

Nuclear Liabilities Financing Assurance Board

Wednesday 9th April 2014, 10-12

Phone Conference

Attendance: Janet Balfour (Chair), Anne Baldock, Antony Barker, Anthony White, Norman Harrison, Simon Carroll

Advisers: Dominic Holt, Robert Chaplin, Chris Kaye

Secretariat: Clare Bayley

DECC: Richard Marriott, Rob Middleton, Nicola Robinson

Apologies: Simon O'Regan

OND update

1. The European Commission public consultation on State Aid for Hinkley Point C (HPC) closed on 7th April. Around 40,000 responses were received, many of which were from campaign groups. The responses are now being analysed.
2. The Office for Nuclear Development is undergoing a new restructure. Deputy Director Rachel Solomon-Williams will now head the GDF, Waste and Decommissioning team to include the Funded Decommissioning Programme (FDP).
3. The outcome of the NLFAB triennial review has now been published.
4. NLFAB memberships will be extended through to completion of FDP for HPC.

Timetable for completion of FDP for Hinkley Point C

5. The timetable for completion of FDP for HPC was outlined and discussed. It is expected to be completed summer 2014.
6. NLFAB meetings will be arranged to finalise the Board's advice.

Outstanding issues

7. Several issues remain to be resolved before NLFAB can conclude advice. The Board will need time to consider the FDP package as a whole to be able to assess whether it is prudent.
8. NLFAB request information from advisers on financing arrangements.

NDA modelling error

9. The implications for the NDA modelling error have now been assessed and conclude that the correction required will have negligible impact on FDP.

Private Board session

10. The minutes from the meeting of 04 February were accepted with no changes.

Declarations

11. Norman Harrison is now an advisor to the Executive Board at the Culham Centre for Fusion Energy (CCFE), with a focus on strategy and business growth.

12. Janet Balfour announced that she is retiring from Chairing the Nuclear Liabilities Fund (NLF).

13. No objections to these declarations were raised.

AOB

14. The Chair thanked members of the Board for their input into the meeting and the date of 21st May 2014 was confirmed for the next full Board meeting.

Nuclear Liabilities Financing Assurance Board

Wednesday 21 May 2013

Slaughter & May, 1 Bunhill Row, London, EC1Y 8YY

Attendance: Janet Balfour (Chair), Anne Baldock, Anthony White (AM), Norman Harrison, Simon Carroll

Apologies: Simon O'Regan, Antony Barker

Advisers: Dominic Holt (KPMG), Robert Chaplin, Edmund Peacock, Heather Fleming (Slaughter & May), Chris Kaye (NDA)

Secretariat: Clare Bayley

DECC: Richard Marriott, Rob Middleton, Nicola Robinson, Peter Huey (Legal)

Private board session

1. The Board briefly discussed their draft advice and will revise the draft once the details of the IUK guarantee are known.
2. FDP must not be compromised and should be strengthened where possible. Several issues remain a concern for the Board for FAP to be considered prudent. Significant changes, such as the introduction of IUK guarantee, have occurred since NLFAB's draft advice was presented. The draft advice will need to be revised to reflect these changes.
3. NLFAB have asked advisers to provide information and modelling data to inform drafting of advice.
4. All NLFAB Board members to attend the meeting with SoS to present their final advice.
5. At the next NLFAB meeting there will be a follow up on recommendations of the triennial review.

Timetable for completion of FDP for Hinkley Point C

6. The timetable for completion of FDP for HPC was outlined and discussed. It is expected to be completed summer 2014.
7. NLFAB will need time to consider various agreements, documents and modelling data (requested) before finalising advice to SoS.

Action: Secretariat to arrange a NLFAB teleconference week commencing 7th July.

OND update

8. Securing new nuclear build remains a priority for the Department of Energy and Climate Change.
9. FDP will not be changed significantly to previously seen drafts by the Board. FDP has statutory backing and this will not be compromised.

