

ANNEX 6

Guidance Analysis

This Annex provides a brief outline of each of the key requirements and objectives identified in the Guidance, together with the Board's view as to whether the FAP satisfies such requirements and objectives. This is not a definitive analysis, as the question as to whether the requirements and objectives in the Guidance are met in the FDP will ultimately need to be determined as a whole alongside other relevant documents such as the DWMP and the views expressed by other advisers and experts. See Annex 2 (*The Board's Role and Scrutiny of the FAP*) for further explanation of the Board's role and remit.

As discussed in paragraph 2.2(C) of the Main Report, the Guidance was issued in December 2011 to assist the drafting of the HPC FAP, in the context of HPC being financed and developed under a CfD model. Sizewell C is instead being financed and developed under a RAB model provided for in the 2022 Act. This change in the funding model has resulted in a number of significant changes in risk allocation. For example, the HPC Operator largely bears the risk of any increases in the HPC FAP funding obligations given the CfD generally does not respond to such increases. On the other hand, the Operator on Sizewell C does not bear such risk because the FDP Allowance Building Block responds to increases in the FAP funding obligations. This means that whilst the HPC Operator is at risk if the fund investments underperform, the Operator on Sizewell C is not, because any such underperformance and the consequent increase in the FAP funding obligations will be covered by a corresponding increase in the FDP Allowance Building Block. As such, the FDP Implementation Company on Sizewell C will play a proactive role in managing the fund, and it will be primarily responsible for the fund investment strategy and implementation, whereas the HPC FundCo has a relatively passive role in relation to managing the fund and making investment decisions.

It follows that the Board has applied a purposive (rather than literal) approach to assessing the FAP's satisfaction of the requirements and objectives identified in the Guidance. Where the Board has considered certain requirements and objectives in the Guidance as being out of step with the appropriate arrangements with the RAB model, the Board has assessed the FAP's satisfaction of those requirements and objectives in light of the overriding objective (the "**Objective**") identified in the Guidance and summarised in row 1.1 below. Accordingly, the table below sets out the Board's view on whether each paragraph of the Guidance has been met in the FAP in the following manner:

- "met", where it has been met in the FAP;
- "adequately met", where it may not be fully met in the FAP but the Board considers it is adequately met for the purposes of the Objective;
- "partially met", where it is not fully met in the FAP;
- "insufficiently met", where it is somewhat met in the FAP but the Board considers this is insufficient for the purposes of the Objective; and
- "not met", where it is not met in the FAP.

Other than where it is "met" or "not met", the Board has **highlighted** in the comments column below the reasons why the relevant paragraph of the Guidance has not been fully met.

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
1 Part 1: Guidance under Section 54(6) of the 2008 Act					
1.1 Overriding objective of the FDP regime					
1.1.1	1.6	The overriding objective of the FDP regime is to ensure that the Operator makes prudent provision for the full costs of decommissioning their installations and their full share of the costs of safely and securely managing and disposing of their waste, and that in doing so the risk of recourse to public funds is remote.		Adequately met	See Main Report.
1.2 Guiding Factor 1: Clear structure of the FDP					
1.2.1	1.9, 1.10, 1.11	<p>The FDP should be divided into two parts (though alternatives could be acceptable).</p> <ul style="list-style-type: none"> First part: the DWMP which fulfils an Operator's obligations under Sections 45(7)(a) and (b) of the 2008 Act by setting out details of the steps to be taken in relation to what are called "Technical Matters" and the estimates of costs likely to be incurred in connection with the "Designated Technical Matters"; and Second part: the FAP, which should set out details of any security to be provided in connection with meeting the estimated costs of carrying out 	Recitals (A)(a) – (e)	Met	The FDP has been divided into two parts: (i) the DWMP (which sets out the steps to be taken to decommission Sizewell C and dispose of waste generated at the Plant); and (ii) the FAP (which is a contract (to which the Secretary of State is granted third-party rights) between the Operator and the FDP Implementation Company governing the operation, governance and funding of the Fund and access to the Fund during Decommissioning, as well as other obligations of each party). ¹

¹ **Note:** See further detail on the structure of the FDP at Part A (*Factual Background*) of Annex 7 (*Funded Decommissioning Programme*).

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
		the plans (as set out in the DWMP) for the Designated Technical Matters.			
1.2.2	1.12	Elements of the FDP may be reinforced through, or may include, contractual arrangements between interested parties.	General, Recital (i)(iii)	Met	The FAP generally contemplates that certain discrete obligations of the Secretary of State, the Operator and the FDP Implementation Company will be set out in separate documents which do not form part of the FDP (such as the Security Trust and Intercreditor Deed, the Common Security Documents, and the FDP Implementation Company ancillary documents (e.g., the FDP Implementation Company AoA, FDP Implementation Company SHA and FDP Budget and Services Agreement)).
1.3 Guiding Factor 2: Realistic, clearly defined and achievable plans					
1.3.1	1.13	<p>The FDP is to set out plans for the decommissioning of the site and for the management and disposal of waste arisings that are realistic, clearly defined and achievable, and are capable of being undertaken in a way which is consistent with the requirements and expectations of the relevant safety, security and environmental regulators.</p> <p>Any technology or other gaps in the plans should be identified and additional plans to remedy any such gaps in a timely fashion should also be set out in the FDP (in the DWMP).</p>	Not within the Board's remit	Not within the Board's remit	<ul style="list-style-type: none"> The FAP does not contain the plans for the Decommissioning of the Site and for the management and disposal of waste (as these requirements are contained in the DWMP). The DWMP itself is not within the Board's remit as set by the Secretary of State.² Accordingly, the Board is not advising as to whether the FDP contains realistic, clearly defined and achievable plans for decommissioning, waste management and waste disposal. The Board has received the NDA's report in relation to the DWMP, met with the NDA to discuss its findings and has summarised the NDA's findings in Annex 15 (<i>Decommissioning and Waste Management Plan (DWMP) Analysis</i>). The Board expects the Secretary of State will have regard to the NDA's findings with respect to the DWMP alongside advice from other experts and advisers.
1.4 Guiding Factor 3: Robust cost estimates					

² **Note:** See further detail on the Board's remit at Annex 2 (*The Board's Role and Scrutiny of the FAP*).

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
1.4.1	1.14	<p>The DWMP is to contain effective mechanisms for ensuring that the cost estimates for the Designated Technical Matters are robust; kept up to date; and are consistent with the state of knowledge and technology at the time of calculation.</p> <p>Major project risks must be identified, and due account taken of risk and uncertainty.</p>	Schedule 7, Paragraph 1.3, Schedules 8 – 9	Not within the Board's remit	<ul style="list-style-type: none"> As noted above, it is not within the Board's remit to advise as to whether the DWMP element of the FDP contains robust cost estimates which take due account of risk and uncertainty. Given that the Board is advising as to the suitability of the funding arrangements in the FAP in relation to costs likely to be incurred in connection with the Designated Technical Matters, the Board notes that the FAP arrangements contemplate certain steps relating to the DWMP such as the review, evaluation and verification of the DWMP as part of the Annual Review and Quinquennial Review procedures and the treatment of risk and uncertainty in the risk estimates.
1.5 Guiding Factor 4: Transparency					
1.5.1	1.15, 1.16	<p>Arrangements set out under the FAP to accumulate, maintain and manage funds to meet the estimated costs for the Designated Technical Matters must be transparent and visible to the Secretary of State and to other persons with obligations under the FDP.</p>	General, Schedules 7, 9	Met	<ul style="list-style-type: none"> The Board is advising only on the transparency of the FAP (as opposed to other elements of the FDP). The FAP requires a considerable volume of information to be provided to the Secretary of State periodically, at Annual Review and Quinquennial Review.³ In addition, the processes relating to the making of Contributions and the drawdown of the Fund provide further transparency as to how funds are to be contributed and distributed. The FAP does not contain restrictions which would prevent the FDP Implementation Company from requesting information from the Operator (and vice versa, as applicable) or inhibit the ability of the FDP Implementation Company to raise issues or concerns with, or give information to, the Secretary of State. The Operator is also obliged to provide information reasonably required by the FDP Implementation Company or a verifier in order to perform their respective functions. The Investment Strategy is not included in the FAP and therefore not currently visible to the Board; however the FAP recognises that this is influenced by the fact that the Investment Strategy may need to vary over time (between Quinquennial Reviews) including both during the Operational Period and the Disbursements Period. The Investment Rules included in the FAP set out various parameters and requirements for the

³ **Note:** See further detail on the structure of the FDP at Part B (*Life Cycle of the FAP*) of Annex 7 (*Funded Decommissioning Programme*).

