Department for Business, Energy & Industrial Strategy

The Rt Hon Graham Stuart MP
Minister of State for Energy and Climate

Department for Business, Energy & Industrial Strategy
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Darren Jones MP
Chair of the BEIS Select Committee
House of Commons
London
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21 December 2022

Dear Darren,

Laying of draft revenue regulations relating to implementation of the nuclear Regulated Asset Base (RAB) model revenue stream

I am writing to inform you that on 15 December 2022 the Government laid secondary legislation before Parliament which represents an important step forward in implementing the nuclear Regulated Asset Base (RAB) model. The legislation sets up the revenue stream that ensures a secure and consistent flow of revenues between electricity suppliers and nuclear companies benefiting from the RAB model for the duration of their nuclear project's RAB regulatory period.

The RAB model is a key enabler for the Sizewell C project, and the nuclear projects we need beyond Sizewell C, which will help ensure a secure and low-cost future electricity system.

The Nuclear Energy (Financing) Act 2022 ('the Act'), passed earlier this year, set up the RAB funding model for nuclear energy generation projects. Under this model, nuclear companies would be allowed to receive regulated revenues throughout their RAB regulatory period. As part of the implementation of the RAB, the Act gave the Secretary of State powers to make revenue regulations, which would set out the detail of how the revenue stream would operate under the nuclear RAB model. We are now seeking to bring these regulations forward.

The new legislation is based on the Contracts for Difference (Electricity Supplier Obligations) 2014. By replicating these robust and established practices, which suppliers and generators are familiar with, we will minimise disruption and provide reassurance to potential investors.

These regulations would make provision for nuclear companies to receive regulated revenue under the model. These revenues would be funded in part by levies on all licensed electricity suppliers in GB. Revenues would be collected and paid on by the revenue collection counterparty. The Low Carbon Contracts Company Ltd have been designated as the revenue collection counterparty under s16(1) of the Act, having performed the function of Contract for Difference (CFD) counterparty since its inception.

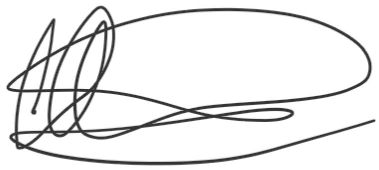
The secondary legislation has also been informed by a full public consultation undertaken earlier this year, to maximise transparency and opportunities for a range of stakeholders to contribute to the policy development. The outcome of this consultation was published on 14 December 2022.

Overall, we received 40 responses to the consultation from organisations and members of the public. Most respondents were supportive of the proposals, and content with the similarities to the CFD regime and the proposed RAB specific mechanics. Having assessed the consultation responses, the Government considers that it should proceed with the proposals set out in the consultation and have reflected this in the HMG response.

The draft revenue regulations reflect the positions set out in consultation and are subject to the affirmative procedure.

The Government is committed to protecting consumers' interests under this new funding model. Any project seeking to use the RAB will be subject to rigorous due diligence and will need to prove that it is likely to represent value for money before any revenue can be collected.

Yours ever,



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