

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	
Name:	Marie Fallon Corporate Director, Environment
Organisation:	Cumbria County Council
Address:	
Town/ City:	
County/ Postcode:	
Telephone:	
E-mail:	
Fax:	

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>We agree with Government proposals to defer setting a fixed unit price (FUP) for up to ten years because we consider across the estimated operational life of a nuclear power station (40 years) there will be time to ensure sufficient funds are accumulated and available to meet liabilities when they are needed. We also recognise that a 10 year delay will defer setting a FUP until circa. 2030, by which time there may be more certainty about the the costs and availability of a GDF.</p> <p>However, we are concerned that should a nuclear power station fail to operate for its design life, and there is a shortfall in operator funds for decommissioning and waste management liabilities, then costs might have to be met by taxpayers. We consider nuclear power station operators should be required to insure against this risk.</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>We recognise that several decades could elapse between the completion of plant decommissioning and the availability of a GDF for final disposal of waste arisings.</p> <p>Subject to the transfer of all waste management funds accumulated over the operational life of a nuclear power station, and at a rate sufficient to ensure the protection of taxpayers, then we agree that Government is better placed than operators to manage the period of interim storage pending disposal to a GDF. We would therefore support the transfer of title and liabilities aligned to an operator's decommissioning timetable. We would expect the fixed unit price for all waste arisings to contain a substantial risk premium to provide a reasonable prospect of surplus funding that Government could retain in return for the risk that it will have carried on behalf of nuclear power station operators.</p>
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?

No.	Question
Response	<p>We consider that a FUP for decommissioning and waste management liabilities benefits nuclear power station operators by removing uncertainty and risk associated with these costs. We therefore consider it is appropriate to include within the FUP a high risk premium for the uncertainties around 1) cost and availability of a GDF 2) possible cost forecasting errors in NDA's Parametric Cost Model and 3) out-of-model 'risks' (e.g. Para 3.3.21 community benefits).</p> <p>We consider the arrangements for supervision of fund accumulation by Government and the Nuclear Liabilities Financing Assurance Board should ensure a FUP is set at a level sufficient to ensure funds will be available at the time when they are needed to meet liabilities. However, Government must always be ready to refine its framework for accumulating funds to ensure taxpayers are always protected.</p>
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>Operators must meet their full share of GDF costs but we recognise this will be very difficult to determine as GDF location and design has yet to be decided. The date of GDF availability is unknown. More than one GDF may be needed, and the number of nuclear power stations amongst which the full share of costs can be divided is uncertain.</p> <p>These uncertainties, correctly in our view, caused the Government to propose a very high risk premium in the FUP which in turn has prompted nuclear power station operators to suggest deferring the date by which a FUP must be set.</p> <p>We agree that more precision to cost estimates should emerge with time and the risk premium element of a FUP should reduce as costs become more certain.</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	We consider this is a reasonable and justifiable approach reflecting the characteristics of the waste forms (moderate toxicity and volume for ILW and high toxicity and heat loading for SNF).
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 envelop for projected decommissioning and waste management cost between £800m and £1.8bn per reactor is very large and a comparison with

No.	Question
	<p>estimates in 2007 of £636m, though acknowledged to be low, nonetheless illustrates the potential for great uncertainties and substantial cost escalation.</p> <p>If the taxpayer is to be protected from being a funder of last resort then the FUP (and estimated FUPs) must include a significant risk premium. The approach in the early decades of fund management must be precautionary with scope for adjusting risk pricing as certainty increases.</p> <p>We welcome the acknowledgement (para.2.15) that 'in accepting a FUP an operator would not be irrevocably committed to the disposal of SNF in a GDF being constructed by the Government if technological or other developments made an alternative approach more economically attractive.'</p> <p>Nuclear power station operators should retain the option to recycle their SNF if attractive services are available.</p> <p>Finally, our comments in response to the consultation on a Funded Decommissioning Programme in 2008 referred to the need to include within a FUP not only a risk premium but a 'social premium' to compensate communities living with the legacies of nuclear operations. It remains our view that nuclear power station operators should carry their full share of the funding for community benefits available to any community hosting a GDF, other nationally significant disposal facilities, or storage facilities that span several generations.</p>

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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