Declarations of interest

- Norman Harrison is now a senior advisor to AMEC on nuclear build overseas.
- Simon Carroll: Horizon have been in contact with him in the context of waste in Sweden. Simon made Horizon aware of his role on the NLFAB Board.
- Anne Baldock is an Adviser/Non-Executive Director Thames Tideway project
- Janet Balfour has connections with the Board for a small renewable energy company involving a research project gasification plant converting waste to electricity (3MW plant). The company may approach IUK for support.

Nuclear Liabilities Financing Assurance Board

Thursday 26th June 2014, 10:00 – 16:00

Slaughter & May, 1 Bunhill Row, London, EC1Y 8YY

Attendance: Janet Balfour (Chair), Anne Baldock, Norman Harrison, Simon Carroll, Antony Barker

Apologies: Simon O'Regan, Anthony White

Advisers: Dominic Holt (KPMG), Robert Chaplin, Edmund Peacock, Heather Fleming (Slaughter & May), Chris Kaye (NDA)

Secretariat: Clare Bayley

DECC: Richard Marriott, Rob Middleton, Nicola Robinson, Peter Huey (Legal)

OND Update

1. EDF Energy are trying to secure Chinese investment to support the project at Hinkley Point C. Progress has been made on this with Premier Li visit to UK earlier this month.
2. There are several outstanding agreements to be reached before a Final Investment Decision, this includes the terms of the Contract for Difference (CfD), the Infrastructure UK Guarantee, and FDP. The projected timetable for reaching agreement is around October 2014. OND are in a good position to close out FDP and progress has been made.

Outstanding issues on FAP

3. Advisers presented the current position on outstanding issues to the Board. NLFAB advised on areas of concern. Several significant issues remain to be resolved. Aspects of current proposals are not considered to be prudent.

IUK interaction

4. The interaction between IUK and FDP was discussed. The Board maintain the view that FDP payments should take priority over IUK Guarantee.

Update on DWMP

5. NDA presented to the Board on the updates to DWMP. All recommendations have been addressed. The outstanding issues remaining are to be reviewed against relevant FAP

and WTC provisions. An independent verification report will follow in July, and advice will be put to Secretary of State in August. The handling period for spent fuel has increased by 5 years on the original provision. The Board agree that this would not lead NLFAB to amend their position.

Private board session

6. Declarations of interest

- a. Simon Carroll has now confirmed as Chair of the OECD-NEA Decommissioning Cost Estimation Group
- b. Janet Balfour has retired as Chair of the Nuclear Liabilities Fund

Nuclear Liabilities Financing Assurance Board

Thursday 24th July 2014, 10-12

Phone Conference

Attendance: Janet Balfour (Chair), Anne Baldock, Antony Barker, Anthony White, Norman Harrison, Simon Carroll, Simon O'Regan

Advisers: Dominic Holt, Robert Chaplin, Chris Kaye, Ed Peacock, Heather Fleming

Secretariat: Clare Bayley

DECC: Richard Marriott, Rob Middleton, Nicola Robinson, Peter Huey

Private Board Session

1. Advisers presented the Board with new proposals put forward. The Board provided advice on the current position, and highlighted areas of concern.
2. The Board maintain the position that FDP should take preference over debt and other payments other than safety critical expenditure for the arrangement to be prudent.

OND update

3. There are several areas of negotiation where agreement has not yet been reached. The outstanding issues are fundamental and will have an impact on the final agreement. This is not solely with regard to FDP. Senior decision makers will be involved to break areas of impasse.
4. The Board offer to discuss with senior decisions areas of concern on FDP if it would be helpful.
5. Full detail of the key areas of concern will be presented to the Board at the meeting on 7th August 2014.

NDA Update

6. Finalised draft advice on DWMP has been presented to Government. DWMP will be finalised and submitted to Ministers once input has been received.

