments to be received by individual businesses will use:

- historical estimated electricity consumption data
- a government-set average RO, FIT and CM policy cost discount rate
- the businesses' banded pro-rating percentage, to ensure that payments reflect eligible electricity use.

We welcome continued engagement with Electricity Suppliers and will work closely with Department for Energy Security and Net Zero (DESNZ) to agree a detailed methodology that allows for consistent and uniform calculations for all businesses receiving an additional payment.

**When will businesses receive their additional payment**

Businesses will receive their additional payment following the launch of BICS, with payments only to be given to businesses identified as eligible for BICS in the first year of the scheme.

We recognise that payments need to be delivered to businesses swiftly to support with continued high electricity costs and are working to confirm precise timings to deliver payments that ensures expedient and accurate delivery.

## Government response to the consultation questions

## Question 1: Should eligibility for BICS be limited to industrial manufactures by implementing a minimum electricity threshold of 3.5MWh per year? Please provide reasons for your response.

### Consultation Response

This question received 67 responses.

**49%** of respondents said that eligibility should be limited to industrial manufacturers through the implementation of a minimum electricity threshold, **39%** said it should not, and **12%** did not know.

59 respondents provided a free text response.

Several respondents supported the principle of a minimum electricity threshold as a proportionate mechanism to ensure BICS support is directed at genuinely industrial users, with the view that a threshold complements existing SIC and HS code eligibility criteria rather than replacing them.

Where the proposed threshold itself was concerned, however, several respondents expressed concern that 3.5MWh per year is too low to serve as a meaningful filter, noting that this figure is broadly comparable to annual domestic household consumption and risks capturing a very large number of businesses for whom the financial benefit would be negligible. Suggested alternatives ranged from 25MWh to 200MWh, with one respondent recommending alignment with Ofgem's existing Small Business consumer definition.

Conversely, several respondents raised concern that even a low threshold risks inadvertently excluding smaller but genuinely eligible manufacturers, particularly SMEs in critical supply chains and early-stage operations in sectors such as critical minerals, where electricity may represent a disproportionate share of operating costs despite modest absolute consumption.

Underlying both of these concerns was a broader argument advanced by some respondents that electricity intensity, rather than absolute consumption, is a more appropriate eligibility test, and that any threshold must be based on total site consumption including on-site generation to avoid creating perverse incentives for manufacturers who have invested in behind-the-meter renewables.

**Government Response**

The Government welcomes the support of several respondents who agreed that a minimum electricity threshold should be implemented to help ensure BICS is targeted at genuine industrial customers. It confirms this will be in addition to, and not replace the eligibility criteria confirmed on the 16$^{th}$ April through the Government Response to the consultation on approach to and eligibility for the scheme.

In response to feedback that a threshold of 3.5MWh per year was too low to serve as a meaningful filter, the Government confirms that the minimum threshold will now be 33MWh per year. This remains below Ofgem’s definition of micro business of 100MWh per year based on their electricity use, helping to ensure the scheme remains widely accessible.

The Government also notes the points raised by some respondents about businesses with behind-the-meter generation or other on-site electricity arrangements. The Government confirms that the 33MWh threshold will apply to electricity imported from the grid not total site consumption. The Government recognises that some businesses may have more complex supply arrangements, however, considers the threshold sufficiently low that genuine eligible businesses with such arrangements are unlikely to be excluded in practice.

## Question 2: Should eligibility for BICS be limited to those who are registered on Companies House? Please provide reasons for your response.

### Consultation Response

This question received 65 responses.

**85%** of respondents said BICS should be limited to those who are registered on Companies House, **15%** said it should not or did not know.

59 respondents provided a free text response.

The majority of respondents supported limiting eligibility to businesses registered on Companies House, recognising that registration provides a clear, verifiable, and administratively efficient basis for identifying eligible entities, creating an enforceable audit trail and reducing the risk of fraud or misuse.

While broadly supportive, several respondents cautioned that Companies House registration should be treated as an administrative gateway rather than the substantive test of eligibility, noting that SIC codes recorded at Companies House may not accurately reflect all of a business's manufacturing activities and can be changed with limited verification, creating a risk of opportunistic reclassification.

A related concern was raised by several respondents: that a strict registration requirement could inadvertently exclude legitimate manufacturing operations structured as sole traders, partnerships, LLPs, or overseas-registered companies that nevertheless operate manufacturing facilities and employ workers in Great Britain. Calls were made for alternative evidencing routes for businesses that meet the policy intent but do not hold a standard Companies House registration.

Some respondents went further, arguing that eligibility should be restricted to UK-registered legal entities to ensure public support flows to businesses genuinely anchored in the UK economy.

### Government Response

The Government intends to proceed with the proposal to restrict eligibility to those who are registered on Companies House. As reflected in the consultation responses, this provides a clear and verifiable basis for identifying eligible businesses efficiently.

The Government recognises that some manufacturing activities such as those designated as sole traders will be excluded by this approach.

For businesses that are required to record their SIC code on Companies House, this information will be used to inform eligibility. Further evidence will also be required to confirm this, and details of this will be set out in guidance.

The Government also recognises that some types of businesses who are registered on Companies House, such as overseas registered companies and Limited Partnerships do not record a SIC code. These businesses will still be able to apply for the scheme, and further information on the evidence they will need to provide will be set out in guidance.

## Question 3: Do you agree with the proposal to amend the RO order to exempt BICS-eligible businesses from up to 100% (subject to pro-rating) of RO costs passed onto them by electricity suppliers? Please provide reasons for your response.

### Consultation Response

This question received 66 responses.

**82%** of respondents agreed with the proposal, **9%** disagreed or did not know, and **9%** neither agreed nor disagreed.

56 respondents provided a free text response.

The majority of respondents agreed with the proposal, with the view expressed that RO costs represent a significant, non-avoidable policy burden that materially increases operating costs for manufacturers without influencing behaviour, and that exempting eligible businesses is necessary to align UK electricity prices more closely with those faced by international competitors. The point was widely made that a maximum exemption of 100% is necessary to maximise the scheme's impact, and that a cap below this would lessen its effectiveness.

Alongside this broad support, several respondents raised concern about the risk of cost redistribution onto non-eligible consumers, and called for greater clarity on how the proposed offsetting mechanisms, including changes to RO and FIT indexation, the abolition of carbon price support, and direct Exchequer funding, will work in practice.

On the question of delivery, several respondents raised supplier implementation considerations, noting that the retrospective element of the scheme should be administered by a central agency rather than through supplier billing, with precedent cited from the Network Charging Compensation Scheme administered by Elexon.

