Department for Business, Innovation, Science and Trade

Funding for the British Industrial Competitiveness Scheme (BICS)

Policy information and publication timetable

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1. Purpose of this document

1. This document provides policy information related to the funding of the British Industrial Competitiveness Scheme (BICS). It provides detail on:

    - the overall funding approach to BICS, including energy system savings and Exchequer funding
    - the policy objective behind the use of Exchequer funds to support the scheme and offset its impact on ineligible consumers
    - the rationale for delivering the Exchequer-funded offset through a universal reduction to the CfD Interim Levy Rate
    - how the CfD offset is expected to impact consumers (both beneficiaries and non-beneficiaries of BICS; see 'Intended Recipients' section)
    - expectations for suppliers, including monitoring and reporting requirements and the approach to pass-through of benefits from suppliers to consumers
    - governance arrangements for the BICS CfD offset
    - the delivery and future information timetable for the BICS CfD offset

2. This document does not contain information regarding the Exchequer-funded BICS additional payment, intended to provide businesses eligible in the first year of the scheme with support proportionate in value to what they would have been entitled to had BICS been in operation from April 2026. BIST will provide further information about the additional payment in the coming months.

3. This document is accompanied by:

    - the publication of the amount of Exchequer funding to be paid to LCCC to facilitate the BICS CfD offset
    - the technical annex, which explains the methodology for calculating the Exchequer funding amount and the approach to estimation and reconciliation

2. BICS funding overview

2.1 Background

4. The British Industrial Competitiveness Scheme (BICS) is a new government scheme which provides energy price support to businesses operating in frontier manufacturing sectors and foundational manufacturing industries, as defined by the government's Industrial Strategy.

5. Businesses eligible for BICS will receive exemptions from the indirect costs associated with 3 existing electricity policy schemes:

    - the Renewables Obligation (RO) and Feed-in Tariffs (FiT) which require electricity suppliers to make payments to support generation of electricity from renewable sources; and

    - the Capacity Market (CM) which requires electricity suppliers to make payments to ensure the UK has adequate electricity capacity.

6. The scheme opened for applications in October 2026. RO and FIT exemptions will begin from April 2027, and CM exemptions will begin from October 2027. The scheme will run until 2035, with a formal review scheduled for 2030.

2.2 Funding model

7. The BICS funding model partially replicates that of the Energy Intensive Industries support under the British Industry Supercharger. In both cases, electricity supplied to certified recipients is treated as "excluded" electricity and removed from the charging base for the RO, FiT, and CM. The total cost of each scheme is unchanged and is instead mutualised across the remaining, non-exempt supply. In practice:

    - **RO**: the obligation level (ROCs per MWh) is set on estimated supply net of excluded electricity, and each supplier's obligation applies only to its non-excluded supply

    - **FiT:** levelisation apportions scheme costs between suppliers by market share of GB supply, with excluded electricity deducted from each supplier's declared supply

    - **CM**: supplier charges are levied on eligible or chargeable demand, with excluded volumes deducted at settlement

8. Because exempt volumes are removed from the denominator, the effective per-MWh rate on non-exempt supply rises. Each supplier's share of scheme costs therefore reflects its market share of non-exempt demand, which suppliers recover through tariffs for non-exempt customers.

