



Department for
Energy Security
& Net Zero

Rt Hon Lord Hunt OBE
Minister of State for Energy
Security and Net Zero

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Bill Esterson MP
Chair of the Energy Security and Net Zero Committee
House of Commons
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21 March 2025

Dear Bill,

Government response to the consultation on the methodology to determine the Initial Weighted Average Cost of Capital, Cost of Debt Adjustment and Lower / Higher Regulatory Thresholds in the proposed Economic Licence for Sizewell C

In your capacity as chair of the Energy Security and Net Zero Committee, I am writing to inform you that today the Government has published a response to the consultation on the methodology to determine the Initial Weighted Average Cost of Capital (IWACC), Cost of Debt Adjustment (CDA) and Lower / Higher Regulatory Thresholds (LRT and HRT) in the proposed Economic Licence for Sizewell C.

The Autumn Budget included support, specifically providing £2.7bn of funding to continue Sizewell C's development through 2025-26, whilst confirming that the equity and debt raise process for Sizewell C will enter the final stages and conclude in the spring, and that a Final Investment Decision on whether to proceed with the project will be taken at Phase 2 of the Spending Review.

The Nuclear Energy (Financing) Act 2022 ("the Act") makes provision for the implementation of a Regulated Asset Base (RAB) financing model to finance new nuclear energy generation projects. In November 2022, the then Secretary of State designated Sizewell C Limited as a designated nuclear company under powers included in the Act. This designation allows the Secretary of State to modify the terms and conditions of the company's electricity generation licence to put in place the RAB financing model which would support the project.

Following this decision, the previous administration ran a broader consultation on the licence modifications. The Secretary of State sought views from specific consultees on the proposed modifications to the economic licence necessary to allow the company to benefit from investment through the RAB model. The consultation concluded on 29 January 2024.

The consultation letter on the methodology of setting the IWACC, CDA and LRT / HRT was issued to the named statutory consultees and others which the then Secretary of State considered appropriate to consult on 20 March 2024. The

consultation closed on 17 April 2024. A range of views from consultees were received, all of which the Secretary of State has considered carefully in accordance with their statutory duties under the Act. The government response to the consultation summarises the responses received from consultees and the Secretary of State's response to these.

The final version of the economic licence will be made publicly available following licence modification.

The use of a RAB financing model will impact electricity consumers across Great Britain. These modifications will also impact upon the licensee (Sizewell C Limited) and the Office for Gas and Electricity Markets (Ofgem) in the role as regulator.

The Government has published the response to the consultation online here <https://www.gov.uk/government/publications/methodology-for-specific-elements-in-the-proposed-economic-licence-for-sizewell-c> for public review, with appropriate commercially sensitive redactions.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Rt Hon Lord Hunt". The signature is fluid and cursive, with a large initial "R" and "H".

Rt Hon Lord Hunt OBE