### Government Response

The Government will proceed with the proposed approach and regulatory changes to exempt BICS eligible businesses from up to 100% (subject to pro-rating) of RO costs passed onto them by electricity suppliers. The Government welcomes support from the majority of respondents who agree that the exemption from RO costs will support the competitiveness of British manufacturing businesses and investment.

The Government’s decision to pro-rate exemptions (0, 50% and 100%) using a banded de minimis approach administered on a site-by-site basis was confirmed in the government response to the consultation on scheme eligibility and approach on 16 April 2026. This decision is informed by consultation feedback and will enable support to be targeted towards eligible activities, whilst minimising administrative complexity for businesses and delivery stakeholders.

The Government recognises concerns about the potential impact of the exemption on other energy consumers, including ineligible businesses and households. BICS will be funded through a combination of changes within the energy system (such as those recently made to inflation indexation of RO/FITs), removal of Carbon Price Support from April 2028 and Exchequer funding to ensure domestic and non-domestic electricity consumers do not see an increase in their electricity bills as a result of the scheme. The Government will provide full details on funding arrangements in the impact assessment that will be published alongside the legislation in the Autumn.

In relation to the additional payment delivery mechanism, the Government has given due consideration to all options available to deliver this. The Government can now confirm that businesses confirmed as eligible for BICS will receive additional payments from their electricity suppliers or through third party arrangements. This will be delivered as a one-lump sum payment through a bill credit mechanism. For businesses with distinct billing positions where bill credits are not suitable, we will work with electricity suppliers and businesses to understand the best mechanism to deliver payments effectively.

## Question 4: Do you agree with the proposed changes to the arrangements for setting the obligation level for England and Wales for 2027 to 2028, including the proposal to publish an adjusted obligation level? Please provide reasons for your response, including whether you consider the notice period to be sufficient.

### Consultation Response

This question received 61 responses.

**54%** of respondents agreed with the proposed changes, **20%** disagreed or did not know, and **26%** neither agreed nor disagreed.

40 respondents provided a free text response.

Several respondents agreed that publishing an adjusted obligation level is a necessary and pragmatic step to ensure the RO scheme continues to operate transparently once BICS exemptions are introduced, with the view that without a published adjusted level, RO costs would simply be redistributed across non-exempt suppliers and consumers without adequate transparency. The point was made that clarity around the methodology used to calculate the adjusted level is as important as the level itself, and that both the standard and adjusted obligation levels should be published simultaneously.

The notice period, however, attracted concern from several respondents, who noted that it is too tight for suppliers to reflect changes accurately in non-domestic retail tariffs, forward contracts, and ROC procurement strategies, with the risk that divergence between indicative and final obligation levels could lead to risk premiums being built into pricing. Calls were made for both the unadjusted and adjusted obligation levels to be published in a single notice no later than 1 November 2026.

Beyond the notice period, some respondents flagged the cliff-edge risk if parliamentary clearances are not in place by 31 March 2027, calling for a clear contingency protocol and explicit confirmation that the obligation level will not be increased above the indicative figure once published.

**Government Response**

The Government will proceed with the proposed arrangements for setting the RO obligation level for England and Wales for 2027 to 2028.The legislative changes, which give effect to BICS, will not be in place in time to be taken into account for the 2027 to 2028 obligation level. The obligation level for England and Wales (and with the consent of the Scottish Government, for Scotland) for 2027 to 2028 will be calculated using the current RO rules and published by 1 October 2026.

The Government recognises the importance of prompt and early notification of the obligation level to enable electricity suppliers to price RO costs into domestic and non-domestic retail tariffs. Therefore, an indicative level, setting out how the obligation for England and Wales (and Scotland) will be adjusted to account for the BICS exemption will be published alongside the obligation level for 2027 to 2028 by 1 October 2026. This will provide an indication of what the obligation level is likely to be, once the BICS exemption is implemented.

The final adjusted obligation level will then be published, as soon as possible, before 1 April 2027. The Government expects amendments to existing secondary legislation establishing the RO, FIT and CM to be in force by Autumn 2026, subject to parliamentary approval and completion of subsidy control procedures. If in the unlikely event, parliamentary approval for the legislative changes to the RO exemption are delayed beyond 31 March 2027, the obligation level published on 1 October 2026 will remain the obligation level for 2027 to 2028.

## Question 5: Do you agree with the proposal to amend the CM regulations to exempt BICS-eligible businesses from up to 100% (subject to pro-rating) of CM costs passed onto them by electricity suppliers? Please provide reasons for your response.

**Consultation Response**

This question received 64 responses.

**77%** of respondents agreed with the proposal, **14%** disagreed, and **9%** neither agreed nor disagreed or did not know.

51 respondents provided a free text response.

The majority of respondents agreed with the proposal, with the view expressed that CM charges represent a significant, rising, and largely unavoidable component of industrial electricity bills that are outside the control of industrial users, and that exempting eligible manufacturers from these costs is necessary to deliver the scheme's promised cost reduction in full. The ability to reach a full 100% exemption, alongside well-defined eligibility thresholds, was described as critical to reducing policy uncertainty and enabling long-term investment decisions.

On implementation, several respondents raised the need for early and accurate eligibility data and clear rules on reconciliation.

A more fundamental concern was raised by some respondents about the interaction between the CM exemption and demand-side flexibility, noting that CM charges provide an important price signal for peak system usage and that broad exemptions risk weakening incentives for industrial consumers to participate in demand response and load shifting. Linked to this, some respondents raised the risk of cost redistribution onto non-eligible consumers, with the point made that this dynamic could compound over time if the scheme successfully stimulates growth in IS-8 electricity demand in a way that does not arise to the same extent under RO and FIT exemptions.

**Government Response**

The Government will proceed with the proposed approach and regulatory changes to exempt BICS eligible businesses from up to 100% (subject to pro-rating) of CM costs passed onto them by electricity suppliers. The Government welcomes support from the majority of the respondents who agree that the exemption from CM costs will reduce electricity costs for GB manufacturing businesses and support industrial competitiveness, whilst noting some concerns about weaking incentives for demand-side flexibility, which we will continue to monitor.

The Government’s decision to pro-rate exemptions (0, 50% and 100%) has been informed by consultation feedback and will enable support to be targeted towards eligible activities, whilst minimising administrative complexity for businesses and delivery stakeholders.

The Government recognises the importance of providing electricity suppliers with early and accurate eligibility data to allow CM exemptions to be processed ahead of October. DBT aims to notify electricity suppliers and settlement bodies of all eligible businesses and required eligibility information by 8 January 2027 for Year 1 of the scheme. ESC will also publish clear guidance and rules on reconciliation in line with scheme launch.