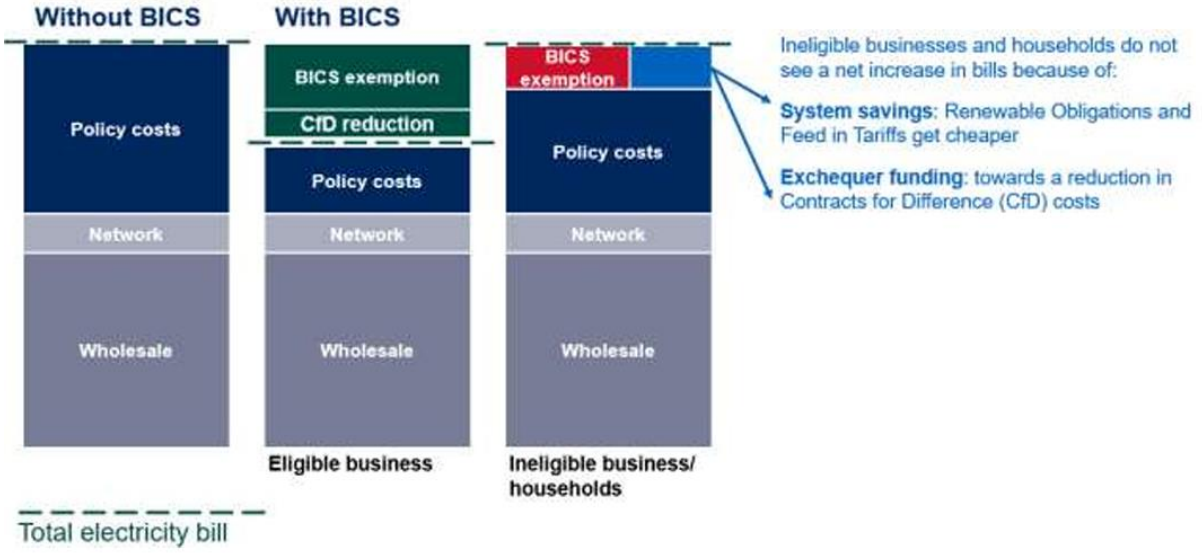
9. In the case of BICS, the government intends to offset the resulting cost increase for consumers who are not eligible for the scheme.

10. Two offsetting measures are in place, which combined comprise BICS funding:

- **Energy system savings:** Changes to RO and FiT indexation, and from 2028 the removal of the Carbon Price Support, which result in reduced costs. Further detail is provided below.

- **Exchequer-funded CfD offset mechanism:** Exchequer funding will make up the difference between the energy system savings and the cost of BICS. This funding will be transferred to the Low-Carbon Contracts Company (LCCC) in order to facilitate a universal reduction in the CfD Interim Levy Rate (ILR). This reduction will generate savings for suppliers which we expect to be passed through to consumers, effectively offsetting the bill increase that would otherwise occur.

Figure 1. Impact of BICS and BICS funding measures on electricity bills for eligible businesses and ineligible consumers



Note: The size of each component of the 'electricity bill' is not proportionate to its actual share of total costs. The figure is included for illustrative purposes only to demonstrate how the funding model works to offset the cost of BICS.

Text description for figure 1

This image shows three stacks, all of which represent the 'total electricity bill'. The first stack is labelled 'Without BICS'. The second stack is labelled 'Eligible business with BICS', and the third is labelled 'Ineligible business / households with BICS'. A dotted line on each stack indicates which components are costs amounting to the total electricity bill.

All three cost stacks include components labelled 'Wholesale' and 'Network', which together account for more than half of the stack. The Wholesale component is significantly larger than the Network component. All three stacks have the same value of Wholesale and Network components, indicating that these are unaffected by BICS.

In the 'Without BICS' stack, the remainder of the stack is made up of a third component labelled 'Policy Costs'.

In the 'Eligible business with BICS' stack, the policy cost component is smaller than in the 'Without BICS' stack. Two further components labelled 'BICS exemption' and 'CfD reduction' appear above the policy cost component. These are shaded in green and appear above the

dotted line, indicating that they are savings which reduce the total electricity bill relative to the 'Without BICS scenario'.

In the 'Ineligible business / households with BICS' stack, the policy cost component is smaller than in the 'Without BICS' stack, but larger than in the 'Eligible business with BICS' stack. Above the policy cost component is a red box labelled 'BICS exemption', indicating that BICS exemptions add to costs for these consumers. In parallel to the red box is a blue box with the following text appended:

'Ineligible businesses and households do not see a net increase in bills because of:

- *System savings: Renewable Obligations and Feed in Tariffs get cheaper.*
- *Exchequer Funding: towards a reduction in Contracts for Difference (CfD) costs.'*

This indicates that the cost increase represented by the red box is negated by the measures described by the blue box. The dotted line representing the total electricity bill is in line with the dotted line in the 'Without BICS' stack.