Timetable for completion

7. The timetable for completion of FDP for HPC was outlined and discussed. NLFAB meetings will be arranged to finalise the Board's advice.

AOB

15. The Chair thanked members of the Board for their input into the meeting and the date of 7th August 2014 was confirmed for the next full Board meeting.

Nuclear Liabilities Financing Assurance Board

Thursday 07 August 2014, 14:30 – 18:30

Slaughter & May, 1 Bunhill Row, London EC1Y 8YY

Attendees:

NLFAB Board:	Janet Balfour, Norman Harrison, Simon Carroll, Anthony White, Antony Barker, Anne Baldock (phone)
Advisers:	Robert Chaplin, Ed Peacock, Heather Fleming, Christopher Tolley (Slaughter & May) Dominic Holt, John Exley (KPMG)
DECC:	Richard Marriott, Rob Middleton, Nicola Robinson Sarah Waller (DECC Legal)
Secretariat:	Clare Bayley
Apologies:	Simon O'Regan, Chris Kaye (NDA)

DECC update

1. OND are pleased that the board is able to meet to discuss progress. We are nearly there with reaching agreement on FDP, however there are some outstanding issues to be resolved.
2. OND welcome comment from the Board, but are not asking for definitive views at this point in negotiations. Some solutions are not FDP related and there will need to come a point where senior decision makers need to get involved to resolve issues.
3. The timetable for completion remains unclear. A decision on State Aid is expected in October before the term of the current Commission comes to an end. DECC provided an update to the Commission on 31 July 2014 and are providing information as requested needed to make a decision by end of October.

Outstanding issues

4. Advisers talked the Board through a presentation highlighting the material changes that have been made since the previous draft of March 2013, and issues that remain to be settled.
5. There have been changes in the funding structure – it is now project funded (rather than corporate funded); public markets will be lending money with a sovereign guarantee from IUK. This in turn has led to a change in corporate structure.
6. There are three categories of changes: Textual changes; Minor commercial changes; Substantive commercial points. The drivers for change are: a new capital structure; the

attempt to resolve points left outstanding at Maundy Thursday 2013; and changes in commercial position.

7. The previous agreement was drawn up on the basis of 100% equity funding and there was less concern with FDP. Now debt funded, investor scrutiny is on all aspects of the programme.
8. The Board express concern that IUK appears to be given priority over FDP. Additionally, when taken collectively the sum of the amendments to the previous agreement give fundamental concerns for the Board. The Board maintain that FDP should have priority over all expenditure other than safety critical.

Any other business

9. The next NLFAB Board meeting is scheduled for 8th September 2014.

Nuclear Liabilities Financing Assurance Board

Monday 08 September 2014, 10:00 – 17:00

Slaughter & May, 1 Bunhill Row, London EC1Y 8YY

Attendees:

NLFAB Board: Janet Balfour, Norman Harrison, Simon Carroll, Anthony White, Anne Baldock, Antony Barker (phone), Simon O'Regan (phone, 12:30 – 13:00; and 14:00 – 17:00)

Advisers: Robert Chaplin, Ed Peacock, (Slaughter & May) Dominic Holt (KPMG), Jon Exley

DECC: Richard Marriott, Rob Middleton, Nicola Robinson, Peter Huey (legal)

Secretariat: Clare Bayley

Apologies: Chris Kaye (NDA)

Private board session

1. NLFAB Board members discussed matters of concern to members. The Board agreed that progress in the right direction is being made. However, there are several areas outstanding that need to be resolved for the Board to be convinced that the FDP package is prudent.

OND Update

2. Discussion with the Commission on State Aid is ongoing, and DECC are working to provide information requested for a decision to be made.
3. Negotiations with DECC, NNB and IUK are ongoing. There is a clear focus on the issues that need to be closed out for agreement to be reached.

