

Energy UK response to DBT – British Industrial Competitiveness Scheme:

Government response to feedback on Consultation on Scheme Eligibility and Approach

Consultation on regulatory changes and scheme delivery

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Submitted via email to bics.correspondence@businessandtrade.gov.uk

About Energy UK

Energy UK is the trade association for the energy industry, representing companies investing billions of pounds to secure our country's current and future energy needs.

From growing start-ups to major electricity generators, grid and infrastructure developers and energy suppliers, our members are driving change across power, heat, transport and flexibility.

We provide a collective voice for the sector working with governments, regulators, charities and other organisations to provide crucial insight that shapes policy, offers solutions and promotes best practice.

Our broad view across the whole system supports evidence-based positions which are not tied to particular technologies, and are focused on delivering strategic benefits for people, businesses and the economy.

We champion initiatives such as our Vulnerability Commitment, which pushes suppliers to go beyond regulation to support customers with additional needs, and TIDE, the industry's drive for greater inclusion and diversity. Through our Young Energy Professionals Forum, we support the development of future leaders.

We are equally committed to our team and are proud to be recognised as a 'Platinum' Investors in People employer.

Executive Summary

Energy UK supports the Government's ambition via the Department for Business and Trade (DBT) to secure economic growth, jobs and supply chain investment from the energy transition, and recognises the important role manufacturers will play. However, as outlined in our response to the first consultation, while we welcome efforts to address high electricity costs, we are concerned that the proposed British Industrial Competitiveness Scheme (BICS) lacks sufficient detail.¹ This risks undermining investor confidence and causing unintended impacts on other electricity consumers.

While we welcome BICS as a step toward addressing high electricity costs for manufacturers, we do not think the scheme is sufficiently ambitious to meet the scale of the challenge facing British businesses. As Energy UK and the CBI have highlighted, more comprehensive action is needed to deliver competitive energy costs and support industrial competitiveness.²

However, even putting the ambition issue to one side, there is a significant remaining challenge around the delivery of the scheme. The Government's response to the eligibility and approach consultation clarified the policy's scope and intent, but without a clear, workable delivery model. Despite Government statements, this scheme will increase costs for ineligible customers unless it is fully Exchequer-funded. There is considerable risk of supplier under recovery due to the continued uncertainty surrounding funding mechanisms. These issues can be mitigated by clearly defining eligibility and funding and providing the necessary scheme calculations to suppliers.

Government Response (to the eligibility & approach consultation)

The Government has taken some decisive policy steps beyond the first consultation, including an expansion of eligibility, the introduction of a lower electricity intensity threshold to support manufacturing frontier industries and the introduction of retrospective support funded by the Exchequer.

However, while Government continues to say it won't fund the scheme through other consumers' electricity bills, it is not clear how this will be achieved. Further, the Government has not yet provided a credible or workable delivery model.

Key elements of the scheme, including dual Standard Industrial Classification (SIC) and Harmonised System (HS) eligibility, Gross Value Added (GVA) intensity thresholds, and site-level proportional allocation of electricity use, rely on data that is not available within the energy supply chain. This creates a risk that operational

¹ Energy UK (2026) [Energy UK Response to British Industrial Competitiveness Scheme: consultation on scheme eligibility and approach](#)

² Energy UK, CBI (2026) [Cutting Business Energy Costs: The case for action](#)

complexity and financial exposure associated with eligibility and allocation will be borne by suppliers. This is the case even where they are not responsible for the design or administration of the tests.

In turn, these costs and risks are likely to be reflected in wider market pricing, with non-eligible customers, particularly small and medium-sized enterprises, most exposed. There is no certainty that the offsetting changes to pricing, combined with Exchequer funding will adequately compensate customers.

We suggest a central agency should do this work to ensure consistency and minimise duplication, while providing a more agile system than used for the British Industry Supercharger scheme. This agency would deliver a streamlined eligibility and data collection framework with clear roles, standardised data flows and faster decision-making – rather than relying on multiple bespoke arrangements. Such an approach would benefit Government by improving control over delivery, reducing implementation risk and ensuring a more consistent approach across suppliers and eligible sites.

