



Nuclear Industry Association

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Response by the Nuclear Industry Association to the consultation on an updated Waste Transfer Pricing Methodology for the disposal of higher activity waste from new nuclear power stations

The Nuclear Industry Association (NIA) welcomes this opportunity to comment on the Government's updated Waste Transfer Pricing Methodology.

NIA is the trade association and information and representative body for the civil nuclear industry in the UK. It represents over 250 companies operating in all aspects of the nuclear fuel cycle, including the current and prospective operators of the nuclear power stations, the international designers and vendors of nuclear power stations, and those engaged in decommissioning, waste management and nuclear liabilities management. Members also include nuclear equipment suppliers, engineering and construction firms, nuclear research organisations, and legal, financial and consultancy companies.

Some of these companies, particularly the prospective new build operators, will be making their own detailed responses to this consultation. The purpose of this NIA response is therefore to make some higher level points.

As we have stated in response to the parallel consultation on the revised FDP guidance, the NIA strongly agrees with Government that the UK needs credible plans to decarbonise the power sector if it is to meet its energy security and climate change targets. New nuclear has a major part to play in providing the necessary new low carbon technology, and a start needs to be made soon if the UK is to avoid becoming locked into a high carbon scenario. Against this background it is important that the various 'facilitative measures' identified by Government, including the arrangements for the Funded Decommissioning Programme, are progressed as quickly as possible.

We therefore welcome the publication of the updated Waste Transfer Pricing Methodology which, like the revised guidance, is a helpful step in removing the obstacles to new nuclear build. We support the two significant changes to the earlier methodology, namely the proposal to specify a maximum final price the operator will pay (the Cap) for disposal costs in the event the repository is delayed, and the decision that the Deferral Period should last for 30 years after start of generation. We agree the first will be helpful in providing operators with more certainty over waste disposal

risks, whilst the latter will sensibly allow the Final Price to be set when the site for a GDF is likely to be known.

Whilst we strongly support the principles behind the Waste Transfer Pricing Methodology we nonetheless have some concerns about its detailed implementation. These are set out in our responses to the questions below.

Question 1: Do you agree or disagree that the level of the Waste Transfer Price should be subject to a Cap and that in return for setting a Cap the Government should charge a Risk Fee? What are your reasons?

As explained above the NIA strongly supports the specification of a maximum final price, or cap, to the amount the operator would be expected to pay.

However we believe that the Government has been unduly cautious and conservative in the calculations it has used in its estimation process, resulting in the ‘double counting’ of some risks. This has led to a cap that is far too high at three times the currently expected price. In our view the Government needs to rework its calculations to more accurately reflect the risk being taken on by Government.

Given the significant contingencies built into the estimation process to protect the taxpayer the NIA does not believe there is a case for an additional Risk Fee.

Question 2: Do you agree or disagree that the Deferral Period should be 30 years after the start of generation in order to enable uncertainty over waste disposal costs to be reduced? What are your reasons?

The NIA welcomes the extension of the Deferral Period to 30 years, which we agree will allow greater time for progress to be made on implementing the GDF and thus in reducing uncertainty.

However given that the UK is looking at a fleet of new reactors, with construction taking place over a prolonged period, we believe there could be potential market distortion resulting from early operators having to accept a default price while later operators can agree a lower fixed price. A potential solution might be to allow early operators to adopt the most recent fixed price agreed.

Question 3: Do you have any comments on the updated Waste Transfer Pricing Methodology? Comments are sought in particular on the proposed approach to setting an Expected Price and a Risk Fee?

As mentioned in our response to Question 1 above we believe that the current methodology is unduly conservative, leading to some double counting of risks. In our view it should be recalculated to use the most up to date accounting/estimating practice, which would more accurately reflect the risk being taken on by Government.

**Nuclear Industry Association
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