Outstanding issues

4. NLFAB are now comfortable the position reached on most outstanding issues. Several areas for concern remain. NLFAB provided advice on the remaining outstanding issues.
5. The Board raised the issue of the long term governance arrangements for FDP. There is a concern that the agreement being reached is complicated and that compliance should be monitored. This issue will be noted in advice to Secretary of State.
6. There is also a concern regarding the loss of corporate memory, as the FDP will be in place for 40+ years. OND are looking at information management in the long term.

Timetable for completion

7. Next NLFAB meetings will include a phone conference on 22nd September, to be followed by a full Board meeting on 8th October. NLFAB will meet with Secretary of State once advice has been finalised (date to be agreed).

Private board session

8. NLFAB would like sufficient time to consider the final agreement before their advice can be finalised.
9. NLFAB's advice will be rewritten to address outstanding issues, however this cannot be finalised until agreement has been reached.
10. Advice should state that role of NLFAB is not to consider the robustness of the Contract for Difference (CfD). NLFAB request to see a summary of the terms of the CfD and IUK agreement for context.

Nuclear Liabilities Financing Assurance Board

Monday 22 September 2014

Phone Conference

Attendance: Janet Balfour (Chair), Anne Baldock, Antony Barker, Anthony White, Norman Harrison, Simon Carroll, Simon O'Regan

Advisors: Dominic Holt, Robert Chaplin, Chris Kaye

Secretariat: Clare Bayley

DECC: Richard Marriott, Rob Middleton, Nicola Robinson

OND update

1. OND have had several meeting with NNB since the last Board meeting in August and progress is being made.
2. With regard to State Aid, a decision by end of October and confidence is high on this. There is a huge amount of work being done by DECC and NNB to provide the Commission with further information they have requested.

Timetable for completion

3. The timetable for completion of the FDP was discussed with the Board.
4. The next Board meeting is scheduled for 8th October and this should be kept in the diary. Further dates will be arranged.

Update on outstanding issues

5. The Board considered the summary of terms on the CfD and potential implications for FDP. Several issues remain to be resolved for the FAP to be considered prudent. The Board offered advice on areas of concern.

NLFAB advice

6. The Board discussed finalisation of their advice to SoS. The Board cannot finalise advice until a final position is reached and the FDP package can be assessed in its entirety.

AOB

7. Next NLFAB Board meeting will be 8th October 2014.

Nuclear Liabilities Financing Assurance Board

Wednesday 8th October 2014, 12:00-13:00

Phone Conference

Attendance: Janet Balfour (Chair), Anne Baldock, Antony Barker, Anthony White, Norman Harrison, Simon Carroll, Simon O'Regan

Advisers: Dominic Holt, Robert Chaplin, Chris Kaye, Ed Peacock, Heather Fleming

Secretariat: Clare Bayley

DECC: Richard Marriott, Rob Middleton, Nicola Robinson

OND update

8. A positive decision on State Aid was received from the European Commission today. Several amendments were made to the case put forward. Advisers will model the implications of the amendments to present to the Board at the next meeting on 29th October.
9. Little progress on FDP has been made since the last NLFAB Board meeting on 22nd September since NNB resources have been concentrated on State Aid.

Timetable for completion

10. A revised timetable will be discussed at the next NLFAB meeting.

AOB

16. The Chair thanked members of the Board for their input into the meeting and the date of 29th October 2014 was confirmed for the next full Board meeting.

Nuclear Liabilities Financing Assurance Board

Wednesday 29 October 2014, 09:00 – 12:00

Attendees:

NLFAB Board: Janet Balfour, Norman Harrison, Simon Carroll, Anthony White, Anne Baldock, Antony Barker, Simon O'Regan

Advisers: Ed Peacock, Robert Chaplin (Slaughter & May), Jon Exley (KPMG),

DECC: Rob Middleton, Nicola Robinson, Peter Huey (Legal)

Secretariat: Clare Bayley

Apologies: Anthony White, Dominic Holt, Heather Fleming

OND Update

1. Progress towards securing agreement for HPC is being made, including on FDP.
2. HMG are waiting to be invited to submit the State Aid case for the Waste Transfer Contract (WTC) to the European Commission. This could have an impact on the timetable for completion of Hinkley.
3. The changes to personnel in OND were discussed with the Board. OND thank the Board for their perseverance with the process. There is now a focus on knowledge management and retention.