The Government notes concern from some respondents on the potential impact of the CM exemption on de-incentivising industrial consumers to participate in load shifting and demand-side flexibility. As outlined in the Clean Power 2030 Action Plan, consumer-led flexibility will play a key role in achieving clean power by 2030 and we will continue to monitor the impact of the CM exemption on this interaction.

A few respondents raised concerns on the redistribution of costs onto non-eligible consumers. BICS will be funded through a combination of changes within the energy system (such as those recently made to inflation indexation of RO/FITs), removal of

Carbon Price Support from April 2028 and Exchequer funding to ensure domestic and non-domestic electricity consumers do not see an increase in their electricity bills as a result of the scheme. The Government will provide full details on funding arrangements in the impact assessment that will be published alongside the legislation in the Autumn.

## Question 6: What unintended consequences, if any, do you foresee from the proposed changes to the Capacity Market? Please provide reasons for your response.

**Consultation Response**

This question received 39 responses.

The most frequently cited concern was the redistribution of CM costs onto non-eligible consumers and smaller businesses, with the point raised that this effect could compound over time in a way that does not arise to the same extent under RO and FIT exemptions, and that businesses just outside the BICS eligibility criteria could face higher energy costs as a direct consequence.

Closely related to this, several respondents raised concern about the weakening of demand-side flexibility and peak pricing incentives, noting that CM charges currently provide an important price signal for security of supply and that exempting large industrial users risks reducing their incentive to participate in demand response and load shifting, potentially increasing peak demand and the need for new capacity to be procured in future.

Several respondents also raised supplier cash flow, administrative complexity, and settlement risk as a distinct area of concern, noting that without clearly defined reimbursement timelines and reconciliation mechanisms, suppliers face significant uncertainty over cost recovery.

Some respondents flagged a further specific consequence for investment in behind-the-meter solar, storage, and CPPA arrangements, arguing that removing CM costs from grid imports for BICS-eligible sites creates a double disincentive for hosts that have already invested in on-site generation, undermining both the economics of those investments and the system value they provide through peak displacement.

**Government Response**

The Government recognises concerns about the re-distribution of CM costs onto non-eligible consumers and businesses and potential for this to compound over time. The Government has confirmed that domestic and non-domestic electricity consumers will not see an increase in their electricity bills as a result of the scheme. Full details on funding arrangements in the impact assessment that will be published alongside the legislation in the Autumn.

The Government notes concern from some respondents on the potential impact of the CM exemption on de-incentivising industrial consumers to participate in load shifting and demand-side flexibility. As outlined in the Clean Power 2030 Action Plan, consumer-led flexibility will play a key role in achieving clean power by 2030 and we will continue to monitor the impact of the CM exemption on this interaction.

The Government is also aware of the importance of clear cost recovery and reconciliation mechanisms. We are working closely with settlement bodies and suppliers to ensure that any exemptions are applied accurately and that billing arrangements function as intended. We are committed to sharing early and accurate eligibility data, clear guidance with worked examples for suppliers on how to recover costs from non-eligible customers and working with ESC to publish guidance on reconciliation.

Some respondents also raised concerns regarding the CM exemption disincentivising behind the meter solar and storage arrangements. While the Government recognises that these costs reductions may reduce the incentive for investment in on-site or private wire generation, those businesses will continue to benefit from avoided wholesale, network and supplier costs, and receive BICS support on any eligible residual grid consumption. The Government will continue to monitor whether the detailed design of the scheme could give rise to any unintended impacts.

**Question 7: Do you agree with the proposal to amend the FIT regulations, to exempt BICS-eligible businesses from up to 100% (subject to pro-rating) of FIT costs passed onto them by electricity suppliers? Please provide reasons for your response.**

### Consultation Response

This question received 63 responses.

**78%** of respondents agreed with the proposal, **12%** disagreed or did not know, and **10%** neither agreed nor disagreed.

53 respondents provided a free text response.

The majority of respondents agreed with the proposal, with the view expressed that the FIT exemption is a necessary and logical complement to the proposed RO and CM exemptions, and that consistency across all three levies is essential for the scheme to deliver meaningful cost relief. The cumulative burden of RO, FIT, and CM costs was described as making UK industrial electricity among the most expensive in Europe, and the point was made that exempting businesses from only one or two of these levies would leave a significant residual cost disadvantage.

Notwithstanding this support, several respondents raised concern about the risk of cost redistribution onto non-eligible consumers, noting that reducing the pool of consumers paying into an already costly and poorly targeted legacy scheme risks making it even more expensive for those who remain within scope.

### Government Response

The Government will proceed with the proposed approach and regulatory changes to exempt BICS eligible businesses from up to 100% (subject to pro-rating) of FIT costs passed onto them by electricity suppliers. The Government welcomes support from the majority of respondents who agree with the inclusion of a FIT exemption as part of the scheme's support for eligible manufacturing businesses.

The Government recognises concerns about the potential impact of the exemption on other energy consumers, including ineligible businesses and households. BICS will be funded through a combination of changes within the energy system (such as those recently made to inflation indexation of RO/FITs), removal of Carbon Price Support from April 2028 and Exchequer funding to ensure domestic and non-domestic electricity consumers do not see an increase in their electricity bills as a result of the scheme. The Government will provide full details on funding arrangements in the impact assessment that will be published alongside the legislation in the Autumn.

**Question 8: Do you agree that the proposed information sharing channels are adequate to ensure the scheme functions as intended? Please provide reasons for your response.**

### Consultation Response

This question received 64 responses.

**42%** of respondents agreed that the proposed information sharing channels are adequate, **17%** disagreed, **25%** neither agreed nor disagreed, and **16%** did not know.

43 respondents provided a free text response.

Free text responses were varied, with several respondents broadly supporting the proposed channels while identifying specific gaps or conditions. The most frequently raised issue was the importance of data quality, standardisation, and the case for a central register of exempt MPANs, with the view expressed that eligibility data must be provided at MPAN level rather than at business or consumer level, and that a single authoritative register would reduce the risk of duplicated or conflicting reporting and avoid the manual errors that characterised the EII Compensation Scheme.

Beyond data quality, several respondents identified structural gaps in the proposed channels, most notably the absence of a defined data sharing protocol for sites with behind-the-meter solar PPAs or private-wire arrangements, and the lack of a formal standardised communication channel between businesses and their electricity suppliers.

Cutting across both of these concerns, several respondents called for early technical clarity and detailed operational guidance to be published well in advance of the October 2026 eligibility window, noting that manual processes are likely to persist in the early stages of delivery and citing recent experience of well-designed digital processes failing at the implementation stage.

Some respondents emphasised additionally the need for a centrally managed digital platform with API connectivity to enable suppliers to automate the processing of exemptions, noting that technical details and integration requirements must be confirmed as soon as possible given the narrow window for system development before April 2027.

