Response from Nuclear Legacy Advisory Forum

I write on behalf of NuLeAF, which is a Special Interest Group of the Local Government Association that seeks to represent the views of its member local authorities in England and Wales on nuclear legacy management issues and developments that may impact upon that management.

As an organisation, NuLeAF does not take a view on whether new nuclear power stations should be built. However, it does consider the implications of developments that could impact on nuclear legacy management, including the funding arrangements to meet the costs of decommissioning and radioactive waste management associated with new build. As such, NuLeAF has previously commented on proposals for the WTP methodology and wishes to comment on the revised proposals.

As with the overall approach to the FDP, NuLeAF recognises that the Government's proposals are a substantial advance on previous arrangements in the UK. The objective and principles that pertain to the policy that new build operators should meet their full share of waste management costs are welcome and appropriate. It is notable that prospective operators have argued that the proposals are overly conservative, whilst opponents of new build have taken the opposite stance. We also note that with the exception of the two specific changes outlined in the revised proposals, the updated WTP methodology is in line with NuLeAF's comments from June 2010.

On the two specific changes, we would like to make the following comments:

- In principle, it could be appropriate to specify a cap on the Final Price, as long as there genuinely is a very high level of confidence that actual costs will be lower than the cap, and that a sufficiently robust risk fee is incorporated in the Final Price. It will be particularly important for the Government to be able to publicly demonstrate the basis for confidence in both aspects. In order to do this, we would suggest that in addition to addressing the risks of delay in the GDF siting programme, the setting of the cap and associated risk fee also takes into account the risk that the GDF siting programme does not succeed and that alternative arrangements have to be made for the long-term management of higher activity wastes.

- The question of the period of deferral before a Final Price is set is a matter of balance and judgement. This is because there are both advantages and disadvantages to longer deferral periods. The advantages relate to the progress that should be made in the GDF siting programme, thereby allowing reduction in uncertainties and more accurate cost estimation. The disadvantage is that deferral increases the risk that there will be insufficient years of operation left to make up any shortfall in the operator's fund if the Final Price has to be fixed at a much higher price than the Government's interim Expected Price. Where the balance in deferral period should be struck also depends on judgements of what constitutes a reasonable assumption for new build reactor lifetimes. If at 40 years as assumed by Government in its Base Case, a 30 year deferral period could be argued to be too long; if at 60 years as anticipated by prospective operators, a 30 year deferral period appears more appropriate.