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
					<p>Investment Strategy (including requirements for the FDP Implementation Company to (i) deliver to the Operator a statement setting out the reasons why it considers that the Investment Strategy is consistent with the Investment Rules; (ii) demonstrate how the Investment Strategy is appropriate in light of certain parameters such as liquidity requirements for meeting the DTM Costs, the outstanding average term of the liabilities, best practice for funding of long-term liabilities from a closed-end fund and any relevant Tax costs of the FDP Implementation Company and the Operator and the risk that Tax liabilities may change; (iii) inflation and currency risks; and (iv) any other risk factors as the FDP Implementation Company considers appropriate to demonstrate).</p> <ul style="list-style-type: none"> There are certain instances identified in this Annex and Annex 5 (<i>Risk Matrix Identifying Key Potential Risks to Shortfall in Funding for the Cost of FDP Liabilities</i>) such as early or partial closure that are contemplated but not expressly provided for in the FAP, thereby requiring modifications to the FAP at the relevant time. Although the nature of such modifications will need to be determined on a case-by-case basis, the FAP itself provides little or no guardrails around them, meaning that the arrangements that will apply in those instances are not transparent (albeit such lack of guardrails would provide greater flexibility to respond to the particular circumstances at the relevant time). See by way of example row 1.7.1 below in relation to early closure scenarios.
1.6 Guiding Factor 5: Clarity of terms and responsibilities					
1.6.1	1.17	The FDP must have clear terms. The FDP must also set out clearly the roles and responsibilities of the Fund, the Operator and any other relevant entities for the Secretary of State to form a clear view of their responsibilities and, where relevant, obligations under the FDP.	General	Adequately Met	<ul style="list-style-type: none"> The FAP has been structured as a legally binding contract between the Operator and the FDP Implementation Company and, as such, sets out their respective obligations. As noted above, certain discrete obligations of the Secretary of State, the Operator and the FDP Implementation Company will be set out in separate documents which do not form part of the FDP (although, in the context of the core obligations set out in the FAP, these obligations are relatively minor). The Board's view is that the drafting of the FAP is generally clear and accessible, however the Board has identified certain areas of drafting which in its view could be clearer. Examples of areas where the Board considers that the drafting could be improved include the following. <ul style="list-style-type: none"> <i>Approved Operator Business Scope</i>: The Board understands the Operator's view is that the restrictions with respect to the Approved

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					<p>Operator Business Scope in section 1 of schedule 5 of the FAP will not apply during the Disbursements Period. This position is however not entirely clear in the FAP – whilst clause 23.1 of the FAP, which requires the Operator to comply with the Operator Business Restrictions set out in section 1 of schedule 5 of the FAP, is expressed to only apply from the date of the FAP to the commencement of the Decommissioning Period, paragraph 1.1 of section 1 of schedule 5 itself does not contain such a time limit.</p> <ul style="list-style-type: none"> ○ <i>Nuclear Inflation Premium</i>: The term "Nuclear Inflation Premium" is used throughout the FAP (e.g., it is a "Key Assumption" in the FAP), but it is not defined clearly (conceptually or technically). This is because there are no clear parameters around what this term should be. That is, Nuclear Inflation Premium is defined in the FAP as the "forecast value determined in accordance with paragraph 1.3.2 of Part B of Schedule 11 (Financial Verification)"; however, that paragraph does not set out clear parameters on what this value should be other than providing that it should be what is consistent with the relevant market practice and any other factors including any lessons learned from HPC. • The Board ultimately does not consider these issues to be material. Some of these drafting issues were also present in the HPC FAP, and the Board understands as per the Terms of Reference that HMG is comfortable with replicating the HPC FAP for Sizewell C.
1.7 Guiding Factor 6: Durability of arrangements					
1.7.1	1.18	The FDP must be durable so that the arrangements set out in the FDP are likely to remain applicable for the generating lifetime of the station, throughout decommissioning and until the Operator has satisfied all of its obligations under the FDP.	General, Clauses 23.3, 25, Schedules 8 – 9	Adequately met	<ul style="list-style-type: none"> • The term of the FAP is designed such that it will remain in place for the full life cycle of the Operator's DWMP liabilities and through several different stages in the power station's lifetime (e.g., Primary Funding Period, Secondary Funding Period and Disbursements Period). • Accordingly, the FAP provides for certain requirements to apply in specific stages of that lifetime. For example, certain covenants apply only while the Plant is operational, while others apply only in relation to the Decommissioning Period. • In order to maintain flexibility over such a long period, the Annual Review and Quinquennial Review procedures provide for the periodic updating of the DWMP, to take account of changing events and practices and of inflation.

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
					<ul style="list-style-type: none"> The Secretary of State may effect a transfer of the FDP Implementation Company's assets to the NDA or another publicly owned company. However, the FAP and the NASTA contain certain conditions to such transfer which require the Fund Assets to be kept separate from the Operator, only used to fund the Designated Technical Matters and invested so as to meet the costs relating to the Designated Technical Matters as envisaged in the FAP. The Board also notes that any residual risk in relation to such transfer is within the control of the Secretary of State. As such, the Board does not consider this will threaten the durability of the current FDP arrangements (including the role of the FDP Implementation Company as an independent custodian of the Fund Assets).⁴ In addition, on and from the date falling on FYE EPFP – 5, the Operator will be under a reasonable endeavours obligation to enter into a Cooperation Agreement by no later than FYE EPFP with either the NDA or another publicly owned company (a “Decommissioning Responsible Party”) (including where the Operator reasonably anticipates that a Nuclear Transfer Scheme will apply), provided that this obligation shall not apply to the extent that the Secretary of State has informed the Operator that it does not intend to effect any transfer or reorganisation in relation to the Operator, the FDP Implementation Company and/or any of their property, rights and liabilities (including the Site). See paragraph 2 of Part B (<i>Life Cycle of the FAP</i>) of Annex 7 (<i>Funded Decommissioning Programme</i>) for a summary of the remedies for breaching the FAP. Such Cooperation Agreement would set out the obligations of the parties thereto to cooperate in relation to all material matters concerning the DWMP with the purpose of reaching a consensus as between the Operator and the Decommissioning Responsible Party on the decommissioning strategy, processes and procedures, procurement and people management, so as to facilitate a smooth transition from operation to decommissioning in relation to the Site, whilst recognising the need for the Operator to have control of the Site and responsibility for complying with the Nuclear Site Licence. One potential issue in relation to this Guiding Factor 6 is that in a number of scenarios such as early closure, the FAP does not automatically

⁴ **Note:** See further detail on this risk at Row D.1 of Annex 5 (*Risk Matrix Identifying Key Potential Risks to Shortfall in Funding for the Cost of FDP Liabilities*).