**Government Response**

The Government agrees with the views expressed by respondents that robust data quality, standardisation, and central coordination are critical to the effective operation of the scheme.

The scheme design therefore assumes a centrally managed dataset, administered through the BICS digital service and distributed to suppliers, to reduce the risk of duplication, conflicting records, and manual error. The Government also confirms that this dataset will provide eligibility details at MPAN level rather than at business or consumer level.

The Government recognises calls for more automated integration, including the use of API connectivity. Utilising APIs is the Government's ambition for this scheme, with plans to introduce this as soon as the full energy ecosystem can easily interact with them. The initial design prioritises secure and standardised data exchange to ensure deliverability that works for all partners within implementation timelines.

The Government recognises the concerns raised regarding gaps in the proposed information sharing channels for more complex site configurations. DBT will continue to develop the operational design in these areas, working closely with suppliers and settlement bodies to define consistent approaches. Clear guidance will be published setting out how these arrangements will be treated, including the evidence requirements and data flows needed to support exemptions.

The Government acknowledges the importance of early technical clarity. DBT will aim to provide detailed data specifications and operational guidance in advance of scheme implementation, including the structure, format, and frequency of data sharing.

## Question 9: Should manufacturers who receive their electricity through a third party's (such as landlord/site owner) private wire connection, be eligible for BICS?

**Consultation Response**

This question received 65 responses.

**86%** of respondents said that manufacturers who received their electricity through a third party's private wire connection should be eligible for BICS, **14%** said that they should not or did not know.

35 respondents provided a free text response.

The majority of respondents supported eligibility for manufacturers receiving electricity through third-party private networks, with the view expressed that the determining factor for BICS eligibility should be the presence of qualifying manufacturing activity rather than the contractual or infrastructural arrangements through which electricity is supplied. The point was widely made that private network and landlord-managed arrangements are common across a wide range of manufacturing settings, and that excluding businesses on the basis of supply configuration rather than manufacturing characteristics would produce outcomes inconsistent with the scheme's objectives.

Accepting the principle of inclusion, some respondents nonetheless raised concern about the operational and administrative complexity of including private network arrangements, noting that bespoke site-specific calculations would be required and that EMRS data does not accurately capture exemption rates for private network meters.

A further practical challenge was raised by some respondents in relation to pass-through risk, noting that a supplier bill discount applied to a third party's account may not reliably reach the eligible manufacturer, particularly where the manufacturer is in a captive relationship with a landlord who controls downstream charging arrangements.

Some respondents highlighted the broader implications for investment in on-site renewables, arguing that excluding private wire or on-site generation would directly contradict the Solar Roadmap and suppress new behind-the-meter solar investment. Across all of these concerns, a consistent call emerged for clear evidence requirements and guidance, with worked examples covering common scenarios to be published before the October 2026 application window.

### Government Response

The Government confirms that manufacturers who receive their electricity through a third party’s private network should, in principle, be eligible for BICS where RO, FIT and CM charges are passed onto them. However, the Government also acknowledges that, in many cases, it is not possible to verify the application of levy costs private network arrangements. Given the limited visibility across some of these arrangements we propose that eligibility for businesses in third-party private network arrangements will be conditional on verifiable levy information being available.

We will work with delivery partners within the energy system, including Ofgem and LCCC, to understand what information can help them to identify and apply the appropriate levy exemptions in these cases. The forthcoming business guidance for the scheme will set out the evidence requirement for private network users’ eligibility. In recognition of the fact that some businesses who are subject to eligible levies may not be able to provide verifiable evidence of this, we will continue to work with delivery partners to explore what arrangements can be made to accommodate businesses with private network arrangements from year 2 of the scheme onwards. We will also carry out engagement with impacted businesses during this period to understand their specific circumstances and requirements and ensure these are reflected in the future design of the scheme.

The Government recognises the concerns raised relating to pass through of exemptions where third parties or intermediaries are involved. The Government will continue to monitor whether businesses are receiving savings on bills and assess whether more action is needed to enforce this.

The Government recognises the concerns raised by some respondents about the interaction between BICS and behind-the-meter solar investment. BICS is designed to reduce the indirect costs of RO, FIT and CM charges on grid-imported electricity in order to improve industrial competitiveness in the near term. While the Government recognises that these costs reductions may reduce the incentive for investment in on-site or private wire generation, those businesses will continue to benefit from avoided wholesale, network and supplier costs, and receive BICS support on any eligible residual grid consumption. The Government will continue to monitor whether the detailed design of the scheme could give rise to any unintended impacts.

## Question 10: If manufacturers who receive their electricity from a third party (such as landlord/site owner) are to be eligible for BICS, who should be responsible for providing DBT with information to support eligibility identification?

### Consultation Response

This question received 62 responses.

**76%** said both the manufacturer and the third party should be responsible, **24%** said the manufacturer only or said the third party only.

34 respondents provided a free text response.

The majority of respondents favoured a shared responsibility model, reflecting the practical reality that the data required to support an eligibility application sits across multiple parties, with manufacturers holding information about their production processes and eligibility criteria while landlords and site owners typically hold the metering and consumption allocation data.

Several respondents nonetheless argued that primary responsibility should rest with the manufacturer as the direct beneficiary, on the grounds that the manufacturer has the strongest commercial interest in ensuring the application progresses and is best placed to evidence eligible manufacturing activity.

Whichever model is adopted, several respondents raised concern about the risk of eligible manufacturers being locked out through third-party non-engagement, citing FSB data showing that 18% of small manufacturing businesses have no control over their energy provider. This underpinned calls for a clear accountability framework and standard information request templates to ensure the process is workable regardless of the relationship between manufacturer and landlord.

Some respondents went further, arguing that voluntary cooperation from third parties is unlikely to be sufficient and that legislative or regulatory levers are needed to compel landlords and site owners to provide the necessary information and pass through any benefits they receive.

### Government Response

The Government confirms that the primary responsibility for providing evidence will rest with the business. Third parties should submit information to BICS via the eligible business.

To support third party engagement the Government plans to develop guidance for these stakeholders so that they understand their role - i.e. that third parties are expected to:

- pass on the financial benefit to eligible businesses; and
- provide information to eligible businesses to ensure that the financial support they receive is kept up-to-date.

The Government recognises the concerns raised relating to pass through of exemptions where third parties or intermediaries are involved. Surveys of the scheme will be used to understand the third-party experience and businesses will be asked to confirm the value of the exemption they have received in the Annual Declaration. The Government will continue to monitor whether businesses are receiving savings on bills and assess whether more action is needed to enforce this.

## Question 11: Do you agree with the approach of a time-limited identification window for the first year of the scheme? Please provide reasons for your response.