2.3 Changes to RO and FiT Indexation

11. In early 2026, the government published its response to a consultation proposing to change the way that the RO and FIT (as well as the NIRO and ROS schemes) are indexed to inflation, in order to bring them into line with regulatory best practice and reduce overall scheme costs in the future. It was subsequently agreed that these savings would fund the uplift of the Network Charging Compensation scheme from 60% to 90% of network charges, and partially fund BICS.

12. The assumed energy systems savings are based on published savings estimates, as set out in the analytical annexes to the government responses on RO and FIT indexation: Renewables Obligation (RO) scheme: indexation changes - GOV.UK; Feed-in Tariffs (FiT) scheme: indexation changes - GOV.UK. We will review these energy system savings estimates in 2030 as part of the wider BICS review to ensure they are having the intended effect over time.

2.4 Removal of Carbon Price Support

13. Carbon Price Support (CPS) is an upstream tax on GB fossil fuel generators. In April 2026, the government announced that CPS would be removed with effect from April 2028.

14. The energy bill savings generated by the removal of CPS have been modelled by The Department for Energy Security and Net Zero (DESNZ) using the Dynamic Dispatch Model to run a scenario with CPS set to £0/t. This impacts plant economics and dispatch decisions, which in turn impacts wholesale electricity prices, balancing costs, Contract-for-Difference (CfD) and Capacity Market costs. These modelled power system cost impacts are then run through DESNZ's Average Prices and Bills Model to generate end-consumer price impacts accounting for pass-through dynamics and downstream multipliers.

15. CPS is an upstream cost to power generators, not a discrete, observable downstream cost item for energy suppliers – it impacts other discrete costs suppliers need to cover. In addition, pass-through dynamics from the upstream to downstream market are complex, dependent on wholesale electricity contracting decisions by buyers and sellers, influenced by a broader range of factors including other costs and commercial decisions.

2.5 Exchequer Funding

16. The purpose of this intervention is to ensure that total funding matches the true cost of BICS over the lifetime of the scheme, effectively insulating households and non-eligible businesses from the cost of the exemption.

17. The BICS CfD offset works as follows:

- **BIST calculates the funding requirement for each quarter and provides a nominal funding value**. This calculation is based on estimates of the cost of BICS exemptions, and the energy system savings (arising from changes to RO and FIT indexation, and [from 2028] Carbon Price Support), which partially fund the BIS uplift and BICS scheme. Confirmed funding amounts and estimates are provided in the funding spreadsheet accompanying this document, and further detail on the calculation methodology is provided in the Technical Annex.

- **BIST delivers Exchequer funding to LCCC in advance of the levy determination run.**

- **LCCC injects the funding into the overall CfD system.** With generator payments unchanged, this means the total amount which needs to be recovered via the CfD levy is reduced.

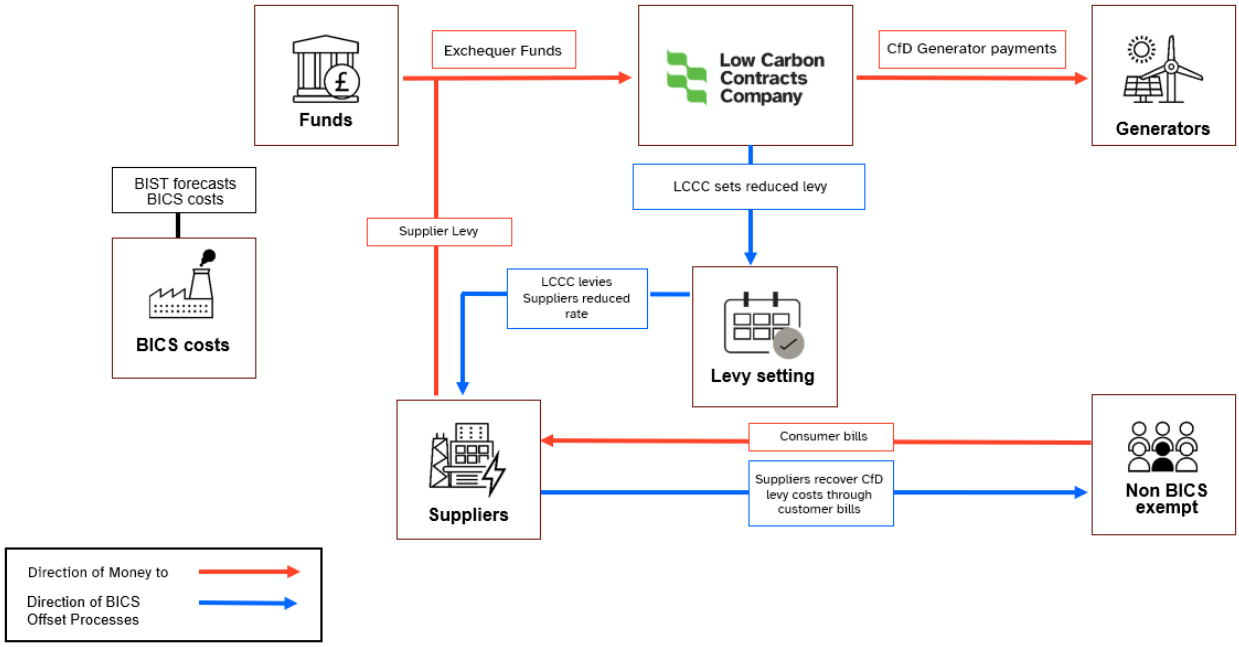
- **Suppliers pay a lower CfD levy for the relevant quarter.** This will apply from April 2027 when BICS exemptions begin.