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					respond and will need to be modified. ⁵ Although the nature of a modification will need to be determined on a case-by-case basis, the FAP itself provides little or no guardrails around the process for such modifications. In these circumstances however, this is largely within the control of the Secretary of State and the scope of the Section 46 Agreement. ⁶
1.8 Guiding Factor 7: Fund structure					
1.8.1	1.19	The FAP must set out the details of any security (e.g., deposit of money) to be provided in connection with meeting the estimated costs for the Designated Technical Matters.	Recital (E), Clause 26	Met	<ul style="list-style-type: none"> The FAP acknowledges that the Operator will enter into the Common Security Package in order to secure <i>inter alia</i> the payment to the FDP Implementation Company of the Contributions, the Accelerated Decommissioning Contributions Amount and any unspent portion of the DTM Payments. The FAP acknowledges however that the full terms of the Common Security Package will be set out in the full suite of security documents, including the Security Trust and Intercreditor Deed and the Common Security Documents, which will not have been entered into when the FAP is entered into (and the Board has not seen drafts of the same), on the basis of the assumption that the full suite of security documents will not deviate from the Financing Heads of Terms that the Board has been provided with. See row 3.4 below which sets out in more detail the role of the Fund and the Fund Assets, the proceeds of which will ultimately form part of the security for the disbursements.
1.8.2	1.20	HMG would expect such security to constitute assets held, managed and administered by an entity (the Fund) which is independent of the Operator and HMG.		Met	See above in row 1.8.1.
1.8.3	1.21	The FAP must provide that the relationship between an Operator and		Met	The FAP provides for the Operator to provide the Contributions to the FDP Implementation Company, and also provides for the FDP Implementation Company to be managed independently, in order to meet the Objective.

⁵ **Note:** See, for example, row B.11 of Annex 5 (*Risk Matrix Identifying Key Potential Risks to Shortfall in Funding for the Cost of FDP Liabilities*).

⁶ **Note:** See rows A.2, B.7, B.8 and B.12 of Annex 5 (*Risk Matrix Identifying Key Potential Risks to Shortfall in Funding for the Cost of FDP Liabilities*) and Annex 10 (*Legislative Background*).

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
		the Fund will be structured in order to meet the Objective and comply with the Guiding Factors. ⁷			
1.9 Guiding Factor 7(a): Independence of the Fund					
1.9.1	1.22	<p>The Secretary of State will expect the FDP to contain arrangements under which the Fund entity is governed in a manner that is independent of the Operator and of HMG, subject to the ongoing monitoring set out in the 2008 Act and in the Guidance.</p> <p>Independence means the absence of the ability to control, directly or indirectly, the structure, governance and functions of the Fund entity once it has been established.</p>	<p>Clauses 10, 25, 26.2, 29, 55, 57, 61.4;</p> <p>Schedules 8 – 10</p>	Met	See row 3.3 below which sets out in more detail the analysis with respect to the provisions of the FAP that regulate the independence of the Fund.
1.10 Guiding Factor 7(b): Sufficiency of Fund Assets					
1.10.1	1.23	The FAP must set out mechanisms to ensure that sufficient assets will be available to meet in full the estimated costs of carrying out the plans as set	<p>Clauses 2, 4, 8, 53, 66;</p> <p>Schedules 2 – 3, 8 – 9</p>	Met	See rows 3.7, 3.8 and 3.13 below which set out in more detail the analysis with respect to the provisions of the FAP that govern Contributions and sufficiency of Fund Assets. ⁸

⁷ **Note:** In relation to the requirements in the Guidance that refer to the structuring or terms of the FAP with a view to achieving the Objective and/or the Guiding Factors, the Board has interpreted the relevant requirements to refer to the structuring and/or terms of the FAP themselves as opposed to the actual achievement of the Objective and/or the Guiding Factors, which are required separately in the Guidance. For example, the requirement in paragraph 1.21 has been interpreted to require the FAP to provide clear roles and responsibilities on the Operator and the FDP Implementation Company to help ensure that the relationship between the two entities meets the Objective and the Guiding Factors, rather than that the Objective and the Guiding Factors are themselves met.

⁸ **Note:** See also Risk Category C of Annex 5 (*Risk Matrix Identifying Key Potential Risks to Shortfall in Funding for the Cost of FDP Liabilities*) in relation to risk factors identified by the Board in respect of the Fund being ultimately insufficient to meet all DWMP costs, despite having met the End of Generation Target at closure.

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
		out in the DWMP for the Designated Technical Matters.			
1.10.2	1.24	The FAP must set out what remedial action the Operator will take to restore the Fund Assets to sufficiency in circumstances where they are insufficient against the Target Value.	Schedules 3, 8 – 9	Met	See row 3.8 below which sets out in more detail the analysis with respect to the provisions of the FAP that govern Contributions and sufficiency of Fund Assets (and in particular the review and correction processes under the Annual Review and Quinquennial Review).
1.11 Guiding Factor 7(c): Restrictions on the use of Fund Assets					
1.11.1	1.25	The FAP must set out arrangements to ensure that the structure and governance of the Fund is such that the Fund Assets cannot be disbursed for any purpose other than the discharge of the Operator's decommissioning, waste management and waste disposal liabilities to which the FDP relates, as and when those liabilities fall due, and irrespective of any reorganisation of the group or parent to which the Operator belongs.	Section J, Schedule 7	Met	See rows 3.10 and 3.11 below which set out in more detail the analysis with respect to the provisions of the FAP that govern restrictions on the use of Fund Assets (such as the Investment Strategy and the Disbursements Policy).
1.11.2	1.26	The above does not preclude the FDP from making provision for the costs of discharging the Fund's administrative duties and functions relating to the FDP to be met from Fund Assets. The FDP may also make provision for the return of surplus assets to the Operator from time to time.	Clauses 37, 39, 66	Met	<ul style="list-style-type: none"> The FAP contains requirements relating to the FDP Budget and Services Agreement, pursuant to which: <ul style="list-style-type: none"> the Operator and the FDP Implementation Company shall agree the FDP Implementation Company budgets and the process of expert review and verification of same (although such terms are not set out in the FAP itself); and the Operator shall pay the agreed budgeted amounts to the FDP Implementation Company, such amounts being recoverable through FDP Allowance Building Block under the SZC Economic Licence. If necessary, the FAP and the FDP Budget and Services Agreement allow the FDP Implementation Company to fund its operating costs, including

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
					any tax liabilities ⁹ by drawing from the Fund Assets. The FAP also provides for surplus assets to be set-off against future Contributions.
1.12 Guiding Factor 7(d): Insolvency remoteness					
1.12.1	1.27	The FDP must put in place arrangements and establish a relationship between the Operator and the Fund such that the risk to Fund Assets and any payments due to the Fund under the terms of the FDP is remote in the event of the insolvency of the Operator or any Associated Company.	General	Met	Insolvency remoteness concerns are one of the main focuses of the FAP (and accordingly, the Board's review). See further detail on the question of insolvency remoteness at Annex 13 (<i>Insolvency Remoteness Analysis</i>).
1.13 Other considerations					
1.13.1	1.32	Where the Secretary of State enters into a Section 46 Agreement, they will need to consider whether, as a whole, the FDP and the Section 46 Agreement include adequate provision for the modification of the FDP in the event that the provision made by it for the Technical Matters (including the financing of the Designated Technical Matters) ceases to be prudent.	General	Not within the Board's remit	<ul style="list-style-type: none"> The Section 46 Agreement is not within the Board's remit as set by the Secretary of State. The FAP generally contemplates modification of the FDP in the event that the provision made by it for the Technical Matters (including the financing of the Designated Technical Matters) ceases to be prudent (such as through the Annual Review and Quinquennial Review procedures).
1.13.2	1.33	In determining whether to approve a modification put forward by an Operator or other person with obligations under the FDP, the Secretary of State will have regard to		Not within the Board's remit	This is set out in the Section 46 Agreement. See Annex 10 (<i>Legislative Background</i>) for further details. As such, this requirement is met, however not within the FAP itself.

