To: Sizewell C and stakeholders

Contact email:
pablo.rose@ofgem.gov.uk
Date: 16 July 2026

Dear Company Secretaries and Stakeholders,

Proposal to modify the Sizewell C Price Control Financial Instruments (PCFIs) and the Cost of Debt Adjustment (CDA) Calculation Model

We propose to make modifications to:

- The Sizewell C Price Control Financial Model (PCFM)
- The Sizewell C Price Control Financial Handbook (PCFH)
- The Sizewell C CDA Calculation Model

These modifications are considered necessary to correct errors of functionality and ensure the models function effectively in order to calculate the Allowed Revenue in accordance with the licence. The PCFH is also being moved to a new template with updated formatting.

In parallel to these changes that we are proposing to direct, we are also consulting on other related changes to the PCFIs and CDA Calculation Model. To aid users review of the PCFIs and CDA Calculation Model, we have published a single document per financial model/guidance that shows proposed changes as a result of both this notification of proposed changes by direction, as well as changes proposed to be made to the PCFIs and CDA Calculation Model in the statutory consultation. Changes in the PCFIs and CDA Calculation Model that relate to the statutory consultation are coloured **pink**, while changes in the PCFIs and CDA Calculation Model that relate to directed changes in this notice are coloured **blue**. Where a change is being proposed a result of both the consultation and a directed change, the change has been marked in **pink**.

Proposed PCFIs modification – K-factor

In accordance Special Condition 26, paragraph 10(f) of Sizewell C's licence, the Authority is proposing to direct the change to the PCFM as set out in Appendix 1 in order to calculate the 'K-factor true up' for the third Charging Year by aggregating relevant Allowed Revenue values in relation to the First Charging Year for which the PCFM is currently undertaking separate calculations.

This proposed change is considered necessary to correct an error of functionality as the calculation of the K-factor in the third Charging Year within the PCFM does not include all relevant values for the First Charging Year.

The First Charging Year is 17 months long. The licence requires all relevant values to be calculated separately for the periods (i) from the start of the First Charging Year to 31 March 2026, and (ii) from 1 April 2026 to 31 March 2027; and then aggregated to calculate the values for the First Charging Year. The PCFM does not currently do this.

This change ensures the PCFM will correctly reflect the licence.

Proposed PCFIs modifications – Difference Payments

In accordance with Special Condition 26, paragraphs 10(f) and 20(a) of Sizewell C's licence, the Authority is proposing to direct the changes to the PCFM and PCFH as set out in Appendix 2 in order to enable the Difference Payments received and paid by the licensee to be entered into the model as an input value.

As drafted currently in the PCFM, Recovered Revenue is set to be equal to Allowed Revenue. This does not allow for the possibility of over and under recovery adjustments.

These proposed changes are considered necessary to facilitate the use of the PCFM now that the project has commenced construction. These changes enable the PCFM to operate correctly and will facilitate the correct calculation of Sizewell C's Allowed Revenue.

Proposed PCFIs modification – Tax Allowance

In accordance with Special Condition 26, paragraph 10(f) of Sizewell C's licence, the Authority is proposing to direct the change to the PCFM as set out in Appendix 3 in order to ensure that the Tax Building Block correctly reflects amounts relating to the Opex Building Block and the Pass-Through Costs Building Block.

This proposed change is considered necessary to correct an error of functionality. This is because the current approach contains calculations that are materially inconsistent with the anticipated tax treatment of Opex and Pass-Through Costs by an efficient notional licensee.

Proposed CDA Calculation Model modification – CDA Interim Reconciliation and CDA Final Reconciliation

In accordance with Special Condition 39, paragraph 44(f) of Sizewell C's licence, the Authority is proposing to direct the change to the CDA Calculation Model as set out in Appendix 4 in order to ensure that the approach to calculating the CDA Building Block will be aligned with the proposed treatment of the extended First Charging Year within the PCFM.

This change is considered necessary to correct an error of functionality as the calculation of the CDA Interim Reconciliation in the Second Charging Year, and the CDA Final Reconciliation in the second and third Charging Years, do not appropriately reference values for the First Charging Year.

This change ensures the CDA will calculate balances that relate to the First Charging Year correctly.

Proposed PCFIs modifications – Actual Market Revenue

In accordance with Special Condition 26, paragraph 10(f) and 20(a) of Sizewell C's licence, the Authority is proposing to direct the changes to the PCFM and PCFH as set out in Appendix 5 in order to include Actual Supplemental Revenue within the definition of Actual Market Revenue.

These changes are considered necessary in order to correct an error in functionality.

As currently drafted, the PCFM currently sets the value for Actual Market Revenue as equal to the Actual Electricity Revenue, without taking into account the Actual Supplemental Revenue. This is inconsistent with the licence, which sets the value for Actual Market Revenue as the aggregate of Actual Electricity Revenue and Actual Supplemental Revenue.

This change will ensure that the PCFM will calculate Actual Market Revenue consistently with the licence.

Timeline and next steps

Subject to representations made, the proposed modifications will take effect at the publication of the Final Direction, which we expect will be **30 August 2026**.

We welcome representations on these proposals by **13 August 2026**.

Details on how to respond are set out in the Proposed Direction.

Sizewell C Limited

(the 'Licensee')

Proposed direction under the following Special Conditions of the Sizewell C Licence:

Special Condition 26 ("SC 26"), Part B: Modification of the Price Control Financial Model,

Special Condition 26 ("SC 26"), Part D: Modifications to the Price Control Financial Guidance and Price Control Financial Handbook; and,

Special Condition 39 ("SC 39"), Part H: Modification of the CDA Calculation Model

1. The company to which this proposed direction is addressed ("the Licensee") is the holder of an electricity generation licence granted under section 6(1)(a) of the Electricity Act 1989 and modified under section 6(1) of the Nuclear Energy Financing Act 2022.

