

Ofgem, Amending the price cap methodology to account for the Nuclear Regulated Asset Base (nRAB) Allowance.
Sizewell C Response
September 2025

To Whom it May Concern
Ofgem London Office
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Amending the price cap methodology to account for the Nuclear Regulated Asset Base (nRAB) Allowance: Sizewell C Response

Sizewell C Limited is now constructing and will be operating a new 3.2GW nuclear power station in Suffolk. Sizewell C (SZC) will comprise of two UK EPR units and will replicate the build and design of the Hinkley Point C (HPC) powerplant by EDF, with slight alterations to suit its location. Once operational, SZC will generate enough electricity to supply around 6 million homes with power for 60 years (7% of the grid) and will represent a key step in the UK's transition to a low-carbon, secure energy future.

Despite replicating HPC in its construction, SZC is unique in that it is the first nuclear generator to be built with a combination of private and public finance. Furthermore, SZC will be the first nuclear infrastructure project to use the Regulated Asset Base (RAB) financing model, as facilitated by the Nuclear Energy Financing Act (2022).

SZC acknowledges the opportunity to respond to Ofgem's consultation on the proposed amendments to the default tariff cap methodology. The inclusion of the nRAB allowance within the framework is an important milestone in allowing consumers to benefit from a stable and long-term investment. We recognise that integrating the allowance into the price cap will require careful consideration, to balance transparency and fairness. Ofgem's consultation sets out a clear framework for doing so, and we are pleased to offer our views on the proposed methodology.

We believe that the RAB is an appropriate model to support major low carbon generation projects, driving forwards the transition to net zero at the overall lowest cost to consumers, it is therefore vital that this first iteration is administered and run in a clear, transparent way that also presents the benefits of and reasons for the RAB model clearly in an accessible manner.

Given the timings of the announcements, we would ask that Ofgem work with HMG to consider the impact on suppliers, how the decisions from this consultation sit alongside Company level and national policy announcements and how they will be perceived in the public domain.

1. Do you agree with our minded to position on placing this allowance in Annex 4 – Policy Cost Allowance Methodology? Please provide the reasons and any alternative suggestions if you disagree

- We support the inclusion of the nRAB allowance within Annex 4 – methodology, as it has been proposed. This will ensure that the allowance is treated transparently as a policy cost and aligns with the existing cost-recovery routes.
- However, Sizewell C will be the only single asset that is identifiable within the whole of the methodology. Whilst this is likely to show the value for money of the RAB vs other methods and costs of funding policy, it may lead to disproportionate attention which all parties will need to be aware of and work together to address fairly.

2. Do you agree with our minded to position on the recovery of costs incurred between November and December 2025 over a period of 12 months from January 2026? Please provide the reason and any alternative suggestions if you disagree.

- We recommend a careful adjustment of the timing and phasing of recovery, recognising that suppliers will face nRAB costs from November-December 2025 but that the price cap methodology will begin recovering via the allowance from January of 2026 onwards.
- The proposal to spread the costs from that earlier period over the first 12 months is sensible, but Ofgem need to consider whether there are any cash-flow effects for suppliers, especially for smaller ones.
- SZC supports that any deferred recovery should be communicated clearly in modelling and cost projection, so that suppliers are able to plan accordingly. Furthermore, the risk of cost distortion through customer churn or movement during that period should be modelled and mitigated.

3. Do you have any other views or comments you would like Ofgem to consider in regard to calculating the nRAB allowance?

- In order to provide value for money, SZC will co-operate with Ofgem via the annual revenue setting process, to verify the accuracy of cost inputs (operational costs, future forecast costs, and capital returns) and ensure that appropriate cost controls are applied, as to avoid over-recovery
- As for consumers, Ofgem should ensure that the recovery mechanism is cost efficient, maintains its transparency, and that it minimises administrative burden.