⁹ **Note:** See row C.6 of Annex 5 (*Risk Matrix Identifying Key Potential Risks to Shortfall in Funding for the Cost of FDP Liabilities*).

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
		the provisions of the FDP and any mechanisms within the FDP relating to its updating.			
2 Part 2a: Guidance relating to the Funded Decommissioning Programme as a whole					
2.1 Publication of the FDP and reports					
2.1.1	2a.2	The FAP should identify issues that are commercially confidential or may have security sensitivities.	Clauses 74, 74.3	Insufficiently met	<ul style="list-style-type: none"> The FAP contains confidentiality and disclosure arrangements (including mechanisms for the identification of commercially confidential information), however the issues themselves are not identified in the FAP. While the issues themselves are not identified, the FDP Implementation Company is able to dispute the designation by the Operator of information as Commercially Sensitive Information (and such dispute would be resolved via the FAP's Dispute Resolution Procedure).
2.1.2	2a.3	Annual Report and Quinquennial Report are to be published by the Operator taking into account, as appropriate, commercial confidentiality and security considerations. The Operator should set out in the FDP proposals regarding publication of these reports.	Clause 74.2	Adequately met	<ul style="list-style-type: none"> The FAP does not expressly state that the confidentiality and disclosure provisions will apply to the Annual Report and Quinquennial Report. An explanatory note to Clause 74.2 (<i>Disclosure of this Agreement</i>) of the FAP provides that it is the Operator's intention to publish Annual Report and Quinquennial Report and, in accordance with the Guidance, any Commercially Sensitive Information in these reports will be redacted prior to publication.
2.2 Annual Report and Quinquennial Report					
2.2.1	2a.7	The Operator must compile Annual Reports and Quinquennial Reports which are compliant with the Nuclear Decommissioning and Waste Handling (Finance and Fees) Regulations 2011 made under the 2008 Act.	Schedules 8 – 9	Not within the Board's remit	The Nuclear Decommissioning and Waste Handling (Finance and Fees) Regulations 2011 were revoked in 2013, so this is not applicable. Note schedules 8 (<i>Annual Review Programme</i>) and 9 (<i>Quinquennial Review Programme</i>) to the FAP set out the detailed provisions which set out the requirements for the production of Annual Reports and Quinquennial Reports (respectively).

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2.2.2	2a.8	It is expected that the Operator will consult with the Fund when preparing the reports, however the Operator will be responsible for their contents and submission.	Schedules 8 – 9	Met	<p>Schedules 8 (<i>Annual Review Programme</i>) and 9 (<i>Quinquennial Review Programme</i>) to the FAP set out <i>inter alia</i>:</p> <ul style="list-style-type: none"> • various obligations on the Operator to engage with the FDP Implementation Company in the preparation of the Annual Reports and Quinquennial Reports (e.g., the submission of a draft DWMP by the Operator to the FDP Implementation Company for review); and • that the Operator will be ultimately responsible for the submission of the Annual Reports and the Quinquennial Reports.
2.2.3	2a.9, 2a.15	The purpose of the Annual Report and Quinquennial Report is to set out and summarise any changes over the relevant reporting period to the cost estimates set out in the DWMP for the Designated Technical Matters and any changes to the security provided to meet those costs.	Schedules 8 – 9	Met	<p>Schedules 8 (<i>Annual Review Programme</i>) and 9 (<i>Quinquennial Review Programme</i>) to the FAP include obligations to set out and summarise any changes over the relevant reporting period to the cost estimates set out in the DWMP for the Designated Technical Matters and any changes to the security provided to meet those costs.</p>
2.2.4	2a.10, 2a.16	Where the Annual Report or Quinquennial Report contains changes to the cost estimates as set out in the DWMP, the Operator must include within it a verification report in respect of such changes.	Schedules 8 – 9	Met	<p>Schedules 8 (<i>Annual Review Programme</i>) and 9 (<i>Quinquennial Review Programme</i>) to the FAP include obligations to provide various verification reports (e.g., Technical Verification Reports and Financial Verification Reports).</p>
2.2.5	2a.11, 2a.17	If the changes to the cost estimates set out in the Annual or Quinquennial Report may result in modifications to the FDP, the Annual Report must include notification of such modifications.	Schedules 8 – 9	Met	<p>Schedules 8 (<i>Annual Review Programme</i>) and 9 (<i>Quinquennial Review Programme</i>) to the FAP include obligations to notify of any proposed modifications to the FDP.</p>
2.3 Information					

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
2.3.1	2a.20	The FDP should set out the rights of the Fund to request and receive information from the Operator.	General	Met	As noted above, the FAP contains various rights and obligations in respect of the provision of information (such as the Operator being obliged to provide information reasonably required by the FDP Implementation Company or a verifier in order to perform their respective functions).
2.4 Notification					
2.4.1	2a.21	<p>The FDP should provide appropriate procedures to ensure that the Operator or the Fund (as appropriate) report to the Secretary of State:</p> <ul style="list-style-type: none"> • initiation or threat of insolvency proceedings against the Operator, an Associated Company or the Fund; • change of control or ownership of the Operator or the Fund; • change in the credit rating of the Operator, or any entity providing credit support under the FDP; and • breach of law or contractual arrangements by the Operator, an Associated Company or the Fund which has or is likely to have a material adverse effect on the Operator or the Fund's ability to make or receive contributions to the Fund (as appropriate). 	Clauses 25, 46	Insufficiently met	<ul style="list-style-type: none"> • The FAP contains notification provisions in respect of Operator insolvency events, which are threatened, pending or have occurred. • The FAP does not contain appropriate reporting provisions in respect of a change-of-control of the Operator. • The FAP does not contain reporting provisions which relate to the change of the credit rating of the Operator, or any entity providing credit support under the FDP. • The FAP contains notification obligations in respect of "material breaches" of the FAP, which must be notified in accordance with the Material Breach Policy. In relation to this, the Board notes that the Material Breach Policy does not provide for material adverse effect threshold to apply in respect of material breaches).
2.5 Verification					
2.5.1	2a.22, 2a.23	The verifier(s) must be independent of the Operator and any other person with obligations under the FDP and must have the qualifications and experience to carry out the	Schedules 9 - 13	Partially met	<ul style="list-style-type: none"> • The requirements for each of the verification reports provide that reports must contain a section setting out the CV and any relevant qualifications and experience of the verifier(s). • The FAP provides that the verifiers must be independent, however it does not set out how such independence should be judged (the FAP sets out that the independent verifiers are to be appointed in accordance with the

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
		assessment. The Operator should set out in its FDP how the verifier is judged to be independent.			<p>FDP Budget and Services Agreement). Whilst not in the FDP itself, the FDP Budget and Services Agreement provides that any proposed independent verifier must affirm in writing that it can act with independent character and judgement (notwithstanding any previous, current or prospective contractual relationships with the Operator and any of its Affiliates) and that it shall undertake to maintain such independent character and judgement for the duration of its engagement with the FDP Implementation Company.</p> <ul style="list-style-type: none"> • The FAP provides for the Independent Financial Verifier both to prepare and also "independently verify" key documents in the funding process such as the Funding Path. We note however that SZC and DESNZ's view is that these financial verifications under the FAP should be relatively straight-forward in nature and can be carried out by a single suitably qualified professional (who is independent of the Operator), although in these cases their work is then not independently verified.
3 Part 2c: Funding Arrangements Plan Guidance					
3.1 Content of the FAP					
3.1.1	2c.2	<p>The FAP should set out the Operator's detailed arrangements for one or more Funds to deliver sufficient assets to meet the estimated costs of carrying out the plans as set out in the DWMP for the Designated Technical Matters.</p> <p>In doing so, the FAP should set out details for establishing, contributing to, maintaining, managing, administering, and winding up the Fund, and for making disbursements from it, together with all or any other forms of additional security to address risks such as the insufficiency of the Fund.</p>	General	Adequately met	The requirements under paragraph 2c.2 of the Guidance are covered in more detail in the rows below.

