

Annex F: Response form for the consultation document on a Fixed Unit Price methodology and updated cost estimates

You may respond to this consultation by email or by post.

Please note that if you accessing this document electronically you will only be able to enter text in the response fields.

Respondent Details	
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Please return by 18th June 2010 to:

Fixed Unit Price methodology and updated
cost estimates consultation
Office for Nuclear Development
Department of Energy and Climate Change
Area 3D
3 Whitehall Place
London
SW1A 2AW

You can also submit this form by email:
decomguidance@decc.gsi.gov.uk

Tick this box if you are requesting non-disclosure of your response. ☐

No.	Question
Chapter 3: The methodology to determine a Fixed Unit Price	
1	Do you agree or disagree that prospective operators of new nuclear power stations should be given the option to defer the setting of their Fixed Unit Price? If so, do you agree that this deferral should be limited to 10 years after the nuclear power station has commenced operation? Do you have any comments on the way the Government proposes to determine an expected Fixed Unit Price as the basis for an operator's interim provision in the event that they choose to defer the setting of their Fixed Unit Price?
Response	<p>I agree that operators should be given the option to defer setting the Fixed Unit Price, because the levels of uncertainty are currently too high. The period for deferral would be best if it could be tied to the date when uncertainty has been removed rather than 10 years after the power station has commenced operation. I suggest that the date should be limited to 10 years after the start of operation of the power station or the date of site selection for the GDF, whichever is the later.</p> <p>It is right that the eFUP should be based on how the Government now perceives the level of risk will be at the time of fixing the unit price. It is right that this estimate should be regularly reviewed as the planning for the GDF proceeds so that the operator sets aside the correct level of funding. Given the high levels of risk and uncertainty, it is sensible that the Secretary of State finally determines the eFUP and final FUP</p>
2	Do you agree or disagree with the proposal that the Schedule for the Government to take title to and liability for an operator's waste should be set in relation to the predicted end of the decommissioning of the nuclear power station? Do you have any comments on the way the Government proposes to recoup the additional costs it will incur in this case?
Response	<p>I agree that the Government should be prepared to take title to the waste when the operator has completed decommissioning of the site and the waste is conditioned into a state where the risks to the Government are minimised. There would be benefits if at this time the wastes were stored centrally and not left dispersed on power station sites, where the cost and difficulty of monitoring the stores is high. It is imperative that by when new reactors start decommissioning the site selection process for the GDF is complete and the current uncertainty over disposal has been removed, so that the length of storage can be known, and there is certainty around the final disposal date. It is also important that the Government considers whether the NDA is the optimum body to provide for storage and encapsulation or whether the risks can be best transferred to commercial organisations to provide and operate such stores under contract to the Government. This could then reduce the risks identified in section 3.2.28 of this document. The Government and NDA need to take steps to reduce the uncertainty surrounding the costs of disposal and storage</p> <p>The proposal for adjustment for the time value for money is sensible.</p>

No.	Question
3	Do you agree or disagree that the proposed methodology to determine a Fixed Unit Price strikes the right balance in protecting the taxpayer, by taking a prudent and conservative approach to cost estimation, while facilitating new nuclear build by providing certainty to operators? What are your reasons?
Response	The current method for determining the FUP includes very high levels of uncertainty and risk. It effectively provides an upper bound which protects the Government. This provides certainty to the operator, but at a high cost. A balance needs to be struck so that the operators have some say/control over the costs of disposal. There is a tendency in nuclear liability management in the UK, for prices to keep rising because the incentive is too small to find economic solutions to the challenges. Therefore there needs to be a higher level of governance over RWMD.
4	Do you agree or disagree with the proposed approach to determining an operator's contribution to the fixed costs of constructing a Geological Disposal Facility? What are your reasons?
Response	<p>The GDF has to be built for historic liabilities. Therefore there is an argument that the operators should pay only the marginal costs for additional storage volumes, and not pay for the fixed costs. Any method for sharing the fixed costs between those who dispose of waste is arbitrary.</p> <p>The proposal to share the fixed costs on the basis of waste volume to be disposed of, is seen as a fair manner, and the methodology of calculating the fixed costs is logical although it must be seen as setting a cost near the upper bound. This ensures that the Government is seen not to subsidise nuclear operators. It is important that the fixed costs include the provision of the community benefits package and long term costs for monitoring the facility.. The use of optimism bias needs careful consideration at the time of setting the FUP, since the nuclear industry has become very cautious in estimating prices and may have a 'Pessimism bias'</p> <p>The two step approach with final determination of price by the Secretary of State is essential when the levels of uncertainty are so high. .</p>
5	Do you agree or disagree with the proposal that the units to be used for the Fixed Unit Price are pence per kWh for spent fuel and cubic metres of packaged volume for intermediate level waste? What are your reasons?
Response	<p>The unit of measurement for ILW as cubic metre of packaged waste is correct.</p> <p>Because of the technical requirement for spacing of heat generating wastes, the need to adjust the measure for spent fuel to reflect the heat generating capacity at the time of disposal is an important consideration. The measure proposed of p/kW(e) is considered too far removed from the simple volumetric measure that it loses credibility. Therefore the price would be better based on tonnes of heavy metal (U), which can be easily measured at the time of transfer. The risks of differences in heat output</p>

No.	Question
	after the cooling period are less than the other uncertainties, and therefore could be ignored.
Chapter 5: Updated estimates of the costs for decommissioning, waste management and waste disposal	
6	Do the updated cost estimates represent a credible range of estimates of the likely costs for decommissioning, waste management and waste disposal for a new nuclear power station?
Response	The costs of decommissioning and waste disposal are in line with current industry expectations. As yet there no indication that proposed technical developments and experience will reduce these costs. The range of possible costs is also to be expected, given the lack of certainty over site selection for the GDF. To use the upper end costs provides certainty for the Government that they will not be subsidising the disposal of commercial nuclear waste, but could be seen as a tax or a negative subsidy on a low carbon form of power generation. This needs to be taken into account by the Secretary of State when setting FUP.

Please select the category below which best describes who you are responding on behalf of.

- ☐ Business representative organisation/trade body
- ☐ Central Government
- ☐ Charity or social enterprise
- ☐ Individual
- ☒ Large business (over 250 staff)
- ☐ Legal representative
- ☐ Local Government
- ☐ Medium business (50 to 250 staff)
- ☐ Small business (10 to 49 staff)
- ☐ Micro business (up to 9 staff)
- ☐ Trade union or staff association
- ☐ Other (please describe):

Thank you for taking the time to let us have your views. The Government does not intend to acknowledge receipt of individual responses unless you tick the box. ☐

Department of Energy and Climate Change
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