- **Suppliers are expected to pass the resulting reduction to their customers.** This includes BICS beneficiaries. This results in lower CfD-related charges on electricity bills for consumers, contributing to offsetting the cost of BICS.

- **Government funding is updated as estimates become clearer**. Any over/underpayment to LCCC which arises from improved estimates or differences between estimated and actual costs will be reconciled through adjustments to future payments. Funding and estimates will be updated quarterly throughout the lifetime of the BICS scheme. It is expected that the first year of BICS (2027/28) will be reconciled quarterly, and BIST will continue to review appropriate reconciliation frequency as the scheme progresses.

18. The Exchequer funding is authorised under section 13 of the Energy Prices Act 2022. In the event of this time-limited power not being extended, an alternative statutory spending power will be sought to authorise the continuation of the funding. Amendments to the Contracts for Difference (Electricity Supplier Obligations) Regulations 2014 to facilitate the funding mechanism are were laid on 3rd November and will come into effect on 24th November.

Figure 2. How BICS funding flows through the energy system



Text description for figure 2

This flow diagram shows how money flows and BICS offset processes operate between the Exchequer, the Low Carbon Contracts Company (LCCC), electricity suppliers, generators, and energy consumers.

The diagram uses two types of arrows:

- red arrows represent the direction of money flows
- blue arrows represent the direction of BICS offset processes

Money flows (red arrows)

Exchequer Funds are provided to the Low Carbon Contracts Company (LCCC).

The LCCC makes Contracts for Difference (CfD) generator payments to Generators.

A Supplier Levy is collected from Suppliers and connects into the money flow from the Exchequer to LCCC.

Non-BICS exempt consumers pay consumer bills to Suppliers.

BICS offset process (blue arrows)

LCCC sets a reduced levy, which feeds into the Levy setting process.

The levy setting process determines that LCCC levies suppliers at a reduced rate, creating an offsetting flow to suppliers.

Suppliers recover the costs of the reduced CfD levy through customer bills charged to non-BICS exempt consumers.

BICS costs

A separate box labelled BICS costs is linked to a box labelled 'BIST forecasts BICS costs', indicating that forecasts of BICS costs inform the calculation of BICS-related costs which influence the total Exchequer funding amount.

3. Exchequer-funded CfD offset: design, pass-through and monitoring

3.1 Intended recipients

17. The BICS CfD offset is not targeted at specific suppliers or consumers. Because it is delivered through a reduction to the ILR, which applies on the same basis to all CfD-chargeable demand, every supplier benefits in line with its share of that demand. The saving is therefore available to all domestic and non-domestic consumers who pay CfD costs, including BICS-eligible businesses and their suppliers, as BICS exemptions do not extend to CfD costs. Consumers who do not pay CfD costs because they are exempt through other arrangements (e.g. under the British Industry Supercharger scheme) will not see a reduction.