Timetable for completion

4. The timetable for completion of the FDP was discussed with the Board. It is expected that the Board will be in a position to submit their advice in December, to be followed by a meeting with Secretary of State.

Modelling outcome of State Aid and implications for FDP

5. Modelling of various scenarios relating to the outcome of the State Aid decision and implications for FDP were presented to the Board. The Board are satisfied that changes will not have an impact on FDP.

Update on outstanding issues with FAP

6. Advisers to the Board outlined progress with negotiations and detailed the outstanding issues that are of concern to the Board. Several proposals put forward on FAP remain unacceptable to the Board. The Board reaffirm that FAP has to be prudent and assess that current proposals are not prudent. The Board offered advice for making progress on areas of difference indicating what would be acceptable to them.

7. The Board discussed various points in which the negotiating parties appear to have reached an impasse. Over several years Board members have sought to offer constructive advice to resolve such difficulties. It was disappointing to hear that the Boards concerns were being lost in the complexity of the current negotiations and the reluctance of the parties to compromise.

AOB

8. Declaration of interests

Anne Baldock and Anthony White have become members of the Low Carbon Contract Board, responsible for the management of all CfD contracts. Although it is not expected that this will pose a conflict of interest with the work of NLFAB, the Board will remain mindful of this should any conflict arise.

9. Next NLFAB Board meeting will be on Wednesday 19th November 2014.

Nuclear Liabilities Financing Assurance Board

Wednesday 19 November 2014, 10:00 – 16:00

Slaughter & May, 1 Bunhill Row, London EC1Y 8YY

Attendees:

NLFAB Board: Janet Balfour, Simon Carroll, Anne Baldock, Antony Barker, Simon O'Regan

Advisers: Robert Chaplin, Heather Fleming, (Slaughter & May), Dominic Holt, Jon Exley (KPMG)

DECC: Rob Middleton, Nicola Robinson

Secretariat: Clare Bayley

Apologies: Anthony White, Norman Harrison, Chris Kaye (NDA)

OND update

1. Despite on-going negotiations, the issues outstanding remain as previously presented to the Board on 29th October 2014. The timetable for completion remains challenging. OND ask for members' understanding. Once issues are unblocked it will be necessary to work quickly to close out the deal as soon as possible.
2. OND and NLFAB positions are known and understood, particularly the statutory framework of the Energy Act which contains certain conditions that cannot be compromised. The NLFAB Board exists to provide guidance in relation to the Energy Act and whether there is compliance. The terms of State Aid also cannot be compromised.
3. OND have not yet been invited to submit the State Aid case for Waste Transfer Contract (WTC) to the Commission. This may impact on the timetable for completion. The State Aid case for WTC is not expected to be challenging.

Outstanding issues with FAP

4. The Board provided advice on outstanding issues that are of concern. The Board stated that the final FDP agreement reached needs to be assessed in its entirety in order to judge whether prudent provision for liabilities has been made, this being a statutory requirement of the Energy Act. The Board also note that there have been significant changes to assumptions made since the March 2013 provisional agreement was reached. Members requested further information and an assessment of the impact of these changes.
5. The Board advised that standard universal definitions for terms such as 'safety critical' should be used to avoid confusion.
6. The Board maintain that FDP payments should take priority over debt and other expenditure other than that which is safety critical.

7. NLFAB concerns will be raised at senior levels within Government to move negotiations forward.

Finalising NLFAB Advice

8. NLFAB advice to Government will be finalised once agreement has been reached. Once finalised the Board will meet the Secretary of State Edward Davey to advise in person.

