

Response by the Nuclear Industry Association to the consultation on possible methods for a Capacity Mechanism

The Nuclear Industry Association (NIA) welcomes the opportunity to contribute to this consultation.

The 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, have direct involvement in the electricity market and are in a better position than the NIA to offer detailed responses, based on practical experience, to the specific questions posed in the consultation. The purpose of this NIA response therefore is to make some higher level points.

The first of these is that we very much welcome the publication of this consultation as a demonstration of the Government's commitment to making progress on electricity market reform. As we have stated in responses to earlier consultations 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, not least because over the next fifteen years all but one of our existing nuclear stations could close, along with much of our coal-fired capacity. Electricity market reform is a key plank to delivering this new low carbon capacity, and delays in taking decisions now could result in the UK becoming locked into a high carbon scenario.

As we have stated earlier we believe that, taken together, the broader reforms set out in the White Paper will create a framework for investment in all forms of low carbon generation – new nuclear, renewables and clean coal – enabling the construction of the plant that is critical to meeting the UK's goals on carbon emission and security of supply.

We agree that a capacity mechanism is an important element in the EMR package. Given the growing proportion of electricity generating capacity provided from intermittent sources over the next few years there will be implications for security of supply in the absence of such an instrument. Left to its own there is no guarantee that the market would deliver an acceptable standard of security of supply.

That said the detailed mechanisms for achieving such a capacity mechanism are more a matter for the prospective new build operators than for the NIA. We note the consultations assertion that the 'particular circumstances of the GB market mean there is unlikely to be a perfect Capacity Mechanism for our circumstances', and there are

likely to be differing views. However given their experience in the current electricity market the prospective new build operators will have relevant and important views and it is important therefore that they are closely involved in the design process to ensure that the final arrangements are practical, and provide the stable policy framework needed to underpin very large scale investments in new nuclear generating capacity.

Nuclear Industry Association
3 October 2011