18. Limiting the offset to consumers who are not eligible for BICS would require a separate levy rate or customer-level adjustment, which the CfD Supplier Obligation is not designed to support. Applying the reduction to all CfD-chargeable demand keeps the mechanism simple, consistent across suppliers and deliverable from April 2027.

19. Government expects suppliers to reflect the lower CfD cost for BICS-eligible customers on the same basis as for their other customers. This is in addition to, and separate from, the pass-through of BICS exemptions themselves, which is set out in the BICS supplier guidance.

3.3 Delivery principles

20. The key principles guiding the operation of the delivery mechanism are as follows:

    - **System-level offset**: the funding reduces the ILR on the same basis for all suppliers across all CfD-chargeable demand, including demand from BICS-eligible customers. It lowers suppliers' aggregate CfD costs and does not create a customer-level credit, so suppliers are not required to calculate or apply the offset at an individual customer level.

    - **Neutral funding profile:** the annual funding requirement is distributed evenly across the delivery year. The primary advantage of this approach is the simplicity and predictability it brings to BICS' cost estimates, LCCC's levy-setting, and suppliers incorporating the CfD changes into their pricing.

3.4 Pass-through approach

21. The BICS offset is delivered by reducing suppliers' aggregate CfD costs, rather than by making a direct payment to suppliers or customers. BIST has considered how best to manage pass-though of the benefit to consumers, including where there are differences across tariff types.

22. The agreed approach is that savings will pass through using suppliers' existing pricing routes, supported by timely provision of information by BIST, LCCC and Ofgem (see Delivery Timetable and Contingency arrangements section below). Because suppliers already forecast and recover CfD costs as part of wider pricing processes, a lower net CfD charge is expected to feed through where those processes update. BIST recognises that the route and timing of this pass-through may vary depending on the customer's contract type. For example:

    - pass-through customers will generally see the change when the published ILR or relevant CfD charging rate is updated and applied through billing systems
    - we expect suppliers to start pricing the BICS offset costs into new fixed tariffs in line with the 1 April 2027 implementation timetable
    - domestic default tariff customers are expected to see Standard Variable Tariff prices reflect the BICS offset from 1 April 2027 onwards, although the exact nature of this remains subject to Ofgem's final decision on the 2 November 2026 BICS methodology consultation

23. Energy suppliers are expected to take appropriate steps to ensure that the benefit of the BICS CfD offset is reflected in customer pricing. In doing so, suppliers must comply with Ofgem's enforceable Standards of Conduct, including the requirements to treat customers fairly and to act in a fair, honest, transparent, appropriate and professional manner.

3.5 Monitoring and reporting: expectations for suppliers

24. BIST will monitor whether the funding is applied as intended and reflected in prices, drawing on information from LCCC and published price cap data. BIST also proposes to ask suppliers for a short, voluntary confirmation that the funding is reflected in their pricing, currently planned twice in the first year. BIST will discuss with suppliers what they can reasonably provide before finalising this.

25. This is separate from the reporting requirements set out in the BICS supplier guidance, which cover the pass-through of BICS exemptions to certified customers.

4. CfD Offset: delivery timetable, governance, and contingency arrangements

4.1 Contingency arrangements

Applying funding when there is insufficient CfD levy headroom

26. When wholesale prices rise above CfD strike prices, generators make payments to LCCC, which can reduce the ILR to £0/MWh. The ILR cannot fall below zero, so there may be insufficient headroom to apply the full BICS funding through a lower levy rate. In these circumstances, the funding is still applied, but the route and timing depend on when the conditions arise:

- **At levy setting:** if the ILR is set at £0/MWh, BICS funding cannot reduce it any further. The funding is not directly used to reduce the TRA, although it may have a secondary effect on reducing the TRA through the CfD determination process. Any BICS funding not used to reduce the ILR is returned to suppliers through reconciliation after the relevant quarterly obligation period.

- **After levy setting, before the obligation period:** if LCCC makes a Before Period Adjustment, BICS funding can be taken into account in reducing the ILR where it remains above £0/MWh. If the ILR reaches £0/MWh, the funding cannot reduce it further and is not directly used to offset the TRA. Any remaining BICS funding is returned through reconciliation after the relevant quarterly obligation period.