Consultation on regulatory changes and scheme delivery

The Government proposes an eligibility-led delivery model in which DBT assesses businesses using industrial classification, GVA-based electricity-intensity testing, and related activity data, then notifies suppliers of the exemption outcome so they can apply it through billing and settlement systems.

As drafted, there are several risks associated with the model, including:

- Introducing pricing uncertainty that is passed through to customers
- Creating forecasting and settlement complexity
- Exposing suppliers to material open-ended financial risks, operational challenges and complex compliance issues

The core design issue is that much of the administrative complexity would sit at the supplier interface rather than being centralised. Without adjustment, there is a material risk that implementation costs and uncertainty could increase in the short term, potentially diluting the scheme's intended benefit.

A clearer, more centralised approach to eligibility rules, funding and calculations would help reduce these risks and mitigate implementation uncertainty.

If you would like to discuss anything noted in this response in more detail, please contact me at candice.orr@energy-uk.org.uk.

Full Response

Government Response (to the eligibility & approach consultation)

Overall position

Energy UK supports the Government's goal of driving economic growth, job creation and supply chain investment through the energy transition and acknowledges the key contribution manufacturers will make. However, as set out in our response to the initial consultation, while we welcome action to tackle high electricity prices, we are concerned that the proposed British Industrial Competitiveness Scheme (BICS) remains underdeveloped in its detail.³ This risks weakening investor confidence and creating unintended consequences for other electricity users.

However, the Government's response introduces new delivery requirements that are not yet operationally credible, particularly in relation to eligibility verification, intensity calculation and allocation of relief. These issues are material and, if unaddressed, risk undermining the effectiveness of the scheme.

Expansion of eligibility and retrospection

The expansion of eligibility and the introduction of retrospective support covering the period from April 2026 to March 2027 represent a clear extension beyond the scope of the original consultation and impose a substantial additional workload on suppliers and the wider delivery system.

While this improves support for eligible businesses, it introduces delivery challenges not addressed in the response. If implemented through supplier billing, the following effects are likely to occur:

- Disruption of established billing and settlement processes
- Customers face retrospective bill adjustments with increasing complexity and enhanced dispute risk
- Energy suppliers face timing mismatches and cashflow exposure from operational challenges
- A complex and burdensome audit process across multiple suppliers to ensure the accurate transfer of Exchequer funds

The delivery model for the additional payments must be administered by a central agency rather than suppliers. There is proven precedent from the Network Charging Compensation Scheme (NCCS) where Elexon manages relief payments centrally for Energy Intensive Industries (EIs).

³ Energy UK (2026) [Energy UK Response to British Industrial Competitiveness Scheme: consultation on scheme eligibility and approach](#)

Funding approach (no levy recovery)

The Government's response states that the additional 2027 payment will be funded by the Exchequer and will not lead to any increases in electricity bills for non-eligible consumers. We note this as an attempt to address concerns around cross subsidy.

However, DBT has subsequently indicated that one delivery option is through electricity suppliers. These two messages are not aligned, because a supplier-channelled payment always creates a risk of bill-impact and cost-recovery leakage unless the funding and reconciliation design is watertight.

Unless the scheme is fully Exchequer-funded, it inevitably will add costs for ineligible customers as someone has to pay for the scheme. We think the scheme should be fully funded by the Exchequer. While the bill impact will be offset by the removal of Carbon Price Support (CPS) and Renewable Obligation (RO) changes, it is not reasonable to present this as meaning the scheme does not increase bills. Those are separate policy decisions, and many organisations, including us, have been calling for CPS removal as an obsolete policy.⁴ Also, CPS removal will only be implemented a year after BICS comes in. All else equal, as currently envisaged, BICS will increase cost for ineligible customers.

The lack of clarity on scheme design with less than 12 months until it is expected to come in creates significant cost recovery risk for suppliers given many non-domestic energy customers are on multi-year fixed contracts. We consider this reflects the poor engagement and notice of costs following the Nuclear Regulated Asset Base scheme, Network Charging Compensation Scheme (NCCS) expansion and Warm Home Discount expansion.

The Government should therefore clarify that no aspect of the additional payment will be funded via rises in electricity bills or via increased risk priced into tariffs. Also, that supplier-channelled routes will be accompanied by full statutory protection and explicit safeguards against cross-subsidisation.