Any Other Business

9. NLFAB Board meetings will be arranged for December 2014 and January 2015.

Nuclear Liabilities Financing Assurance Board

Thursday 4th December 2014, 10:00 – 13:00

Slaughter & May, 1 Bunhill Row, London EC1Y 8YY

Attendees:

NLFAB Board:	Janet Balfour, Simon Carroll, Anne Baldock, Antony Barker (from 11am), Simon O'Regan, Norman Harrison
Advisers:	Robert Chaplin, Heather Fleming, (Slaughter & May), Jon Exley, Graeme Brown (KPMG)
DECC:	Rob Middleton, Nicola Robinson
Secretariat:	Clare Bayley
Apologies:	Anthony White

Private board session

1. The Board talked through the issues that have changed since the position reached in March 2013.
2. The Board suggested that FDP is disentangled from all other factors relating to CfD, IUK, and other issues.

OND Update

3. All effective parties have been made aware of the Board's concerns and these are being considered. The profile of FDP has been raised to the highest levels in Government and NNB. There is now an understanding that the Board and FDP team need to be supported with the provision of requisite information in order to see the FDP in context.
4. The Board maintain the position that the FDP should be given primacy.

Outstanding issues

5. Hergen Haye, Director of the Office for Nuclear Development, and Hugo Robson, DECC Commercial Director, attend the meeting to discuss the Boards concerns.
6. The Board maintain the position that FDP should take primacy for the agreement to be prudent and to comply with the requirements of the Energy Act. The Board also re-emphasised their concern that there have been significant changes to the assumptions since the March 2013 provisional agreement on FDP.
7. Hergen Haye argued that the Board should take credit for the provisional agreement reached in March 2013 which contained provisions that made the FDP prudent. Subsequent negotiations were based on this position. The introduction of the IUK

Guarantee gives greater comfort that provision will be made for FDP. The Board's concerns will be considered in more detail.

8. The Board outlined a number of issues that remain of concern. Hergen Haye outlined counter arguments. The Board remain to be convinced and assert that the details of the final transaction must be considered as a whole to assess whether the FDP package is prudent.
9. It was agreed that a meeting would be arranged in January 2015 to present information to the Board on IUK and CfD to present FDP in context with other negotiations.
10. Hergen Haye thanked the Board for their hard work and perseverance with the process.

Nuclear Liabilities Financing Assurance Board

Friday 19th December 2014, 10:00 – 11:00

Phone Conference

Present:

NLFAB Board: Janet Balfour, Simon Carroll, Anne Baldock, Antony Barker, Simon O'Regan, Norman Harrison, Anthony White

Advisers: Robert Chaplin, Heather Fleming, (Slaughter & May)

DECC: Rob Middleton, Nicola Robinson

Secretariat: Clare Bayley

DECC update

1. NLFAB concerns expressed on 4th December 2014 are being considered by both IUK and NNB. It is expected that the concerns will be discussed further at the meeting on 27th January 2015. Humphrey Cadoux-Hudson, NNB Managing Director will be in attendance at this meeting.
2. There is lots of activity around the HPC deal in general. The timetable remains for February close out.

NLFAB Letter

3. NLFAB will set out their concerns in a letter to Hergen Haye (DECC) to ensure that they are fully understood and are given due attention. This will also be copied to Permanent Secretary Stephen Lovegrove.
4. NLFAB concerns, as set out in the letter to DECC, will be conveyed to NNB. NNB will respond at the meeting on 27th January 2015.

Discussion of concerns

5. The Board discussed points of concern with advisers. The totality of the agreement and areas of concern is critical to determining whether the final FDP transaction reached is prudent. The Board cannot finalise advice until the final agreement has been reached.

NLFAB minutes

6. Minutes from previous meetings were discussed. Further changes will be made and brought back to the Board for comment.