- **During the obligation period:** if LCCC makes an In-Period Adjustment, the funding can reduce the ILR further where it remains above £0. If the ILR reaches £0/MWh, any remaining BICS funding is returned to suppliers through reconciliation after the relevant quarterly obligation period.

27. In each case, the full value of the BICS funding reaches suppliers. Only the form and timing of the benefit differ, which suppliers should take into account when reflecting it in their pricing.

Missed payments

28. In the unlikely event that the funding deadline for a given quarter is not met, LCCC will set the levy in the normal way. No offset is applied for that quarter. BIST would clearly communicate if this scenario were to arise, including any plans for amending the funding in future payments.

4.2 LCCC and Ofgem activities

29. Alongside BIST's publication, LCCC and Ofgem will reflect the CfD offset in their own engagement activities. In general, LCCC and Ofgem will continue to publish information about the CfD and energy price cap, respectively, through their usual channels, and going forward these will include periodic updates on the BICS offset amount.

30. **LCCC** is responsible for CfD-specific operational information and will publish the BICS-adjusted ILR required under the CfD framework, alongside additional information on the position before the BICS adjustment.

31. LCCC will publish the majority of its updates via the existing dashboard for CfD forecasts and levy information. To support the delivery of BICS Exchequer Funding, they will use the dashboard to communicate:

    - the Expected CfD position before and after application of the BICS offset

    - BICS-adjusted expected ILR for the relevant periods

    - underlying CfD costs alongside the adjusted position, subject to legal and disclosure constraints

    - forecast information available for supplier pricing and Ofgem’s price-cap assessment

- treatment in the event of ILR at £0 or below

32. **Ofgem** is responsible for how the BICS offset is reflected in the domestic price cap, including forecast inputs (which will be inclusive of BIST reconciliation, where appropriate), modelling changes, consultation, and timings.

33. In a consultation launched on 2 November 2026, Ofgem set out the proposed changes to the CfD allowance which support the BICS offset. For each quarter, Ofgem will also update Annex 2 to reflect the BICS adjustment in the CfD input tab using the latest cost information available from the LCCC. For the first period (from 1st April 2027), the publication window is in Late February 2027, based on the established quarterly cycle.

34. The table below sets out the key delivery milestones for the first quarter's funding. With the exception of BIST's supplier guidance, each of these steps will be repeated on a quarterly cycle for the subsequent quarter's funding.

4.3 Timetable

Date	Entity responsible	Publication format	Information shared
November 2026 (exact date to be confirmed)	BIST	Supplier guidance	• Impact of BICS on supplier obligations. • Monitoring and reporting requirements. • Policy information on Exchequer funding scope and principles.
16 December 2026	LCCC	Dashboard update	• Scheduled publication of the Q2 2027 levy determination. • Dashboards updated with market data for the Q2 2027 levy determination.
15 February 2027	LCCC	Dashboard update	• Scheduled publication of LCCC's Q2 2027 price-cap inputs. • Dashboards updated with market data for LCCC's Q2 2027 price-cap inputs.
By 23 February 2027	Ofgem	Update to annex 2	• Subject to consultation outcome, the expected Ofgem publication window for the cap applying is from 1 April to 30 June 2027, based on the established quarterly cycle.
approx. February 2027	BIST	GOV.UK Publication	• Funding amount for the quarter from 1 July added to spreadsheet on GOV.UK.

Updates continue according to the established quarterly cycles.

4.4 Funding governance

35. BIST is the department responsible for the policy and delivery of the BICS scheme. BIST has developed a monitoring and evaluation framework for BICS, including a process evaluation in Year 1, an independent impact evaluation in Year 3 and a summative evaluation in Year 5. Findings from this work will inform the planned review of the scheme in 2030 and future decisions regarding the scheme's operation through to 2035. These review points will help allow the government to understand the effects of support measures on both eligible and non-exempt consumers, as well as the wider scheme outcomes over time.

36. BIST also has governance arrangements in place with LCCC to ensure timely and appropriate administration of the CfD offset.

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