

Energy UK Response to British Industrial Competitiveness Scheme: consultation on scheme eligibility and approach

16th January 2026

Executive Summary

Energy UK is the trade association for the energy industry with over 100 members - from established FTSE 100 companies right through to new, growing suppliers, generators and service providers across energy, transport, heat and technology. Energy UK's members deliver nearly 80% of the UK's power generation and over 95% of the energy supply for 28 million UK homes and businesses. The sector invests £13bn annually and delivers nearly £30bn in gross value - on top of the nearly £100bn in economic activity through its supply chain and interaction with other sectors. The energy industry is key to delivering growth and plans to invest £100bn over the course of this decade in new energy sources.

Energy UK recognises the importance of delivering on the economic benefits of the energy transition and maximising domestic job creation and supply chain investment. Manufacturers will play an important role in both delivering clean power and maximising the economic benefits associated with the energy transition. Energy UK is supportive of the wide range of Government initiatives underway to improve operating conditions for supply chain companies and the need to tackle high electricity bills. However, it will be important to ensure any new mechanism is well designed and implemented and does not negatively impact on other energy users. Energy UK is therefore concerned by the lack of detail on the proposed British Industrial Competitiveness Scheme (BIC) mechanism which is undermining confidence in the scheme and negatively impacting wider electricity consumers.

A critical omission from the consultation is any details of the how the scheme will be funded. This will be vital to ensure costs do not fall on other electricity customers. Clarity is also needed to enable energy retailers to prepare for the introduction of the scheme as the implementation complexity will vary depending on the funding source and cost recovery mechanism. There is significant concern about the ability to provide suppliers confidence in scheme eligibility by April 2027 and the scope for under recovery if this is not addressed. The lack of analysis of the likely ranges of volumes of electricity to be exempted under the scheme combined with unclear funding is creating uncertainty as retailers are unable to estimate the scale of the likely impact on other consumers, leading them to price in risk into fixed price contracts. This is already

increasing costs for consumers, especially for SMEs who tend to favour fixed contracts. It is vital that lessons are learned from the NCC forecasting difficulty suppliers have experienced and the propensity to underestimate costs seen in the domestic price cap. The higher number of eligible BICs beneficiaries will make forecasting accurately even harder.

As outlined in Energy UK's report on reducing non-domestic electricity prices, some but not all policy costs should be taken off all electricity bills and funded through a rise in gas Climate Change Levy (CCL) rates in some sectors.¹ The shortfall should then be funded through general taxation as well as hypothecated Carbon Border Adjustment Mechanism (CBAM) and Emissions Trading Scheme (ETS) revenues. Policy costs that relate to the core operation of the system e.g. Capacity Market (CM) and Contract for Differences (CfD) should continue to be levied on the vast majority of users of the electricity system to share costs fairly. However, future schemes to help commercialise nascent technology, e.g. Dispatchable Power Agreements for CCUS and Hydrogen to Power (H2P), should be funded through hypothecated carbon taxes and general taxation and not placed on electricity bills. The BIC proposals for exempting eligible businesses from CM, RO and FIT costs does not align with this approach as it excludes them from the CM which is an inherent cost of running the system. The BIC also doesn't protect eligible manufacturers from future policy costs that are being added to the electricity bill.

It is unclear whether actual RO, FIT and CM costs will be removed or whether an illustrative amount equal to these typical or average payments equivalent to £35 to 40 a MWh will be taken off. Exempting businesses directly from CM payments would reduce incentives for them to avoid peak electricity use, as CM costs are recovered through volumetric peak pricing.²

The consultation suggests that system savings will be able to fund the scheme, but Energy UK is concerned that the theoretical savings may not materialise, or the savings realised may be insufficient leading to costs having to be recovered by other end users. For example, if the scheme is funded from savings in RO or FIT scheme re-indexation, the savings will depend on the amount of annual generation under both RO and FIT schemes and the difference between different types of price indexation, which will not neatly reconcile with the savings suppliers are expected to pass through. Equally the cost of the scheme will vary depending on a range of factors including how many applicants the scheme receives and are deemed eligible, and the

¹ Energy UK (2025), [Reducing non-domestic electricity prices to drive economic growth](#)

² Ofgem (2025), [Energy System Cost Allocation and Recovery Review](#)

actual electricity usage of participants. Government needs to formally consult on the funding mechanism before introducing the scheme given its critical importance to successful delivery.