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
3.1.2	2c.4	It is for the Operator to decide how to structure its FAP. Whichever structure is used, the Operator should make clear how their proposal addresses the Objective and Guiding Factors in the Guidance.	N/A	Adequately met	<ul style="list-style-type: none"> The Board has held various discussions and received presentations from the Operator in relation to the FAP, which explained how the Operator has decided to structure the FAP. However, the Board has not received a comprehensive explanation of how the Operator's proposal addresses the Objective and Guiding Factors in the Guidance, and the Board understands the Operator will not provide any such formal explanation (consistent with the approach taken on HPC). The Board notes that it has itself completed the exercise of assessing how the FAP addresses the Objective and Guiding Factors in the Guidance by conducting the analyses set out in this Annex.
3.1.3	2c.5	<p>The FAP should be supported by documents setting out detailed analyses and justification of information provided in respect of the matters covered by the Guidance.</p> <p>Information provided should include a statement of which new nuclear power station site the FDP corresponds to, a list of Associated Companies by reference to Section 67 of the 2008 Act, and an accompanying list of all the supporting documentation.</p>	N/A	Met ¹⁰	<ul style="list-style-type: none"> The Board has been provided with various supporting documents for the purposes of its review, such as presentations and memoranda from Linklaters, Clifford Chance, Herbert Smith Freehills and the Government Actuary's Department. Ultimately, the relevant analyses and justification that support the FAP should be provided to the Secretary of State. Note the Operator and the FDP Implementation Company are to be Associated Companies pursuant to Section 67 of the 2008 Act. However, upon review of the supporting documents provided by the Operator, it appears to the Board that during the period from one year prior to First Criticality Estimated Date until First Criticality, it may technically be possible for the FDP Implementation Company to temporarily stop being such an Associated Company due to the number of Independent Directors prescribed in the FDP Implementation Company AoA being up to five (5) out of six (6), meaning the Operator's shareholding in the FDP Implementation Company may fall to 16.67% (i.e., below the 20% required in section 67 of the 2008 Act). See row 3.2.2 below and paragraph 3 of Part A (<i>Factual Background</i>) of Annex 7 (<i>Funded Decommissioning Programme</i>).
3.1.4	2c.6	An explanation should be provided alongside the FDP as to how any tax and accountancy analysis has driven	N/A	Adequately met ¹¹	<ul style="list-style-type: none"> The Board has been provided with a tax analysis paper from Herbert Smith Freehills LLP dated 4 February 2025 and an explanatory note which addresses how the tax position is reflected in the FAP. This paper however describes multiple tax-related uncertainties, including in the post-operational period. In particular, the underlying premise of the tax

¹⁰ **Note:** This assumes that the documents and information received by the Board will also be provided to the Secretary of State.

¹¹ **Note:** This assumes that the documents and information received by the Board will also be provided to the Secretary of State.

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
		the development of the Operator's proposed FDP.			<p>analysis and the basis of the conclusion that certain investments may achieve tax neutral treatment is that the FDP Contributions by the Operator and subsequent obligation of the FDP Implementation Company to return the Fund Assets by way of DTM payments constitute a "loan relationship". It is however noted that this tax analysis needs to be considered further and confirmed with HMRC.</p> <ul style="list-style-type: none"> • The Board has not been provided with any financial analysis with respect to the tax liabilities. • The Board notes, however, that the FAP has been developed and revised following numerous discussions and consultations to cater for the uncertainties identified in the tax analysis conducted to date. See paragraph 11 of Part B (<i>Life Cycle of the FAP</i>) of Annex 7 (<i>Funded Decommissioning Programme</i>).
3.2 Creation of the Fund					
3.2.1	2c.8	Prior to the moment when any reactor core of the nuclear power station achieves First Criticality, the Operator should have created the Fund to accumulate, invest and manage payments received to meet the costs of the Designated Technical Matters.	Clause 55.1	Not met as at the date of this Advice	<p>The FAP has been prepared on the basis that the FDP Implementation Company has been incorporated in England as a private company limited by shares, and will remain established in that form for the duration of the FAP. As at the date of this Advice, the FDP Implementation Company does not appear to have been incorporated. Therefore, this requirement is not met as at the date of this Advice; however the Board understands that the intention is for the FDP Implementation Company to be incorporated in the six weeks before FID and therefore it is still capable of being met.</p>
3.2.2	2c.9	Prior to approval of an FDP, the Operator should begin identifying individuals who it expects to be appointed to manage to the Fund.	Clauses 61 – 62	Met	<p>With respect to the governance of the FDP Implementation Company, the FAP (together with the FDP Implementation Company AoA) provides <i>inter alia</i> that:</p> <ul style="list-style-type: none"> • the FDP Implementation Company should be governed by Independent Directors; • the number of directors of the FDP Implementation Company will be as follows: <ul style="list-style-type: none"> • until the date falling two (2) years prior to the First Criticality Estimated Date, up to three (3) directors in total, with up to two (2) Independent Directors and one (1) Operator Director; • from the date falling two (2) years prior to the First Criticality Estimated Date until the date falling one (1) year prior to the First Criticality Estimated Date, up to five (5) directors in total, with up to

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
					<p>four (4) Independent Directors (at least one (1) required to have financial and/or investment expertise) and one (1) Operator Director;</p> <ul style="list-style-type: none"> from the date falling one (1) year prior to the First Criticality Estimated Date until First Criticality, up to six (6) directors in total, with up to five (5) Independent Directors (at least one (1) required to have financial and/or investment expertise) and one (1) Operator Director; following First Criticality, up to seven (7) directors in total, with up to five (5) Independent Directors and two (2) Operator Directors; and the Independent Directors must satisfy the Independence Criteria. <p>As at the date of this Advice, the Board has been provided with details of the two individuals who have been identified to be appointed as directors of the FDP Implementation Company in the initial period.</p>
3.2.3	2c.10	Between approval of an FDP and First Criticality at the power station, the Fund will need to be capable of performing a limited set of its functions, for example in relation to Annual reporting and Quinquennial reporting and modifications to an approved FDP. The Operator may wish to propose some form of transitional arrangements to cover this period, for example that a reduced number of appointments to the Fund entity are made.	Clause 51; Schedules 8 – 9, 12 – 13	Not met as at the date of this Advice	<p>As noted above, the number of directors of the FDP Implementation Company is to gradually increase up to First Criticality, and from the date falling two (2) years prior to the First Criticality Estimated Date, it will need to have at least one (1) Independent Director with financial and/or investment expertise.</p> <p>However, given the FDP Implementation Company has not been incorporated and no individuals have yet been appointed to manage the Fund, whether this requirement will be met between approval of the FDP and First Criticality is not something the Board can confirm as at the date of this Advice. Therefore, while this requirement is marked as not being met as at the date of this Advice, it is capable of being met before the finalisation of the FAP.</p>
3.3 Structure of the Fund					
3.3.1	2c.12	Structure proposed must be demonstrably capable of receiving, retaining and accumulating sufficient funds to meet the plans as set out in		Met	The FAP sets out the mechanism for the Operator to provide the Contributions to the FDP Implementation Company, including various adjustment mechanisms, such as the Quinquennial Reviews, to ensure that the DWMP continues to meet the plans set out for the Designated Technical Matters.