### Consultation Response

This question received 64 responses.

**58%** of respondents agreed with the approach, **16%** disagreed, **17%** neither agreed nor disagreed, and **9%** did not know.

52 respondents provided a free text response.

The majority of respondents agreed with the approach, with the most frequently cited reason being the operational necessity it creates for the parties responsible for administering exemptions. Suppliers need time to update billing systems, match customers, and test billing changes ahead of the April 2027 go-live, and settlement bodies require a defined cohort to recalculate obligation levels across the RO, FIT, and CM schemes. Even respondents critical of the specific dates acknowledged this operational rationale.

While accepting the principle, several respondents raised concern about the risk of excluding genuinely eligible businesses, particularly SMEs, startups, and newer operators for whom awareness of new schemes is often lagged. Calls were made for a late application route or complex case track to avoid penalising businesses for procedural rather than substantive reasons, and for a more lenient approach that allows businesses identifying later to still access the scheme as soon as possible.

Underpinning both of these concerns was a consistent call from several respondents for early publication of guidance and proactive communications, with final eligibility guidance including SIC and HS code lists, evidence requirements, and pro-rating methodology to be published well in advance of October 2026.

Looking beyond Year 1, some respondents argued that a single annual window is fundamentally at odds with the commercial reality of manufacturing and welcomed the government's proposal to move to a rolling basis. Some also raised concern about the feasibility of the window for complex or multi-site businesses, citing precedent from network charging compensation where windows had to be subsequently extended.

**Government Response**

The Government confirms that it will implement a fixed, time-limited identification window for Year 1 of the scheme. This is necessary to give DBT, electricity suppliers and settlement bodies sufficient time to assess eligibility and process exemptions ahead of 1 April 2027.

The Government will publish comprehensive guidance covering eligibility criteria, evidence requirements and the pro-rating methodology, alongside an eligibility checker to support businesses in assessing whether they are likely to be eligible for the scheme. This guidance will be tested with businesses to help ensure it is clear and extensive.

The timing will be as follows (subject to parliamentary approval of secondary legislation which gives effect to BICS):

- **1 October 2026 – 30 November 2026**: Application window. Businesses are invited to provide information to DBT to support identification of eligibility.
- **1 October – 8 January 2027**: DBT will assess and grant eligibility for businesses. Information on business eligibility will be kept in a secure database and DBT will make relevant records/updates available to electricity suppliers and settlement bodies from November onwards. DBT will aim to process all eligible businesses by 8 January 2027 for Year 1 of the scheme. In the event of a small number of outstanding complex cases, this may be extended to the end of January; DBT will notify suppliers and relevant businesses in advance if this occurs.
- **November 2026 – 1 April 2027:** Once eligible businesses begin being confirmed, suppliers and settlement providers will have until April to exemptions for eligible businesses, including setting up relevant arrangements/data flows for suppliers to provide relevant information to EMRS.

The Government recognises respondents' concerns that a fixed window could exclude some eligible businesses, particularly where awareness of a new scheme may develop more slowly. To mitigate this risk, the Government will publish clear guidance in advance of the application window and undertake communications and engagement activity to support awareness of the scheme.

The Government also acknowledges wider concerns that a short single window would not align with the commercial realities of manufacturing businesses and so re-affirms that, from Year 2 onwards, there will be a longer application window for businesses to apply, with a clear cut-off date for each delivery year. As set out below there will be no mid-year entry into the scheme.

## Question 12: Do you agree with the proposal to restrict the addition of new businesses to the start of each levy delivery year, rather

**than permitting mid-year entry? Please provide reasons for your response.**

### Consultation Response

This question received 69 responses.

**44%** of respondents agreed with the proposal, **38%** disagreed, **18%** neither agreed nor disagreed or did not know. Almost all energy suppliers who responded agreed with this proposal.

59 respondents provided a free text response.

Free text responses were broadly split. The most frequently raised concern was that restricting entry to the start of each levy delivery year could directly undermine the investment and competitiveness objectives the scheme is designed to serve, with the point made that manufacturing investment decisions, site commissioning, and electrification projects occur continuously and a business completing a project mid-year could face a wait of up to twelve months before accessing relief.

The operational case for annual entry points was, however, also widely acknowledged, with several respondents noting that mid-year additions would require recalculation of obligation levels across the RO, FIT, and CM schemes, increasing the risk of billing errors, reconciliation complexity, and disputes.

Seeking a middle ground, several respondents called for targeted exceptions and transitional arrangements rather than either extreme, particularly for businesses transitioning out of the EII Compensation Scheme and newly commissioned sites. Some went further and proposed quarterly or rolling entry as a more proportionate alternative, with eligibility taking effect from the start of the next quarter following confirmation.

Some respondents also raised cost predictability and scheme budgeting as a distinct reason for supporting annual entry, noting that a defined cohort confirmed at the outset of each year allows the overall exemption cost to be assessed and obligation levels to be set with confidence.

### Government Response

The Government confirms that there will be no mid-year delivery introductions. While it recognises the potential benefits to business through quicker access to the scheme this is outweighed by the delivery risks identified by suppliers and settlement bodies in relation to the functioning of the RO, FIT and CM schemes.

The Government will set a clear cut-off date to enrol for the next delivery year, which will be set out in future guidance. The date set will ensure suppliers have sufficient time to process business exemptions and avoid disruption to data collection, forecasting and levy settlement. The Government will clearly communicate this cut-off date to businesses and make clear that applications for eligibility will need to be submitted in advance of this.

## Question 13: For electricity suppliers and settlement bodies: do you have any views on how DBT can ensure exemptions are passed through to businesses?

### Consultation Response

This question received 25 responses.

The most frequently raised issue was the practical challenge of delivering consistent pass-through across the diverse range of contract types in the industrial electricity market, with the point made that pass-through is straightforward where policy costs are itemised separately but more complex for fixed-price or blended contracts. Calls were made for clear guidance with worked examples, clear change of supply rules, and flexibility in how exemptions are reflected across different product types.

Linked to this, several respondents called for clear billing transparency and line-item disclosure, noting that without explicit disclosure on bills there is a risk that the benefit is absorbed into wider cost structures or retained by intermediaries, with experience from the EII Compensation Scheme cited as a precedent for inconsistent practice.

On the question of enforcement, views diverged. Several respondents took the view that competitive market forces provide a sufficient incentive for suppliers to pass exemptions through without further regulatory intervention, while several others argued that a statutory pass-through obligation backed by enforcement mechanisms is necessary given the historical incompleteness of pass-through in complex industrial supply contracts.

Cutting across both positions, some respondents flagged the specific risk posed by third parties and intermediaries, where a supplier bill discount applied to a landlord's account may not reliably reach the eligible manufacturer regardless of the regulatory framework, and called for government to consider alternative compensation mechanisms such as direct payment to the eligible manufacturer.