Energy UK is concerned by the growing number of mechanisms being introduced to help subsets of consumers (EII supercharger, AI Growth Zones bill reductions and BICs) and the lack of coherence in implementation (as they are all being introduced by different teams across DESNZ and DBT). These schemes introduce additional regulatory cost and complexity for energy suppliers, particularly for smaller retailers who may have to invest in new processes depending on the number of eligible customers. It is unclear whether the scheme will be introduced in parallel with the AI growth zones exemptions. However, the proposals for the AI growth zones electricity bill reductions are at a very high level and it is not clear how they will be funded. Given the lack of detail of the scheme and additional complexity it introduces, there is a risk of delay without further clarity.

It is also vital to consider the total impact of these exemptions and wider non commodity costs on other consumers. Energy UK therefore welcomes the commitment to a new framework for scrutinising energy bill levies in the Budget and has called for an enquiry into the new framework alongside a range of other energy and business trade associations.³

Given the lack of firm Government funding for the scheme. Energy UK supports a narrow eligibility for the scheme i.e. focus on manufacturing growth sectors to reduce the burden on other consumers. It supports pro-rating exemptions eligibility using banding to enable more companies to be supported within the same total budget.

However there then needs to be an enduring approach following the introduction of the BICs scheme to take policy costs of all electricity consumers that is properly funded to enable all businesses to remain viable and to help them grow. This will also be vital to enable electrification. Government needs to develop and resource an effective communications plan to explain eligibility and sign-post end users to future support to prevent a backlash from those consumers that are not eligible.

It is also not clear if the mechanism will work for the manufacturers it seeks to support as it only reduces the bill by £35-40 per MWh in theory, and even those who are supported will face higher bills than international counterparts. Without a CBA and clarity on how the pot of money is resourced, it could make very little difference to the competitiveness and location decisions of manufacturers, while increasing bills for everyone else, including other sectors trying to attract investment in the UK. In order for the scheme to work for manufacturers there also needs to be some key design features clarified:

³ TechUK (2025), [techUK coordinates letter calling for energy levy reform inquiry](#)

- The proposals suggest that eligibility should apply at both business level and sector level. Eligibility should instead be determined at sector level and site level instead given complexities around business structures that include subsidiaries.
- Applicants will worry about future eligibility and may need to be given a minimum number of years' continued support as long as they continue to meet the eligibility requirements for the scheme.
- Depending on the design of scheme it may only apply for existing facilities as will need minimum of 12 months' data. This may create a barrier to investment in new facilities.
- It will be important to ensure that the scheme does not inadvertently disincentivise investments in energy efficiency and clean heat.

If you would like to discuss this response with Energy UK or its members, please do get in touch.

Rachel Cary
Head of Industrial Strategy
rachel.cary@energy-uk.org.uk

Questions

1. What do you expect the impact of the scheme to be on stakeholders in the British energy system (for example businesses, suppliers and delivery partners)? Please provide supporting evidence where possible.

c. Negative

- Energy UK supports initiatives to reduce energy bills for businesses but the BICs will only help a limited number of companies and will negatively impact other consumers.
- It is unclear how the scheme will be funded and implemented in time without a levy on other consumers.
- Whilst aim is for it to be funded by savings in system however it is not clear which source of funding this will be, whether the savings will materialise and be sufficient to cover the full costs and how the mechanism will work which is critical for energy retailers to prepare for its introduction.
- Without a clear funding source and mechanism to provide the relief, the scheme risks adding complexity and cost to retailer operation. The scheme is being introduced amidst a range other levies such as NCC, Nuclear RAB and increased in network costs.
- DBT sets out in this consultation: '*...the scheme should not create unnecessary financial risk for suppliers and ... the scheme does not place additional burdens on supplier cashflow or result in uncertainty of cost recovery*'. However, in engagement with suppliers during the consultation period, DBT noted it is considering including Capacity Market (CM) chargeable demand from Winter 2026 in BICS exemptions from the announced scheme starting point of April 2027. This move to bring forward costs stands in direct contradiction of Government's previous statements and is wholly unacceptable. DBT has conceded it is impossible for suppliers to have an accurate view of forecast exempt chargeable demand related to BICS exempt consumers by June 2026, when suppliers are obliged to submit their forecasts of Chargeable Peak Demand for CM to EMRS. As such, suppliers are likely to remain obligated to make full remittance of their CM obligations without removing the exempt demand, while being precluded from recovering this cost in the normal manner. This will have a significant direct cashflow impact on suppliers, and we expect this will pass through to the bills of other consumers to prevent a permanent loss. Government must move to introduce the Capacity Market exemption against Winter 2027 chargeable demand to avoid unnecessarily stranding costs for suppliers and impacting the bills of other consumers.
- It could also lead to an unequal and unfair impact on different energy retailers. The consultation notes that "*Suppliers' obligations with respect to these policies will be unchanged overall.*" This could refer to process and reporting obligations but given the lack of any information on how the charges would be dealt with, this could be interpreted

to mean that suppliers still must pay those costs as now, i.e. based on all their supplied volume. This would leave individual suppliers to work out how to recover any cost exemptions that they had to pass on from the rest of their portfolio. It's imperative that there is a level playing field across suppliers in terms of the impact on them, i.e. regardless of the proportion of their customers who qualify for the exemption, a supplier is neither more nor less affected compared to others.