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
		the DWMP for the Designated Technical Matters.			
3.3.2	2c.13	Any structure proposed must ensure at all times the independence of the Fund from the Operator and protection from claims by the Operator, other than where those claims are in accordance with the FDP.	Clauses 10, 57, 61.4	Met	<ul style="list-style-type: none"> The Operator and the FDP Implementation Company are required to ensure that the Fund Assets are held on behalf of the FDP Implementation Company and not the Operator or its affiliates (other than to the extent permitted under the Investment Rules). The majority of the shares in the FDP Implementation Company must be owned, at all times, by persons that are independent of the Operator. The Operator may only vote on governance decisions of the FDP Implementation Company where necessary to protect the FDP (e.g., where the independent FDP Implementation Company shareholders fail to pass a resolution within a reasonable time to give effect to a modification of the FDP approved by the Secretary of State or to a direction given by the Secretary of State under the 2008 Act).
3.3.3	2c.14	<p>The Fund entity and the Fund Assets must also be protected from the Operator's creditors in the event of the Operator's insolvency or the insolvency of an Associated Company of the Operator.</p> <p>Ensuring that the Fund is a legally separate entity from the Operator or from an Associated Company of the Operator and that the Fund does not owe any obligations directly to any creditors of the Operator would assist in this regard.</p>	Clauses 25, 26.2, 55, 57	Met	See detailed analysis in Part B (<i>Operator Insolvency</i>) of Annex 13 (<i>Insolvency Remoteness Analysis</i>) – as discussed therein, there are a number of protections for the FDP Implementation Company and the Fund Assets in the event of the Operator's insolvency. Also, as noted in this Annex, the FDP Implementation Company is a legally separate entity from the Operator which cannot be majority owned by the Operator.
3.3.4	2c.15	The FAP must provide that the prospects of the Fund becoming insolvent are remote.	Clauses 10, 25, 29, 55.3	Met	See detailed analysis in Part A (<i>Fund Insolvency</i>) of Annex 13 (<i>Insolvency Remoteness Analysis</i>), where the Board has analysed the arrangements with respect to the FDP Implementation Company against a set of insolvency

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
					remoteness criteria (including the restrictions on the activities, objects and powers the FDP Implementation Company).
3.3.5	2c.16	<p>Establishing the Fund within the jurisdiction(s) to which the 2008 Act applies would assist in meeting the principle in relation to insolvency remoteness of the Fund.</p> <p>Establishing the Fund elsewhere could reduce insolvency remoteness by making the Fund vulnerable to changes in local insolvency law as well as depriving the Fund of the protection conferred on it under Section 56 of the 2008 Act.</p>	Clause 55	Met	The FDP Implementation Company will be incorporated in England & Wales, which is the same jurisdiction in which the 2008 Act is enacted and therefore applies.
3.3.6	2c.17	An Operator may decide to create a single Fund, or establish separate Funds for (a) the Operator's decommissioning and waste management costs and (b) the Operator's waste disposal costs. In either case, there must be transparency, and separate accounting and reporting of the two sets of liabilities.	Recital (A)(c); Schedules 3, 8, 9 and 10	Met	<ul style="list-style-type: none"> On (a) and (b), the Fund Assets held by the FDP Implementation Company will be made up of four basic elements: the Costs of Decommissioning, the Costs of Spent Fuel Management, the Costs of ILW Disposal and the Costs of Spent Fuel Disposal. On transparency and separate accounting and reporting of these liabilities, paragraph 1.4 of section 1 (<i>Quinquennial Review Process</i>) of schedule 9 (<i>Quinquennial Review Programme</i>) to the FAP provides that the Operator shall present the above four elements separately within the cash outflows relating to the Designated Technical Matters set out in the draft DWMP for a Quinquennial Review process.
3.4 The Role of the Fund					
3.4.1	2c.19	The Fund should be established with the primary purpose of ensuring that the Operator makes prudent provision	Clauses 37, 39, 56	Met	<ul style="list-style-type: none"> The Operator is only able to use DTM Payments that it receives from the FDP Implementation Company for the payment of Allowable Costs (e.g., costs to which the Detailed DWMP gives rise to or costs arising directly from instructions from a regulator with jurisdiction over the Operator).

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
		for the financing of the Designated Technical Matters through discharging its functions in accordance with the relevant provisions in the FDP.			<ul style="list-style-type: none"> The Operator must submit an Annual Work Plan and Budget, whereby it sets out the relevant DTM Costs and an Allowable Costs Certificate in respect of such costs. The FAP states that the sole purpose of the FDP Implementation Company is to implement its obligations under the FAP, the Section 46 Agreement and the Security Trust and Intercreditor Deed and to assist the Operator and the Secretary of State with the preparation, approval and execution of any decommissioning programme following the FDP.
3.4.2	2c.20	<p>The FAP should set out the respective roles and responsibilities of the Operator and the Fund and confer on those persons responsible for governance of the Fund powers and duties that are appropriate to the role.</p> <p>In particular, the FAP should set out the powers and duties of the relevant parties in relation to (but not limited to):</p> <ul style="list-style-type: none"> setting and reviewing the schedule of contributions to be made by the Operator to the Fund; investing, accumulating and managing Fund Assets; reporting to the Operator and to the Secretary of State on the performance and likely sufficiency of the Fund; and controlling Fund disbursements. 	Clauses 2, 9, 11, 13 – 15, 17, 18, 37; Schedules 2 – 3, 7 – 10	Met	<p>One of the primary focuses of the FAP is the roles, responsibilities and powers of the Operator and the FDP Implementation Company. As such, the FAP contains broad provisions which apply to paragraph 2c.20 of the Guidance, including setting out:</p> <ul style="list-style-type: none"> the requirements for the Operator to make Contributions to the Fund; the procedures for the review and adjustment of the Funding Path and such Contributions; the Investment Rules and strategies available to the Operator and the FDP Implementation Company (including the ability of the Operator to review Investment Orders); annual reporting and quinquennial reporting, which include reporting on the performance of the Fund (and procedures for rectifying any non-compliance by the FDP Implementation Company with the investment rules); and rules for the disbursement of Fund Assets (see row 3.4.1 above). <p>The FAP also sets out the governance requirements of the FDP Implementation Company, including board composition, requirement for the FDP Implementation Company to be governed by Independent Directors and requirement for the FDP Implementation Company to be majority owned by Independent Directors (or the FDP Company Administrator if applicable).</p>
3.4.3	2c.21	The constitutional documents of the Fund should set out the powers, duties of and restrictions on the Fund. Any change to the constitutional	Clauses 56.2, 58, 59, 60, 64	Met	<ul style="list-style-type: none"> The FDP Implementation Company AoA set out the powers, duties and restrictions on the powers of the FDP Implementation Company. The restrictions include limitations on the FDP Implementation Company's ability to: (i) make distributions to its shareholders; (ii) borrow money or issue securities; or (iii) enter into agreements with third parties other than