2. Special Condition 26, paragraph 10, part (f) of the licence allows for the Authority to direct changes to the PCFM where the Authority considers any such modification is necessary to correct an error of functionality discovered within the PCFM.

3. Special Condition 26, paragraph 20, part (a) of the licence allows for the Authority to direct changes to the PCFH where necessary as a result of changes to the Price Control Financial Model in accordance with paragraph 10.

4. Special Condition 39, paragraph 44, part (f) of the licence allows for the Authority to direct changes to the CDA Calculation Model where the Authority considers any such modification is necessary to correct an error of functionality discovered within the CDA Calculation Model.

5. The Authority has assessed the likely impact of the proposed modifications to the PCFIs and CDA Calculation Model. Having regard for the views expressed by the licensee in the PCFM Working Group about these proposed modifications, the Authority is satisfied that these modifications reflect:

    a. Necessary corrections to ensure the PCFM and CDA Calculation Model reflect the licence; or

    b. Necessary corrections to better ensure the calculation of the Tax Building Block reflects the profile of Sizewell C's tax payments.

6. In accordance with Special Condition 26 and Special Condition 39, the Authority intends to modify the PCFIs and CDA Calculation Model by direction.

7. In accordance with Special Condition 26, paragraph 13, Special Condition 26, paragraph 23 and Special Condition 39, paragraph 47, the Authority is hereby giving notice to the licensee, that it proposes to modify the PCFM, PCFH and CDA Calculation Model in the manner set out in this Notice.

8. On 16 July 2026 the Authority published the text of the proposed direction on its website and invited representations to be submitted by email to nuclearrab@ofgem.gov.uk. The purpose of the modifications is to reflect a required changes to the PCFM and PCFH which are laid out in the Appendices to this Notice.

9. The Authority received **[number]** representations in response to the consultation. All non-confidential representations have been published on the Authority's website. The Authority has considered the representations received and has decided to proceed with making the direction. The Authority's response to the representations is set out **in [completed issues log / consultation response document].**

10. **[Where applicable: description of any changes made since the proposed direction]**

11. This direction constitutes the Authority's notice of reasons for the purposes of section 49A of the Electricity Act 1989.

12. The Authority hereby directs the modifications to the PCFM, PCFH and CDA Calculation Model set out in the Annexes to this direction. Appendices 1-5 indicate the location of these changes within the Sizewell C PCFIs and CDA Calculation Model, which are attached as annexes. The PCFM includes both the changes proposed in this notice, as well as some concurrently proposed changes subject to Statutory Modification. Changes within the scope of this notice of proposed modifications are highlighted **blue**. Changes subject to Statutory Modification are highlighted **pink.** Modifications subject to this notice will come into effect on **30 August 2026**.

Giorgia Albieri

Interim Deputy Director

Duly authorised on behalf of the Authority

XX XXXX 2026

Appendix 1 – Locations of K-factor modification to the PCFM

Nature of PCFM Modification: Calculate the 'K-factor true up' for the third Charging Year by aggregating relevant Allowed Revenue values in relation to the First Charging Year for which the PCFM is currently undertaking separate calculations.

Location(s):

Sheets	Reference
AR	Section 0: Timings
AR	Section 3: Allowed Revenue

Appendix 2 – Locations of Difference Payments modification to the PCFM and PCFH

Nature of PCFM Modification: Enable the Difference Payments received and paid by the licensee to be entered into the model as an input value.

Location(s):

Sheets	Reference
FinancialInputs	Section 7: Financial Inputs
AR	Section 4: Recovered Revenue
Metrics	Section 3: Revenue Summary
Metrics	Section 4: Recovered revenue summary, in case of in-year revenue support

The proposed change to the PCFH is as follows:

DP_{PAIDt} and DP_{RECt} have been added as variable values in Table 3.1, found under the heading "List of PCFM Variable Values" in the PCFH. This is found on page 25, in Chapter 3. PCFM

Input Data.

Appendix 3 - Locations of Tax Allowance modification to the PCFM

Nature of PCFM Modification: Ensure that the Tax Building Block correctly reflects amounts relating to the Opex Building Block and the Pass-Through Costs Building Block.

Location(s):

Sheets	Reference
FinancialInputs	Section 4: Tax Allowance
Finance&Tax	Section 4: Tax pool allocation
Finance&Tax	Section 5: Capital allowances

Appendix 4 - Locations of CDA modification to the CDA Calculation Model

Nature of CDA Calculation Model Modification: Ensure the CDA Calculation Model is aligned with the PCFM with respect to the treatment of the extended First Charging Year.

Location(s):

Sheets	Reference
Inputs	Section 2: Inputs from PCFM
CDA	Section 2: CDA building block
Calculation Sheets for each private sector debt instrument "D1" to "D20"	Section 1: Flags

Appendix 5 – Locations of Actual Market Revenue modification to the PCFM and PCFH

The Office of Gas and Electricity Markets
10 South Colonnade, Canary Wharf, London, E14 4PU **Tel** 020 7901 7000
www.ofgem.gov.uk

Nature of PCFM Modification: Enable the Actual Supplemental Revenue to be entered into the model as an input value for the calculation of Actual Market Revenue.

Location(s):

Sheets	Reference
AR	Section 4: Recovered revenue
Support	Section 2: Revenue support
Incentives	Section 2: Unplanned outages
Metrics	Section 4: Recovered revenue summary, in case of in-year revenue support

The proposed change to the PCFH is as follows:

ASR_t has been added as a variable value in Table 3.1, found under the heading "List of PCFM Variable Values" in the PCFH. This is found on page 25, in Chapter 3. PCFM Input Data.

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