- Uncertainty over the scale of the volume of electricity likely to be covered and funding sources to cover this increases risk to retailers which they then pass through into higher rates in contracts particularly those that are fixed, which are typically favoured by SMEs.
- Some of the proposed options being considered such as a change to RO and FIT indexation are a retrospective change and as such will have a negative impact on investors, leading to higher costs associated with building the significant amount of capacity needed in the electricity system, increasing costs for all consumers.⁴
- An eligible business located on a Private Network will not be able to receive the same level of benefit under the scheme as would a similar business who is directly connected to a network for their supply. In order to address this imbalance, the scheme could be extended to supplies provided by Private Networks to ensure a level playing field for all eligible businesses.

2. Does your business carry out activities and/or manufacture products within the manufacturing frontier industries in IS-8 sectors and/or foundational manufacturing industries listed in Annex A? If yes, please specify which industry and whether your activities include the manufacture of goods within that industry.

N/A

3. If your SIC-4 was not captured in a manufacturing frontier or foundational industry (as set out in Annex A), and you believe you should be considered as a part of this, then please submit:

a. Your Companies House number

b. The manufacturing frontier industry or manufacturing foundational industry you are in

c. The SIC-4 code under which your business is registered in Companies House data

d. Relevant HS6 codes for products you manufacture

⁴ Energy UK (2025), [Energy UK response to DESNZ consultation on Renewables Obligation \(RO\) scheme: indexation changes](#)

N/A

4. Do you agree with the proposal to use SIC and HS codes to identify products and manufacturing activities within eligible Industrial Strategy industries? Please provide reasons for your response.

c. Neither agree nor disagree

Energy UK supports the use of SIC codes but not use of HS codes to classify businesses as this would leave out companies in the engineering supply chain who do not make finished products that can be easily tied to an end user sector by means of HS code.

5. Are you aware of other approaches which would be more suitable for identifying manufacturing activity in Industrial Strategy sectors, particularly in emerging technologies? Please provide details.

c. Do not know

6. If an electricity intensity test is applied at the business level, which definition of electricity intensity is more suitable for BICS? Please provide reasons for your response.

a. Electricity expenditure as a portion of total expenditure

This would enable the scheme to help manufacturers that produce lower value products that are still valuable to clean energy supply chains and domestic resilience. It may also be easier for companies to calculate.

7. Do you agree with the proposal to pro-rate exemptions based on the proportion of firm activity which relates to eligible industries? Please provide reasons for your response.

a. Agree

- A binary pass or fail for example based on a minimum eligible threshold would be simpler and less costly to implement however this would limit the number of manufacturers that could be supported by the scheme
- Implementing a bespoke exemption by customer would be complex – a banded approach might be the best approach where eligible manufacturers get for example either a 25%, 50%, 75% or 100% exemption.

8. Which approach to pro-rating exemptions is more appropriate? Please provide reasons for your response.

b. Using the proportion of energy used in the manufacture of eligible products

This would provide support in relation to need so per unit of energy is the best metric.

9. If exemptions are not to be pro-rated, what would be the most suitable way to account for businesses producing both eligible and ineligible products (such as introducing a minimum threshold for eligible activity)?

N/A

10. Do you think the scheme should include additional ongoing cost controls (alongside the level of the sector- and/or business-level electricity intensity test)? Please provide reasons for your response.

a. Yes

- It will be vital to have a cost control mechanism so the level of support offered is matched by the funding source as closely as possible to minimise any additional costs put onto over consumers.
- Government needs to establish formal annual financial reporting of the scheme which is made public. This needs to set out the cost of the scheme and how it is being funded.
- This reporting should feed into the new levy control framework to ensure that the total impact on other consumers is monitored.
- There needs to be a mechanism to deal with any over or underspend.
- If the scheme is being funded by exempting demand from the policy schemes, it will need to use each existing cost control mechanism. This is likely to be complex for the capacity market.

11. What do you expect the impact of additional ongoing cost control measures to be? In your response, it would be helpful to consider their effectiveness in managing potential scheme cost impacts on non-eligible businesses and other electricity users, as well as impact on business/investor confidence and any financial or operational implications for businesses or suppliers.