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
		documents of the Fund will constitute a modification to the FDP requiring the Secretary of State's approval.			<p>permitted under the FAP or in the ordinary course of business and on <i>bona fide</i> arm's length terms.</p> <ul style="list-style-type: none"> In addition, the FDP Implementation Company SHA contains obligations on the FDP Implementation Company shareholders to exercise their rights as shareholders in order to ensure the FDP Implementation Company's compliance with the FAP. Certain articles in the FDP Implementation Company AoA are designated "Mandatory Articles" (e.g., Objects, Powers, delegation by Directors) – the amendment of which requires the prior written consent of the Secretary of State. Moreover, neither the Operator nor the FDP Implementation Company are able to take any action which would render the FDP Implementation Company AoA or FDP Implementation Company SHA inconsistent with the requirements of the FAP.
3.4.4	2c.22	<p>The Fund's activities should be ring-fenced from the Operator and its creditors and thereby insulated from liabilities and obligations owed to third parties by the Operator.</p> <p>The way in which the Fund's operating expenses are to be dealt with should be set out in the FAP.</p>	Clauses 37, 39, 66	Met	<ul style="list-style-type: none"> The FDP structure is designed to ring-fence the FDP Implementation Company from the Operator and its creditors (and thereby insulate the Fund Assets from the Operator's creditors), which is further complemented by the protected assets regime in Section 56 of the Energy Act 2008. This is discussed in more detail in Part A (<i>Fund Insolvency</i>) of Annex 13 (<i>Insolvency Remoteness Analysis</i>). As noted above, the Operator must submit an Annual Work Plan and Budget, whereby it sets out the relevant DTM Costs and Allowable Costs that are required for the FDP Implementation Company operating expenses. In addition, the FAP contains requirements on the FDP Budget and Services Agreement, pursuant to which the Operator and the FDP Implementation Company shall agree on the FDP Implementation Company budgets and the process of expert review and verification of same.
3.4.5	2c.23	<p>Under its constitutional documents, restrictions applicable to the Fund will be expected to include requirements to:</p> <ul style="list-style-type: none"> ensure Fund Assets are only applied for the purposes set out in the FDP; 	Clauses 56.2, 58	Met	<p>The FDP Implementation Company AoA set out these requirements (see, for example, articles 3 (<i>Objects</i>), 4 (<i>Powers</i>), 5 (<i>Asset lock</i>) and 18 (<i>Records to be kept</i>) of the FDP Implementation Company AoA).</p>

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
		<ul style="list-style-type: none"> • limit the activities of the Fund to the implementation of the FDP arrangements; • control change to the permitted purpose and activities of the Fund; • maintain the Fund's existence and its own legal identity, including to maintain the Fund's own separate books, records, financial statements and accounts; • not guarantee or otherwise be obliged for the debts of others; • prohibit or restrict the Fund from borrowing money or issuing securities, or making loans or advances; • not provide security over its assets other than to HMG as security for the FDP; • avoid entering into agreements (including employment contracts) under which the Fund may become liable to third parties, without an indemnity from the Operator for liabilities arising out of such agreements; and • ensure any relationships with others are on bona fide, arm's length terms. 			
3.4.6	2c.24	The Operator will be expected to calculate the estimated costs of carrying out the plans as set out in the DWMP for the Designated Technical Matters.	Clauses 37, 39; Schedules 8 – 9	Met	The Annual Review and Quinquennial Review and reporting procedures set out at schedules 8 (<i>Annual Review Programme</i>), 9 (<i>Quinquennial Review Programme</i>) and 10 (<i>Technical Verification</i>) of the FAP provide for the review and reporting on the DWMP and the costs associated with same, including verification procedures by independent verifiers.

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
		<p>The Fund will be expected to satisfy itself at least as to whether:</p> <ul style="list-style-type: none"> the estimated costs of the plans set out in the DWMP for the Designated Technical Matters have been appropriately verified; and the contributions, given the proposed Investment Strategy and likely investment returns, are likely to accumulate sufficient assets to meet the cost estimates. 			
3.5 Ownership of the Fund					
3.5.1	2c.25	<p>The ownership of the Fund must be independent of the Operator and its Associated Companies.</p> <p>An element of Operator ownership of the Fund may be acceptable, provided the Fund structure ensures consistency with the Objective and Guiding Factors.</p>	Clause 57	Met	See Part A (<i>Fund Insolvency</i>) of Annex 13 (<i>Insolvency Remoteness Analysis</i>) – as set out therein, the FDP Implementation Company is independent of the Operator, and the Operator retains a non-voting minority shareholding in the FDP Implementation Company (the Non-Voting Operator Share).
3.5.2	2c.26	The FDP must put in place arrangements and establish a relationship between the Operator and the Fund such that the risk to Fund Assets and any payments due to the Fund under the terms of the FDP is remote in the event of the insolvency	Clauses 10, 25, 29, 55.3	Met	See Part B (<i>Operator Insolvency</i>) of Annex 13 (<i>Insolvency Remoteness Analysis</i>) – the arrangements set out in the FAP, as well as the protected assets regime in Section 56 of the Energy Act 2008 (discussed in more detail in Part A (<i>Fund Insolvency</i>) of Annex 13 (<i>Insolvency Remoteness Analysis</i>)), mean that the risk to Fund Assets and any payments due to the Fund under the terms of the FDP is remote in the event of the insolvency of the Operator.

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
		of the Operator, Associated Company and any entity (such as a trust) with ownership or membership interests in, or control of, the Fund.			
3.6 Governance of the Fund					
3.6.1	2c.27	The Secretary of State will need to be satisfied that suitable arrangements are in place for the governance of the Fund entity. This includes not only such arrangements for the Fund entity itself but also, where appropriate, for other entities (such as a trust) with ownership or membership interests in, or control of, the Fund.	Schedules 5 – 6	Met	<ul style="list-style-type: none"> As noted above, the FAP contains multiple provisions regarding the governance of the FDP Implementation Company (e.g., the requirement to have Independent Directors and voting procedures). The FAP provides limited provisions in respect of the governance of the Operator (e.g., scope of business activities restrictions in schedule 5 and status and lending restrictions in schedule 6). Note that the governance arrangements in respect of the FDP Implementation Company are set out in the FDP Implementation Company AoA and FDP Implementation Company SHA, which are all closely based on the equivalent arrangements for HPC.
3.6.2	2c.28	<p>The constitutional arrangements and/or structure of the Fund to include the arrangements as regards to those responsible for the governance of the Fund will include:</p> <ul style="list-style-type: none"> a properly constituted board or equivalent; a clear delineation of respective duties; appropriate restrictions on powers; and provisions to ensure that those with governance responsibilities for the Fund act with the appropriate level of skill and care in the performance of their functions. 	Clauses 56.2, 58, 59, 60, 61, 64	Met	<p>As noted above, the FAP contains provisions concerning:</p> <ul style="list-style-type: none"> constitution of the FDP Implementation Company board (see row 3.2.2 above); the duties and obligations of the Operator and the FDP Implementation Company (see row 3.4.2 above); and restrictions on the powers of the Operator and the FDP Implementation Company (see rows 3.4.5 and 3.6.1 above). <p>Otherwise, the governance arrangements for the FDP Implementation Company are set out in the FDP Implementation Company AoA and the FDP Implementation Company SHA.</p>

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
3.6.3	2c.29	<p>Those responsible for the governance of the Fund should be competent to perform that role, and the clear majority of them must be independent of the Operator. Governance of the Fund should also be independent of HMG.</p> <p>The Secretary of State would therefore not expect to have any role in the appointment process of those responsible for Fund governance beyond being satisfied that both the appointment criteria and the continuing obligations of those responsible for Fund governance (both of which Operators should include in the FAP) deliver the expected level of independence and competence.</p>	Clauses 61 – 62	Met	<ul style="list-style-type: none"> As noted above, the FAP provides <i>inter alia</i> that the FDP Implementation Company should be governed by Independent Directors and that the Operator may only appoint one (1) director to the FDP Implementation Company board between the date of the FAP and First Criticality and two (2) directors to the FDP Implementation Company board following First Criticality. Also as noted above, from the date falling two (2) years prior to the First Criticality Estimated Date, the FDP Implementation Company must have at least one (1) Independent Director with financial and/or investment expertise. The FDP Implementation Company AoA also require that on appointment of directors, the Independent Directors (who appoint the Independent Directors) must be mindful of the benefit of the board being balanced with individuals having appropriate expertise, including industry expertise, financial and investment management expertise and legal and regulatory expertise. See detailed analysis in Part A (<i>Fund Insolvency</i>) of Annex 13 (<i>Insolvency Remoteness Analysis</i>).
3.6.4	2c.30	<p>The Operator must not have either direct or indirect control of the Fund.</p> <p>The Secretary of State is therefore unlikely to be satisfied by funding arrangements which leave control of the Fund in the hands of the Operator or a majority of persons who are not independent of the Operator. If the Operator appoints non-independent persons to a governance role, then they must be in a minority.</p>	Clauses 61 – 62	Met	<p>See detailed analysis in Part A (<i>Fund Insolvency</i>) of Annex 13 (<i>Insolvency Remoteness Analysis</i>). As noted above, the FAP provides <i>inter alia</i> that the FDP Implementation Company should be governed by Independent Directors and that the Operator may only appoint one (1) director to the FDP Implementation Company board between the date of the FAP and First Criticality and two (2) directors to the FDP Implementation Company board following First Criticality.</p>

