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Submitted via email to NuclearRAB@ofgem.gov.uk

SZC response to Ofgem Consultation and notice of proposed modifications to Sizewell C regulatory framework

Introduction

Sizewell C (SZC) welcomes Ofgem's July 2026 consultation on targeted amendments to the regulatory framework governing the RAB model. The consultation is split into two parts: (1) the **Statutory Consultation**, which proposes changes to the Licence, PCFM and PCFH to ensure correct operation of the framework for the longer First Charging Year (CY1); and (2) the **Notice of Proposed Modifications**, which sets out specific drafting and modelling changes that Ofgem intends to implement. SZC has reviewed both sets of proposals carefully. Our response is structured to mirror Ofgem's own organisation of the consultation, addressing each change in turn and providing SZC's position, rationale, any refinements we consider necessary, and any areas where further development will be required in future.

SZC Response – Statutory Consultation

Proposed Modification to Special Condition 27.21 Valuation of the Regulated Asset Base during the Pre-PCR Phase

SZC agrees with Ofgem's proposal to update the Partial Period Share for the longer First Charging Year. The change is necessary to ensure the regulatory framework correctly reflects the 17-month CY1 and aligns the Licence, PCFM, PCFH and CDA model. As the consultation notes, "updates SC 27.21… so Partial Period Share flexes with the actual length of a Charging Year when longer than 12 months." This correction resolves a genuine workability issue and has been tested successfully against SZC's financial model. SZC does not propose any refinements and does not anticipate further changes being required in this area.

Proposed Modification to Price Control Financial Instruments (PCFIs) in relation to interest receivable

SZC agrees with the removal of interest receivable from the Tax Allowance calculation, which appears to be consistent with the intended scope of remuneration under the Licence, and avoids unnecessary complexity. We do not expect any corporation tax liability to arise on interest income during the construction phase so this change should not materially impact the financial outcomes of the project.

The consultation notes that the “interest receivable row in the tax base is fully greyed out,” and SZC supports this simplification. SZC has requested clarification that interest receivable balances will not be required as PCFH variable inputs, ensuring full alignment between the Licence and the model. This has been confirmed by Ofgem.

Proposed Modification to Special Condition 30.11 Allowed Revenue during the Pre-PCR Phase

SZC agrees with Ofgem’s proposal to amend the TVM formula so that the WACC rate reflects the Partial Period Share for CY1. This adjustment ensures correct remuneration over the 17-month period and avoids distortions that would arise from applying a default 12-month assumption. As the consultation states, the change “amends the TVM formula to apply the Partial Period Share rather than defaulting to a 12-month period.” SZC proposes one refinement: inflation factors used in the TVM calculation should reflect the Charging Year (CY1) rather than FY27, consistent with Licence wording. SZC raised this during pre-consultation discussions and was asked to include it formally. No further changes are anticipated once this refinement is incorporated.

SZC Response – Notice of Proposed Modifications

Proposed PCFIs modification – K-factor

SZC agrees with Ofgem’s proposal to treat CY1 as a single period when calculating the CY3 K-factor. This modification removes the incorrect stub-period true-up and aligns the PCFM with Licence drafting and SZC’s financial model. The consultation notes that the change “treats CY1 as a single period when calculating the CY3 K-factor,” and SZC considers this correction both necessary and appropriate. SZC does not propose any refinements and does not foresee further changes being required.

Proposed PCFIs modifications – Difference Payments

SZC agrees with the proposal to allow actual Difference Payment values to be input directly into the PCFM. This change ensures that historic revenue reconciliations and K-factor calculations reflect actual DP outcomes rather than purely formula-driven estimates. As the consultation explains, the modification "replaces purely formula-driven RR with variable inputs where actual Difference Payment data is available." SZC supports this correction and does not propose any refinements or additional changes.

Proposed PCFIs modification – Tax Allowance

This change to the PCFM effectively restricts the classification of Opex and Pass-through costs for tax relief purposes during the Pre-PCR phase. For the period up to Unit 1 First Criticality these costs can only be allocated to the General and Special Rate capital allowance pools with the balance then defaulting to the "Deferred Revenue" expenditure pool. Between Unit 1 First Criticality and the PCR date the costs not allocated to capital allowance pools default to "Revenue" expenditure classification.

SZC is continuing to review these changes to ensure full consistency with tax legislation, and the expected treatment of fast money costs for tax purposes. While no immediate issues have been identified, SZC will raise any concerns or required refinements with Ofgem as they emerge through further analysis and model testing. Given the relatively small value of the costs in scope we do not expect the change to have a material impact on the project's financial outcomes, regardless of their final allocation for tax purposes. This ongoing review is a technical assurance step rather than a substantive objection.

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

SZC agrees with the proposal to treat CY1 as a single period within the CDA model. This correction aligns CDA logic with Licence drafting and the K-factor consolidation and removes the previous FY-based treatment that created inconsistencies. The consultation states that the change "treats CY1 as one period for CDA interim and final wash-up calculations," and SZC supports this improvement. No refinements or further changes are required.

Proposed PCFIs modifications – Actual Market Revenue

SZC agrees with the inclusion of Actual Supplemental Revenue (ASR) in the Actual Market Revenue calculation. This modification corrects an inconsistency with Licence drafting and aligns the PCFM with SZC's financial model. As the consultation notes, the change "adds Actual Supplemental Revenue (ASR) to the Actual Market Revenue (AMR) calculation." SZC does not propose refinements at this stage but notes that the interaction between actual and forecast supplemental revenue within liquidity support calculations will require further development ahead of operations. SZC and Ofgem have agreed this can be progressed in “slow-time.”