- Support could be offered on a first come first served based up to a maximum projected electricity demand per year, but some support may need to be ringfenced for SMEs who may have reduced capacity to apply.

- In order to provide manufacturers will some certainty, once deemed eligible they should continue to receive support for a specified time period within the scheme lifetime if they continue to meet the eligibility requirements.

12. Do you agree that the principle of linking eligibility for the scheme or level of exemption to investments in energy efficiency improvements or 'Flexibility Ready' smart system retrofits should be considered as part of the 2030 scheme review? Please provide reasons for your response, specifying whether you are referring to energy efficiency or flexibility and the opportunities and/or challenges we would need to consider.

These may include potential benefits this could deliver for the system and/or businesses, impact on business/investor confidence and any technical, financial or operational implications

c. Neither agree nor disagree

- There remains significant potential for greater investment in energy efficiency measures and those that enable greater flexibility of electricity in many manufacturing sites, and awareness of opportunities for revenues from flexibility markets in particular can be low.
- In the period up to the review in 2030, the government should prioritise reforms that strengthen market signals for flexibility (for example promoting uptake of time-of-use pricing, reducing barriers to entry to flexibility markets) and provide transitional support (for example grants for demand-side infrastructure) to enable a greater number of manufacturers to benefit from both lower wholesale electricity prices, reduce network charges and earn revenues from flexibility markets.
- It should also provide greater support for SMEs to understand technical opportunities for energy efficiency and flexibility measures that can cut bills. Low interest loans and grants should be considered to enable SMEs to cover upfront capital costs.
- Targeted support is also required to enable manufacturers to move from gas space and process heating by reducing the cost of electricity relative to gas.
- It will also be important to ensure that the scheme does not inadvertently disincentivise investments in energy efficiency and clean heat if by reducing energy intensity they take recipients under the energy intensity eligibility threshold of the scheme.
- In the 2030 review the Government should then assess how the scheme can further drive uptake of these measures without overly complicating the scheme so as not to reduce uptake.
- Care should be taken however as requiring businesses to meet "flexibility ready" criteria may lead to minimal, checkbox compliance rather than genuine investment in adaptable infrastructure. If the commercial case (e.g. cost savings, revenue opportunities) isn't

compelling, manufacturers will view flexibility as an imposed burden not a strategic advantage. Trying to define "flexibility ready" also risks locking in today's technologies or practices, potentially excluding innovative solutions that could emerge under a more open, incentive-based framework.

- If however awareness and uptake of flexibility remains low, support provided post 2030 could include evidence of having taken part in an assessment of both current and future energy efficiency and flexibility opportunities. Free audits could be provided to SMEs as part of the application process.
- One approach could be to limit post 2030 support to a maximum proportion of total hours unless manufacturers can demonstrate some flexible and non-peak energy use. This could be based on proposals for the EU heat auction.⁵ This might be a good way of spreading support across a wider number of companies if interest in the scheme exceeds available funding.

13. Businesses could be required to evidence the proportion of activity, or manufactured outputs, that relate to eligible SIC and HS codes within the Industrial Strategy frontier industries and foundational industries. What evidence would be easiest for your business to produce to show the proportion of its output which relates to eligible activities?

- Energy retailers will need to be given details of eligible MPANs in order to apply discounts effectively, so it is essential these are provided in a timely manner. We think that an introduction from April 2027 means that suppliers are unlikely to have this clarity to apply discounts and October 2027 will be more practical. This will also better align with the capacity market timelines. Suppliers cannot be expected to apply discounts at risk of under recovery.
- Should a pro-rated approach be adopted, companies will need to submit information on the degree to which electricity consumed by each MPAN is associated with eligible activity to enable the EMRS to issue certificates for each MPAN with proportion of discount to be applied

⁵ The EU heat auction for industrial processes has the following requirements: For each 6-month monitoring period, a project cannot receive a subsidy for produced volumes above the equivalent of 70% of hours nominal thermal capacity unless - It can follow a flexible ramping schedule for consuming electricity from the grid without damage to the equipment or compromising product quality. In this case the restriction is increased to 80% but will be monitored at each 6-month reporting period - It proves investment into electricity or thermal storage for the purpose of the project sufficient to replace the project's electricity consumption from the grid or the heat demand of the process for 4h by 20% within 1h. In this case the restriction is entirely lifted. - It deploys heat pumps with Coefficient of Performance (COP) of at least 2.0 or direct renewable heat. In this case the restriction is entirely lifted.