We do not agree that the scheme will not increase overall electricity bills. While this may be the case with regard to direct levy-style costs, this commitment ignores indirect cost impacts.

Firstly, the absence of a defined funding mechanism leaves material residual uncertainty, specifically:

- How and when suppliers will be reimbursed
- How reconciliation will operate
- What protections exist against under-recovery

⁴ Energy UK (2025) [Energy UK Autumn Budget 2025 Submission](#)

This uncertainty can be expected to be reflected in forward pricing and contracting behaviour, with potential disproportionate impacts on smaller businesses.

Secondly, the proposed mechanism places significant delivery responsibilities with suppliers, requiring more supplier resources and increased supplier costs that will feed through into higher bills.

A fully specified funding and recovery framework is required prior to implementation.

Dual eligibility framework (SIC + HS)

The proposed requirement to operationalise eligibility based on both Standard Industrial Classification (SIC) and Harmonised System (HS) codes would create a data requirement that is not available within supplier billing systems.

Therefore, the dual eligibility framework must be centrally verified, with dispute management also being centralised. The framework would combine SIC-based sector eligibility with HS-style technology-based eligibility into a single determination for each site. Where these tests are complex, unclear or incomplete, relying on fragmented or ad-hoc processes risks inconsistent outcomes, repeated data-requests and higher administrative burden. Central verification would give the Government clearer oversight and a consistent, rules-based approach, while centralised dispute management would reduce the risk of a patchwork of outcomes and ensure contested decisions are resolved on a common basis.

Energy intensity measured against economic output (GVA-based test)

In this scheme's proposals, Gross Value Added (GVA) is used alongside electricity costs to estimate how important energy is to a business relative to its overall economic activity, in order to target support at firms where energy is a significant input to production.

However, this approach relies on economic data that is updated infrequently and can fluctuate with broader economic conditions rather than energy use. As a result, it introduces a timing mismatch between economic data and real-time decisions on energy bill support, which can affect the consistency and predictability of eligibility.

This can lead to:

- Misalignment between eligibility and billing periods
- Potential volatility in eligibility status
- Increased uncertainty in supplier pricing and forecasting

A more robust approach could involve multi-year averaging or fixed eligibility periods.

Site-level proportional allocation of electricity use

The proposal requires electricity use within a site to be allocated between eligible and non-eligible manufacturing activities to determine the level of exemption. However, this level of internal activity detail is not visible within standard supplier data, which is based on metered consumption at site level rather than internal activity splits.

Implementation would therefore rely on allocation evidence provided by the site, creating risks of:

- Increased disputes between customers and suppliers over allocation
- Inconsistent application across the market
- Systematic error arising from proxy-based assumptions

Overall, the Government has strengthened the policy's scope and intent. The remaining task is to ensure that delivery is aligned with operational reality, by:

- Centralising eligibility and calculation
- Providing funding certainty
- Avoiding reliance on non-observable internal activity data at supplier level
- Avoiding unintended cross-subsidisation and cost recovery leakage

Consultation on regulatory changes and scheme delivery

Overall position

While we confirm our support of the Government's efforts to deliver the scheme effectively, it is critical to avoid requiring suppliers to operationalise data and processes that sit outside the energy market and create cost and risk.

A revised approach should centralise processing, with suppliers acting on clear, authoritative eligibility and exemption outcomes determined by DBT, rather than on the underlying non-energy variables or allocation evidence.

As noted above, the Government will apply industrial classification, GVA-based testing and other non-energy variables when determining eligibility. Suppliers should not be expected to replicate or second-guess this assessment in their billing and settlement systems.

Cost recovery and funding mechanism

We have made some comments on cost recovery and funding in our remarks on the Government response above, and these further comments elaborate on operational design and risk pricing for this consultation.

We believe that funding industrial support through electricity bill levies is an unhelpful mechanism for delivering wider industrial and policy objectives. It increases

affordability pressures and risks making electrification harder when wider policy is trying to encourage it.

While we support the Government's intention to avoid relying on levy-type funding wherever possible, the consultation's proposals do not yet provide sufficient detail on how the funding mechanism will operate in practice, including how and when suppliers will recover costs incurred through implementing the scheme.