### Government Response

The Government recognises the variety of arrangements that may be in place across different parts of the energy system and that pass-through is not straightforward for all contracts. Recognising this, the Government reaffirms its flexibility in how suppliers pass-through BICS exemptions. The Government will provide guidance for suppliers setting out expectations and responsibilities, worked examples of how savings could be passed on covering both fixed and flexible contracts, timing of applications, reconciliation and clear change-of-supply rules to ensure exemptions transfer correctly when customers switch suppliers. The Government anticipates publishing this in the Autumn.

Relating to the calls for clear billing transparency and line-item disclosure, it will remain at suppliers' discretion as to how they communicate the pass-through of savings. However, the supplier guidance will include examples of how suppliers may wish to do this in order to encourage consistency across the industry and a line-item approach will be encouraged.

The Government will continue to explore whether pass-through of savings should be mandated in the future, for both suppliers and third parties or intermediaries. For the time-being, the Government is satisfied that competitive market dynamics provide a sufficient incentive for suppliers to pass on exemptions, given it is in a supplier's commercial interests to pass on savings in order to retain business. For third parties and intermediaries, the Government will continue to monitor whether businesses are receiving savings on bills and assess whether more action is needed to enforce this.

To further support awareness and effective pass-through, DBT will utilise existing communications channels across the electricity supplier industry, ensure a clear channel for businesses to escalate concerns, increase transparency through monitoring and continue to work closely with suppliers to ensure timely and efficient onboarding processes.

The Government has heard calls from electricity suppliers to provide further clarity on forecasted eligible demand volumes for BICS, to support electricity supplier forecasting and ensure they are well placed to pass on exemptions with effective cost recovery mechanisms in place. Therefore, alongside this Government response, the Government has also published further eligible demand volumes figures to support Suppliers in planning on the BICS consultation on regulatory changes and scheme delivery webpage.

## Question 14: Do you agree with the proposed two-year eligibility period for exemptions? Please provide reasons for your response.

### Consultation Response

This question received 66 responses.

**59%** of respondents agreed with the proposed two-year eligibility period for exemptions, **21%** disagreed or did not know, and **20%** neither agreed nor disagreed.

52 respondents provided a free text response.

The majority of respondents agreed with the proposed two-year eligibility period, with the most frequently cited reason being its effect in reducing the frequency of reassessment for businesses, suppliers, and scheme administrators, with the point made that less frequent recertification reduces duplication of effort and avoids the administrative churn associated with repeated eligibility assessments.

Alongside the administrative rationale, several respondents cited investment planning and business certainty as a key benefit, noting that a defined two-year period provides sufficient certainty over the cost base to support operational and capital investment decisions, particularly for energy-intensive manufacturers in volatile energy markets.

While supporting the two-year period, several respondents also emphasised the importance of maintaining scheme integrity and fraud controls, welcoming the mandatory annual declaration in non-recertification years as a proportionate safeguard and calling for regular checks at site level to guard against gaming.

Where the period itself was contested, some respondents argued for a longer eligibility period, citing the EII Compensation Scheme's five-year reassessment cycle and the longer investment horizons of sectors such as critical minerals and pharmaceutical manufacturing. Others focused less on the length of the period than on the design of the renewal process, calling for recertification to be light-touch for established participants with no material changes in circumstances and for clear timelines to be communicated well in advance of renewal points.

**Government Response**

The Government confirms that the eligibility period will be five years with a review point at the end of Year 2 and an annual declaration to monitor and confirm ongoing eligibility.

While the majority of respondents supported a two-year eligibility period, some respondents argued for a longer eligibility period, citing longer investment horizons, as well as the reduced burden associated with less frequent reassessment. On balance, the Government has decided that for businesses identified as eligible for BICS, a five-year eligibility period, combined with a review point at the end of Year 2 and mandatory annual declarations, better supports long-term planning, while maintaining appropriate safeguards against fraud and gaming. We will continue to monitor the scheme to ensure policy goals are being met and will retain flexibility to amend scheme design and delivery in regard to eligibility periods.

The Government also recognises calls for annual declarations and renewals to be as light-touch as possible for businesses. The Government agrees that these should be proportionate and minimise unnecessary administrative burden. The annual declaration will focus on confirming business circumstances (see Question 15 below), whilst the renewal will include a reassessment to confirm eligible production and the level of exemption. The renewal will utilise existing data previously submitted by businesses where possible. Further detail on the renewal and annual declaration requirements will be set out in business guidance to be published in the summer.

**Question 15: Do you agree that the proposed declarations on eligibility and other changes to circumstances provide an adequate basis for keeping the scheme accurately targeted while safeguarding against fraud and gaming?**

**Consultation Response**

This question received 66 responses.

**62%** of respondents agreed that the proposed declarations on eligibility and other changes to circumstances provide an adequate basis for keeping the scheme accurately targeted while safeguarding against fraud and gaming, **8%** disagreed, **23%** neither agreed nor disagreed, and **8%** did not know.

39 respondents provided a free text response.

The majority of respondents agreed that the proposed declarations framework provides a reasonable and proportionate basis for maintaining accurate scheme targeting and safeguarding against fraud and gaming, with the view that formal declarations place compliance responsibility appropriately on the beneficiary and establish clear accountability without imposing disproportionate reporting requirements.

While broadly supportive, several respondents argued that declarations alone are unlikely to be sufficient and called for complementary audit and enforcement activity including desk-based checks, random sampling, and site visits, with the point made that suppliers cannot be expected to act as the primary fraud detection mechanism as they do not hold the underlying eligibility evidence.

A recurring concern across both supporters and critics of the framework was the need for clear guidance on what constitutes a material change in circumstances, with respondents noting that without worked examples and sector-specific guidance, good-faith operators face genuine uncertainty about their obligations, particularly in rapidly evolving sectors such as critical minerals.

Several respondents also raised the importance of proportionality in designing declaration requirements, suggesting a tiered approach with lighter requirements for stable single-site operations. Beyond these process concerns, some respondents identified specific gaming risks inherent in the scheme's design, including the potential for manipulation of baseline electricity consumption and the risk of BTM PPA curtailment to inflate grid-side exemption volumes, and called for the annual declaration to require explicit disclosure of any reductions in on-site renewable consumption.

**Government Response**

The Government intends to proceed with an annual declaration and a review point at the end of Year 2 of a businesses’ eligibility period.

The Government welcomes support from the majority of respondents who agreed a mandatory annual declaration would provide a reasonable and proportionate basis for maintaining accurate scheme targeting and safeguarding against fraud and gaming. The annual declaration will require businesses to confirm that there have been no changes in circumstances in relation to their eligibility, and where any changes have occurred, businesses will be asked to provide supporting evidence to confirm this.