14. Are you aware of any barriers (for example, organisational structure or accounting arrangements) which would make proving eligibility for an exemption challenging at a meter level? Please provide reasons for your response.

c. Do not know

15. Following an exemption certificate being granted to an eligible business, how would a supplier implement the exemptions?

To be successfully implemented there will need to be a number of changes to supplier processes as set out below. Energy UK urges DBT to continue its engagement with suppliers, bringing in DESNZ teams working on funding options. Government then needs to formally consult on the funding mechanism before introducing the scheme given its critical importance to successful delivery, potential for unintended consequences and lack of detail set out to date.

Changes to supplier processes

- The consultation does not make it clear how a mechanism based on theoretical system savings would work and who would administer it, making it hard to comment on how it could be implemented and what steps retailers would need to take. The lack of a clear funding source is extremely problematic as other schemes have been directly funded for by Government or by a levy on other consumers yet neither is being proposed for the BIC scheme.
- The proposed policy costs to be removed do not tally with EII exemption i.e. doesn't include CfD so it doesn't align with EII exemptions making it harder to implement even for those who are already applying the EII exemption.
- Smaller retailers who don't service large Industrial and Commercial (I&C) customers aren't currently applying EII exemptions and may need to set up new systems adding cost and delay.
- EII exemptions are being done manually involving complex processes including reviewing contract terms.
- Suppliers need notice to pass through reductions into fixed contracts. Given that many contracts already extend beyond 2027, these contracts will need to be re-opened and new terms agreed.
- In addition, the consultation doesn't give any sense of scale ie likely volume of electricity (or even range under different assumptions) that will be covered by scheme. This combined with the unclear source of funding is leading to uncertainty around how much suppliers will need to recover from other customers, adding risk and therefore price into all other fixed contracts. This is particularly bad for households and SMEs who tend to prefer fixed contracts for price certainty.

- Suppliers will likely have to re-open all contracts where the customer is affected by pricing, not just the BICS subset. Legislation may be needed in order for suppliers to justify re-opening contracts on the change-of-law basis.
- As outlined above, one critical area that needs further clarification on is the backdating of exemption certificates (e.g. how far back could customers backdate their eligibility, mechanics of cost recovery for suppliers). Decisions here could have significant implications for suppliers, with any back-billing adding to the operating costs of the scheme.
- Cashflow timings need to be minimised for suppliers, i.e. if suppliers have passed through cost exemptions to eligible customers and there is a delay in suppliers receiving funding for the scheme, they will be negatively impacted.
- It is also important to reflect on lessons learned from EBRS and EBDS implementation. Both schemes were rolled out at speed to ensure customers could benefit as quickly as possible. This meant suppliers had to implement solutions ahead of legislation or full guidance being published. Post-implementation the context of rapid delivery were not recognised by the DESNZ Compliance Team and supplier faced compliance actions that disregarded the initial leniency, leaving suppliers exposed to financial risk and, in some cases, having to manage difficult conversations with customers to recover funds.

16. What information would a supplier require to implement exemptions onto eligible businesses' electricity bills in a cost-effective manner? When would this information be required by? Please include any concerns or risks related to this.

- MPANs and percentage of eligibility (if adopting pro-rated approach).
- Need for clarity re potential funding source as soon as possible and total volumes of electricity likely to be covered as this uncertainty is being priced into contracts now. The longer it takes to get clarity the greater the impact on bills.
- Need for estimate of likely number of customers likely to be eligible to enable retailers to decide whether to continue using a manual approach or start a manual system or invest in new systems if a large number of customers likely to be eligible. Suppliers need at least 12 months to introduce the scheme. Some suppliers may be tipped into building bespoke solutions given the number of MPAMs involved.
- It is already complex to manage EIs through the required highly manual process and there's risk involved in further building this out. Need to improve current system being used for EI exemption to ensure it is fit for purpose, examples of issues include:
 - Certificates get cancelled and retailers don't get told
 - Certificates can only be processed by EMRS in order they receive them from DBT, retailers sometimes get year 2 before year 1
 - The certificate numbers for RO and FIT across suppliers and EMRS for Ofgem submissions to Ofgem sometimes do not match and are all on emails

- Aggregations rules (list of EII sites) are published by EMRS in a PDF which is hard to work with.
- Customer must initiate request and send documents to get qualification, this should be from a central register not emails
- Flows accepted by EMRS are specific and challenging occasionally (hidden characters etc) can cause files to fail
- Time for sites to get onto the aggregation rules after being sent can vary significantly
- No centralised identifier to manage exemptions
- Certificates are only valid for a year and a new one is required for the next period
- Suppliers can start to process eligible customers once given certificate by EMRS so important they are issued asap and drip fed to retailers to ensure as many eligible customers are set up by start date.