In the absence of the following, energy suppliers will face significant uncertainty over cost recovery and cashflow:

- Clearly defined reimbursement timelines
- Clear reconciliation mechanisms
- Legal or statutory protection against under-recovery
- Transparent safeguards against cross-subsidisation between eligible and non-eligible customers

The additional costs falling on smaller suppliers are becoming increasingly disproportionate. For example, some Energy UK members hold an electricity supply licence only to sell power from distribution-connected generation assets, predominantly wind farms. Administering these licences has become more resource-intensive due to the growing number of scheme requirements and requests for information (RFIs) from Ofgem. Many of these are designed for suppliers to third-party final-demand consumers and are not proportionate to these smaller supplier models. This burden feeds through into higher Contracts for Difference (CfD) and Capacity Market (CM) bids, increasing costs for all consumers. These obligations can result in nil returns for these smaller suppliers and BICS is likely to fall into this category. The potential impact here could be the unintended consequence of blocking business models that foster innovation.

Also, the Government has previously indicated that high-level information on the scale of electricity volumes likely to fall within the BICS eligible pool would be provided to suppliers to help them manage risk and pricing. To date that indicative information has not been published and DBT has signalled that the full detail will be set out in the Impact Assessment published alongside the draft legislation in Autumn 2026.

For suppliers to prepare meaningfully for implementation, they need at least indicative volume and cost-impact signals significantly earlier than that point. We urge DBT to share with energy suppliers a clear, high-level assessment of expected BICS-exempt volumes and the indicative impact on major cost-pass-through lines (Renewables Obligation (RO) and Feed-in Tariff (FIT) and CM) no later than the end of June 2026. DBT should also update these figures as soon as practicable after this date, well ahead of the Impact Assessment and the April 2027 and October 2027 implementation milestones.

Further, we propose that the core BICS scheme should be Exchequer-funded until April 2028 to allow energy suppliers time for implementation without significant cost recovery risk on longer contracts and to align the timing of additional costs for customers with the removal of CPS.

Further, suppliers should have no role in the Exchequer funding mechanism to top up the offsets from RO and FiT re-indexation, and removal of the CPS. Government should make this explicit to remove any ambiguity.

We also note that heat networks may face the same cost and risk pressures, even where they are not directly within the levy pass-through chain. Any uncertainty around how suppliers will be reimbursed, how reconciliation will work and what protection exists against under-recovery is likely to influence wholesale electricity prices. It may also affect the cost of securing capacity and balancing services.

These effects can feed through into the costs of running heat network infrastructure. This is especially true where networks rely on grid-connected electricity for pumps, controls or Combined Heat and Power (CHP) backup.

To ensure that the “no bill increase” commitment is meaningful for all eligible sectors, the Government should clearly state that it extends, in practice, to avoiding indirect increases in costs for sites served by heat networks and other non-standard supply arrangements.

Greater clarity is needed on the full funding framework, including the direction and timing of payment flows, reconciliation processes and statutory protections that guard against under-recovery and cross-subsidisation.

Eligibility design and verification model

We reiterate our position stated above in our feedback to the Government response with further detail here as relevant to the specific questions in this consultation. The proposed model requires eligibility to be established using Standard Industrial Classification (SIC) and Harmonised System (HS) codes, applied at individual site level.

This proposal relies on data that suppliers do not hold within their billing systems and cannot independently verify. As a result, implementation would depend on external data provision and estimation, creating risks of:

- Inconsistent application of eligibility across the market
- Increased disputes between suppliers and customers
- Misalignment of responsibility for eligibility determination

We therefore emphasise that eligibility must be determined through a central agency, with any disputes about eligibility or evidence sitting with the Government rather than with suppliers. The Government should confirm that suppliers will not be expected to

cross-validate eligibility and that the central mechanism will provide a consistent register or equivalent authoritative source for suppliers to implement the outcome.

A workable approach would involve a central determination of allocations, or a simplified method that still has allocation and eligibility assessed centrally. There is no workable solution where suppliers will be responsible for allocation judgements.