In response to some respondents concerns that declarations alone would not be sufficient to protect against fraud and gaming, the Government confirms that there will be a set of circumstances in which recipients will be mandated to declare to the Government outside of the annual declaration and renewal process, and will reserve the right to revoke exemptions, for example where we suspect fraudulent activity to be taking place. A review will also be required at the end of Year 2 of a businesses’ eligibility period. This will allow DBT to confirm a businesses’ ongoing eligibility and exemption level and will involve businesses providing supporting evidence to the Government. In relation to concerns around proportionality of annual declaration and review requirements, the Government will look to balance reducing business administration burden with ensuring sufficient protections. The Government will also reserve the right to undertake further checks throughout a businesses’ eligibility period on a risk basis, including additional verification and, where appropriate, site visits or investigation.

Changes in circumstances that businesses should notify DBT on, both within and outside the annual declaration, will be set out in business guidance. Guidance will include clear definitions and worked examples to ensure recipients understand their obligations and can act accordingly. Guidance will also include information on what is required by businesses within the review at the end of Year 2.

## Question 16: One alternative method to ensure that live exemptions remain accurately targeted would be to require immediate or more frequent declarations relating to eligibility, with exemptions revoked or amended mid-year.

## Would it be operationally feasible to process a business's change in circumstance mid-year? Please provide reasons, including any conditions, dependencies, or process changes that would affect feasibility.

### Consultation Response

This question received 63 responses.

**35%** said it would be operationally feasible to process a business’s change in circumstance mid-year, **46%** of respondents said it would not be operationally feasible, and **19%** did not know.

50 respondents provided a free text response.

Free text responses were broadly opposed to routine mid-year processing. The most frequently raised concern was the administrative burden this would place on businesses, particularly SMEs and manufacturers whose operations are unlikely to change materially within a levy year, with the view expressed that more frequent reporting requirements risk dissuading businesses from applying for support altogether.

Compounding this, several respondents raised the operational impact on supplier billing and settlement systems, noting that mid-year adjustments would require retrospective rebilling, recalculation of obligation levels across multiple levy schemes, and management of reversals within a settlement period, with the cumulative burden at scale described as extremely onerous.

Against this backdrop, several respondents accepted that mid-year changes could nonetheless be warranted in limited or exceptional circumstances such as fraud detection, corporate restructuring, or newly commissioned sites, and called for a clearly defined governance framework with the default being that changes take effect from the start of the next levy delivery year.

Some respondents took a more conditional view on feasibility, noting that it is strongly dependent on the availability of appropriate digital infrastructure and automation, pointing to the Capacity Market and ROC frameworks as existing examples of within-year reconciliation, while acknowledging that a more manual approach may be necessary in Year 1.

### Government Response

The Government recognises the additional administrative burden on businesses as a result of too frequent declarations on eligibility, especially where many businesses are unlikely to experience material changes within a scheme year. As such, the Government confirms that businesses will only be required to report one mandatory declaration each year, and through the renewal process at the end of a validity period, to ensure reporting requirements are reasonable and not disproportionately burdensome.

As discussed above, there will be a set of circumstances in which recipients will have to notify the Government on outside of the annual declaration process. This set of circumstances will be clearly outlined in guidance.

The Government recognises the difficulties raised by respondents, particularly by electricity suppliers, on processing changes mid-year, due to impacts on supplier billing and settlement systems. As such, the majority of changes will not be processed mid-delivery years, and will instead be actioned for the beginning of the next delivery year, or addressed through the businesses' next renewal process.

However, the Government also welcomes recognition from respondents that in some circumstances, mid-year changes will be required to ensure effective delivery of exemptions. This includes the need to revoke validity due to fraudulent activities and the need to update exemption details to ensure eligible exemptions can continue to be delivered, such as where a business changes electricity supplier or meter number or experiences a change in legal entity. Therefore, the Government will allow for a limited amount of mid-year changes to be processed and retains the right to revoke validity for businesses in exceptional circumstances, for example where we suspect fraudulent activity to be taking place. Changes required mid-year will be dealt with on a case-by-case basis.

## Question 17: Do you agree that the use of forecasted data to determine whether a new manufacturing site is eligible should be explored?

### Consultation Response

This question received 68 responses.

**77%** of respondents agreed that this should be explored, **4%** disagreed, **13%** neither agreed nor disagreed, and **6%** do not know.

There was no free text option for this question.

### Government Response

The Government will explore whether forecasted data should be accepted for new manufacturing sites or for sites that are looking to electrify. We will look at what scenarios this should apply to and the evidence that would be required to allow for a robust assessment. If this is feasible, we will look to implement this from Year 2 of the scheme (for businesses looking to apply in 2027 for 2028 delivery).

## Conclusion and next steps

Following the conclusion of this consultation, the Government intends to proceed with the regulatory changes and scheme delivery positions proposed. The Government will shortly publish comprehensive business guidance designed to clearly set out in detail the application process and evidence requirements. Additionally, a digital eligibility checker tool will be launched to allow businesses to quickly identify whether they are likely to be eligible for the scheme.

The Government intends to amend the existing secondary legislation relating to the RO, FIT and CM in the Autumn subject to parliamentary approval and completion of subsidy control procedures. We expect to publish a full impact assessment alongside the statutory instruments, covering funding arrangements for the scheme and impacts.

# BICS Analysis Consumption Methodology

## Introduction

1) This document explains how sectoral level estimates of eligible electricity consumption for British Industrial Competitiveness Scheme (BICS) were calculated.

2) The consumption estimates are derived using a combination of published official statistics and Office for National Statistics (ONS) survey microdata.

3) Forecasting electricity consumption is inherently uncertain. These forecasts are intended to provide indicatives volumes of BICS eligible consumption and are not used operationally within DBT. The estimates will be refined as the scheme develops.

## Methodology

### Overview

4) Eligible electricity consumption was estimated using data from the Digest of UK Energy Statistics (DUKES) published by Department for Energy Security & Net Zero (DESNZ). The steps in this calculation were:

    a) Apportion DUKES high-level aggregated electricity consumption to estimate consumption for more granular sectors, using ONS Annual Business Survey and Annual Purchases Survey data covering 2017-2023. Sectors are defined as all the activity within a 4-digit 2007 Standard Industrial Classification.

    b) Forecast this apportioned historic consumption forward to 2027/28 – 2030/2031, using Energy and Emissions Projections (EEP) Annex F.

    c) Correcting for double counting between different electricity support schemes. British Industrial Supercharger provides support to some businesses in BICS sectors and therefore its sectoral consumption had to be removed from the sectoral estimate.

    d) Correct for additional eligibility criteria of the scheme which would lower the eligible sectoral consumption, specifically the requirement to manufacture eligible products as defined by a list of Harmonised System (HS) 6-digit Codes.

