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Dear Sirs,

Consultation on the Financing of nuclear Decommissioning and Waste Handling Regulations

Centrica welcomes the opportunity to respond to the above consultation. The proposals provide additional clarity to prospective developers on charging, amendments, reporting and verification of Funded Decommissioning Programmes.

Please find attached our responses to the specific consultation questions.

This non-confidential response is on behalf of the Centrica group of companies excluding Centrica Storage Ltd.

Yours sincerely,

Mark Futyan
Nuclear New Build Manager
Centrica plc

Section 2: Cost Recovery

Question 1

- **Do the proposals create a transparent and effective means of recovering the costs incurred by the Secretary of State in relation to the matters described in Table 1?**
- **Could the cost recovery proposals be improved to enhance their transparency and effectiveness?**
- **Is the proposed maximum fee set at a suitable level?**

The proposals will ensure that the Secretary of State is able to fully recover costs incurred. However, due to the ability for the Secretary of State to pass all costs through to the operator, there is a risk that the way in which these costs are incurred may not be efficient or represent good value for money. A potential way to address this concern would be to subject the costs incurred to a periodic NOA audit.

We agree that the proposed maximum fees are set at a reasonable level.

Section 3: Independent Third Party Verification

Question 2

- **Do the proposals create an effective framework for verification to take place?**
- **Are the responsibilities and requirements clear?**
- **Is it clear how the Secretary of State would expect the verification to take place?**

Paragraph 3.8 states that regulations require the operator to submit a verification report, but the Secretary of State will expect the fund to satisfy itself of the assessments made. This implies a two stage verification process which is potentially inefficient. We would welcome clarification that the process of 'satisfying' the Secretary of State will not involve excessive repetition of the work carried out.

The verification is required to cover both technical cost estimations and financing arrangements. These are both distinct specialisms and sufficient expertise is unlikely to reside within a single organisation. Operators should have the options to engage multiple verifiers to produce the verification report or reports.

Section 4: Modifications to an approved programme

Question 3:

- **It is Government's intention that only changes that meet the definition of the materiality threshold should require the Secretary of State's prior approval. Given the checks and balances in place (annual and quinquennial reviews, independent verification, and in extremis, the Secretary of State's power to modify), is the proposed materiality threshold set at a level that will capture strategic changes to the FDP but still protect the taxpayer?**

- **Is the proposed approach for the notification of modifications to a FDP that are below the materiality threshold a reasonable one?**
- **Does the definition of the content of a funded decommissioning programme in draft regulation 3 accurately define the liabilities to be captured by the modification?**

We agree that the +/- 5% materiality threshold is an appropriate level for triggering a modification of the FDP. However, the definition of a modification provided in the consultation document is very broad and includes items such as non-routine maintenance activities which would be immaterial in terms of the cost of waste and decommissioning. The requirement to track all such modifications to the extent that they may form a cumulative total that exceeds the materiality threshold creates an unnecessary administrative burden on operators. A potential solution to this issue would be to set a separate materiality threshold (e.g. +/-1%) for minor modifications which are required to be tracked for the purpose of calculating cumulative financial consequences.

Section 5: Designated technical matters

Question 4

- **Do the proposed designations strike the right balance between protecting the taxpayer on the one hand whilst avoiding undue administrative burdens on the operator?**

Most of the costs of the interim store will be incurred during the operational life of the power station. We therefore believe it is most appropriate to include the interim store as an operational cost associated with operating the power station and not as a designated technical matter captured under the FDP. Costs incurred following the station's end of life, should, however, be captured within the FDP.

Section 6: Reporting Requirements

Question 5

- **Is an annual and quinquennial reporting period appropriate?**
- **Are the timescales for submitting the reports adequate?**
- **Is there any additional information that should be included in either report?**
- **Given the nature of the liabilities and the content of the quinquennial report, should the in-depth quinquennial review be undertaken on a more frequent basis? If yes, what are your reasons for undertaking a more frequent review and when should they take place?**

We agree that the quinquennial reporting period is appropriate. However, we believe the annual report is too frequent. Material changes to waste and decommissioning arrangements are very unlikely to occur from one year to the next. In the event that such a change does occur between quinquennial reports, an exceptional report could be requested and produced. Furthermore, the operator could reasonably be required to maintain adequate internal records relating to any changes which would need to be captured in the quinquennial report.