Distributional impacts on non-eligible customers

Non-eligible customers, particularly smaller businesses, may be exposed to indirect pricing impacts as suppliers respond to BICS policy and funding uncertainty by adjusting tariffs across the wider market.

There is a risk that this could contribute to:

- Uneven competitive conditions between eligible and non-eligible businesses
- Disproportionate cost impacts on smaller non-eligible businesses

Given these potential spillover effects, a clear distributional assessment of impacts on non-eligible customers, alongside any mitigation strategy, would be appropriate.

Further, applying the exemption in a way that favours grid-supplied electricity over onsite or private-wire arrangements risks distorting investment decisions and weakening the business case for behind-the-meter generation. This would be counter to wider Government policy, including the Solar Roadmap and support for Corporate Power Purchase Agreements (CPPAs). This could also undermine the development of the industrial solar market and the counterparty base that the National Wealth Fund is intended to support.

Domestic customer impacts

The Government's commitment that the scheme will not result in cross-subsidy from domestic customers is welcomed. In practice, the success of this depends on the design of the underlying funding mechanism, including how costs are allocated and recovered across the energy system.

In the absence of this clarity, there is a risk of either perceived or actual indirect cost transfer through wider system charges or pricing effects.

Supplier operational role

The proposed model risks concentrating significant delivery complexity within existing supplier systems, even though the scheme is designed so that eligibility and calculation are defined centrally.

It also risks introducing new responsibilities for some suppliers, particularly around data estimation, application of eligibility-type rules and significant administration,

including ongoing reconciliation processes. This increases operational cost and delivery risk within the supply chain and will be reflected in commercial arrangements, which could result in higher bills than would otherwise have been the case. We strongly urge Government and Ofgem to streamline supplier requirements as far as possible to minimise the impact on bills.

In practice, suppliers' role should be limited to implementing binding instructions and applying centrally determined outcomes within billing and settlement.

Further, we are concerned that the requirement on suppliers to "provide necessary access to data that DBT and businesses need to support eligibility identification and processing" is not sufficiently defined. This risks reopening the kind of unclear, late-stage manual processing that suppliers experienced under the Network Charging Compensation Scheme for Energy Intensive Industries (NCC EII) process.

Given the much larger expected volume of BICS customers, replicating that approach would impose significant operational and resource burdens. The Government should therefore specify, in advance, the type, format and frequency of data that suppliers are expected to provide and ensure that eligibility-related tasks remain with DBT and applicants.

A more effective model would reinforce a clear separation of responsibilities, with eligibility and calculation defined centrally, binding instructions provided to suppliers, and supplier roles focused strictly on implementation and execution.

Use and operation of the BICS eligibility database

We welcome DBT's intention to create a centralised BICS eligibility database. It offers a robust and efficient way for suppliers to verify eligibility without repeatedly requesting certificates from customers. We would support extending the same central eligibility register to the EII scheme. That would reduce duplication and create a consistent, streamlined validation process across both support mechanisms.

Even with access to the database, there will be situations where a supplier has a query about a customer's eligibility. This could arise where the record appears unclear, incomplete or missing. In such cases, suppliers should be able to refer these questions directly to DBT. DBT should, therefore, establish a clearly defined and documented process for such queries. That would avoid the need for ad-hoc or informal validation routes.

When a customer switches supplier, the new supplier's view of eligibility will depend on information provided by the customer. The current design does not appear to provide an automatic update mechanism for supplier information in the database. DBT should, therefore, clarify how supplier information would be maintained and updated over time. It should also be clear whether customers are expected to notify DBT of changes of supplier.

We also consider it important that DBT begins communicating proactively with potentially eligible customers at an early stage. This would reduce the risk that businesses are unaware of the scheme or its timelines. It would also help to avoid the risk that customers miss out on support in the first scheme year.

Nothing in this asks that suppliers take on the responsibility for validating or determining eligibility. It merely seeks that DBT provide a clear, maintained, and accessible eligibility-information system that suppliers can use for implementation-level checks.

Our overall view is that the consultation sets out a delivery model that is not yet aligned with how the market operates. Without adjustment, it risks increasing costs and complexity for both energy suppliers and customers.

We urge Government to keep classification, calculation and verification centralised, rather than located in supplier systems, to reduce cost and enable effective delivery.