### Data Sources

5) Economy wide annual electricity consumption – Digest of UK Energy Statistics (DUKES) Table 5.2 – [Digest of UK Energy Statistics (DUKES): electricity - GOV.UK]

6) BICS SIC 4-digit sectors and HS 6-digit codes - British Industrial Competitiveness Scheme: consultation on scheme eligibility and approach - GOV.UK Annex A

7) Apportioning:

   a) DUKES to SIC mapping - Update to estimates of industrial consumption within Energy Consumption in the UK (ECUK)

   b) ONS Annual Business Survey[1] – Microdata 2017-2023 - Annual Business Survey QMI - Office for National Statistics

   c) ONS Annual Purchasing Survey – Microdata 2017-2023 - Annual Purchases Survey QMI - Office for National Statistics

8) Forecast growth rate –Energy and Emissions Projections (EEP) - Annex F (TWh) - Final Energy Demand (TWh), Annex F Growth assumption and prices, Refence

9) BIS consumption – The Renewables Obligation (Amendment) (Energy Intensive Industries) Order 2024 – Paragraph 52

10) BIS SIC 4-digit sectors – Energy Intensive Industries (EIIs) Guidance

11) Eligible criteria – PRODCOM Microdata 2023 - UK Manufacturers' Sales by Product (PRODCOM) - Office for National Statistics

12) Convert UK electricity consumption to GB consumption – Electricity generation and supply in Scotland, Wales, Northern Ireland and England 2020 to 2024

## Consumption Data – DUKES

13) To estimate the future electricity consumption of different SIC 4-digit sectors, the most recently published DESNZ Digest of UK Energy Statistics (DUKES) data (2024) has been used as the starting point. This is published at an aggregated level, broadly aligned with SIC 2-digit for manufacturing sectors, but less granular for services.

14) DUKES consumption data is collected by DESNZ from energy suppliers, so it is likely to be a more accurate representation of whole economy energy consumption than survey data sources.

15) For the high-level consumption data, we use electricity consumption data from DESNZ DUKES publication table 5.2. Table 5.2 provides three measures of total electricity consumption:

   a) Public Distribution System – the electricity consumption from the national grid, via electricity meters.

   b) Other Generation – electricity consumption via private generation which does not come via the national grid, such as on-site generation from waste gases.

   c) Total – the sum of Public Distribution System and Other Generation, representing the total consumption of electricity via all sources

16) For the scope of BICS, we use the Public Distribution System consumption to capture the consumption that would pass through electricity meters and be subject to the policy cost exemptions.

17) DUKES data covers all the UK consumption but the scope of BICS is GB. To convert DUKES to a GB equivalent we net off the NI consumption based on their historical proportion of UK total.

## Apportionment

18) DUKES data is provided for aggregated categories like Industry, Shops and Public Administration. DESNZ do not publish a full mapping as part of the DUKES publication; the closest published mapping is for the Industry DUKES category to SIC 2-digit sectors as part of Energy Consumption in the UK (ECUK).

19) To apportion the desired DUKES consumption data to the SIC Class (4-digit) level, we distribute the electricity consumption across the 4-digit sectors proportionately to one of three other business metrics:

   a) Gross Value Added

   b) Total Expenditure

   c) Total Expenditure on Electricity

20) The three-candidate metrics for apportionment are sourced from the Annual Business Survey and Annual Purchases Survey.

21) The uncertainty introduced by apportionment to 4-digit SIC level is expressed by presenting estimates as a range, corresponding to the different apportionment options.

22) To calculate the apportionment shares for each ABS/APS derived metric, we:

   a) Take the SIC 2-digit and SIC 4-digit data and compute the median of each metric for each sector over a range of years. The years used for the analysis were 2017-2023.

   b) If a sector has fewer than 3 years of complete, usable data, the median value is set to NA.

   c) If a SIC 4-digit sector is missing data or NA, we use the SIC 2-digit sector median to fill the missing value but scale the value to bring its magnitude more in line with the SIC 4-digit values. This is done by dividing the SIC 2-digit median by the number of SIC classes within that SIC Division. E.g., if SIC Division 24 is made of three 4-digit classes 2410, 2420 and 2430, the SIC 2-digit median would be scaled by dividing it by three.

   d) The data is then mapped to the DUKES categories using the mapping, and the share of each SIC 4-digit sector of its corresponding DUKES category is computed.

## Growth Rates

23) The apportioned DUKES consumption data is then projected forward in line with the DESNZ published EEP Final Energy Demand (TWh), from Annex F. The annual change of the total excluding international aviation – electricity from the reference tab is calculated and is used to for the projection.

## British Industrial Supercharger

24) BICS exempts businesses from some of the same policy costs as the British Industrial Supercharger (Supercharger). Businesses receiving the Supercharger are not eligible to receive BICS. Thus, consumption of businesses benefitting from the Supercharger must be removed from sectoral estimates.

25) The Supercharger scheme was expected to have supported 13.4TWh[2] of consumption in 2025. As with the DUKES data, this consumption data is then projected forward in line with DESNZ published Electricity Consumption growth forecasts. Estimated Supercharger consumption is apportioned and forecast to sectoral consumption using the same methodology as for the DUKES data.

## Pro-rating based on production

26) The DUKES consumption apportioned to SIC 4-digit-level requires further apportionment to account for the eligible subset of HS6 commodity codes and the De Minims pro-rating of the exemptions for BICS. This apportionment of the SIC 4-digit consumption across HS6 codes is done using ONS PRODOCM data on the value of production.

27) In their annual PRODCOM publication, ONS provide an implicit look-up for PRODCOM to associated HS codes. Since PRODCOM codes are directly related to SIC codes, with the first 4-digits of a PRODCOM code being the 4-digit SIC it is associated with, this provides us with a way of relating the value of products produced within a SIC sector and HS6 products associated.

28) For De Minimis pro-rating, the value of sales for eligible products as a share of value of all product sales is calculated for each reporting unit (company) in the PRODCOM data. Applying a De Minimis threshold then means that only the companies that exceed this threshold would receive support, and so the values of these reporting units' sales can then be used to evaluate the impact of a De Minimis mechanism on consumption.

## Final Presentation

29) There is uncertainty in any forecasted figures, for this reason the consumption of each sector has been presented as a range. This range provides the minimum and maximum value for each sector as calculated by the above approach and varying the apportionment method.

**Department for Business and Trade**

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**Published by**
**Department for Business and Trade**

**July 2026**