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
3.6.5	2c.31	<p>Those persons appointed to a governance role would be expected to confirm their competence and (with the exception of those appointed in a non-independent role) their independence before accepting that appointment, and should be subject to a requirement to maintain their independence for the duration of the appointment.</p> <p>If during the appointment a person can no longer demonstrate competence and independence, they should not continue in the role.</p>	Clauses 62 – 63	Met	<ul style="list-style-type: none"> Any prospective Independent Director is required to disclose to the FDP Implementation Company if there are any Notifiable Circumstances which apply to them (i.e., any circumstances which could affect that individual's judgement in relation to the FDP). If any Notifiable Circumstances apply, all of the existing Independent Directors must be satisfied that the individual is independent in character and judgement (however, no employee or officer of the Operator or any affiliate can be found to be independent in character and judgement). As noted above, if any Independent Directors cease to be independent, the appointment of that Independent Director must be terminated with immediate effect. Also as noted above, the FDP Implementation Company AoA require that on appointment of directors, the Independent Directors (who appoint the Independent Directors) must be mindful of the benefit of the board being balanced with individuals having appropriate expertise. The FDP Implementation Company AoA also prescribe "strong reputation and proven track-record and acknowledged expertise in any of the legal, financial or technical/engineering sectors" as one of the General Criteria that each Independent Director must satisfy on appointment, though it is not expressly required that this must continue to be satisfied by each Independent Director.
3.6.6	2c.32	Maintaining independence will include requiring those persons to avoid any situation in which that person has, or could have, a direct or indirect interest that materially conflicts, or may conflict, with their duties to the Fund. In the case of individuals, the Secretary of State would expect the individual to be independent of the Operator according to principles at least as stringent as those set out in Independence Principles of the UK Corporate Governance Code.	Clauses 61 – 63	Met	<ul style="list-style-type: none"> As noted above, the existence of Notifiable Circumstances will assist in evaluating the independence of an Independent Director (or a prospective appointee). The Notifiable Circumstance includes: (i) the existence of any relationships or circumstances that are referred to in the Independence Criteria of the UK Corporate Governance Code; (ii) being an employee of the Operator or affiliates; or (iii) holding any investments in the Operator or affiliates. In addition, the FDP Implementation Company AoA requires the FDP Implementation Company board to be mindful of the benefit, to the extent possible, of having among them, <i>inter alia</i>, appropriate expertise in the nuclear industry or in nuclear liabilities (including nuclear decommissioning).

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
		<p>The Secretary of State considers it appropriate for some of these individuals to be appointed in view of their expertise in nuclear energy. It is recognised that the number of suitable candidates may be limited, and this constraint can be taken into account in the assessment of independence of those individuals.</p> <p>Aside from those appointed to a non-independent role, neither an individual nor a corporate body should hold (directly or indirectly) any investment in the Operator or any of its Associated Companies, which gives rise, or could reasonably be perceived to give rise, to an actual or potential conflict of interest.</p>			
3.6.7	2c.33	<p>Competence can also be demonstrated in a number of ways. Appointees should be demonstrably fit and proper persons with the necessary education, experience and skills to hold the position.</p> <p>In the case of the appointment of a corporate body to govern the Fund, the Secretary of State would expect that the Operator could demonstrate that the board of the corporate body has</p>	N/A	Met	<ul style="list-style-type: none"> The General Criteria that each Independent Director must satisfy on appointment as set out in the FDP Implementation Company AoA include (i) holding a degree from a recognised university and/or a relevant professional qualification and (ii) having a strong reputation and proven track record and acknowledged expertise in any of the legal, financial or technical/engineering sectors. While the FAP and the FDP Implementation Company AoA does not expressly prohibit the appointment of a corporate body to govern the FDP Implementation Company, the governance provisions only contemplate individual Directors (the Independent Directors and the Operator Directors) and as such, the FAP would not allow the governance of a corporate body in practice.

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
		the requisite level of experience and resources (including individuals who demonstrate the same qualities described above) to manage the role.			
3.6.8	2c.34	<p>The arrangements under which the Fund is established should set out measures to ensure its longevity and continuity for the purpose for which it has been established, including appropriate checks and balances as regards the succession of directors, members and trustees (as applicable) within the Fund structure.</p> <p>The following would assist in demonstrating independence:</p> <ul style="list-style-type: none"> • Fixed-term contracts which are renewable for a maximum number of terms; • absence of control by the Operator over board member succession; • staggered appointment terms; and • provision for the removal of a director for a breach by it of the FDP or a breach of the independence requirements. 	Clauses 61 – 63	Adequately met	<ul style="list-style-type: none"> • The FAP contains provisions regarding the appointment and removal of Independent Directors (see rows 3.2.2 and 3.6.3 above), which is mirrored in the FDP Implementation Company AoA. As noted in row 3.6.3, it is the Independent Directors who appoint new Independent Directors. • Such provisions set out that the service agreements to be entered into with each Independent Director must specify that the relevant Independent Director is appointed for a fixed term of seven (7) years (subject to potential fixed period extensions to allow for participation in the next Quinquennial Review). • The FDP Implementation Company AoA provide that the term of the appointment of each of the Independent Directors will be seven (7) years, though this term may be extended in accordance with the FDP Implementation Company AoA. • The FDP Implementation Company AoA does <u>not</u> expressly provide for staggered appointment terms, though the Operator's expectation is that the staggering of initial appointments and the limits on the term for which a director can serve will result in directorships being staggered in practice. The Board considers such expectation to be realistic. • The FDP Implementation Company AoA do provide for removal of a director for a breach by that director of the FAP or a breach of the independence requirements.
3.7 Target Value for the Fund					

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
3.7.1	2c.35	The FDP should specify a Target Value for the Fund. The Operator should set out in its FDP how it would make good any shortfall or risk of shortfall in the accumulated assets held by the Fund relative to the Target Value.	Schedule 3, Sections 2 – 4	Met	<ul style="list-style-type: none"> Section 4 of Schedule 3 to the FAP sets out the target values of the Fund (including the End of Generation Target, the End of Primary Funding Period Target and End of Generation Decommissioning Target) and the calculation methods for each target. Sections 2 (<i>Calculation of Base Case Contributions</i>) and 3 (<i>Calculation of the Correction Contribution</i>) of schedule 3 (<i>Minimum Contribution Calculation Rules</i>) to the FAP set out the Base Case Contributions by the Operator to the FDP Implementation Company, the calculations of same, and the process of reviewing such Contributions and calculating any Correction Contributions to address any shortfalls (in accordance with the Quinquennial Review procedure and the Partial Revocation regime).
3.7.2	2c.36	For liabilities in respect of decommissioning and waste management, to minimise the risk that the funds accumulated are insufficient, the Fund Assets will be expected, based on prudent assumptions, to accumulate at least 100 per cent. (100%) of the estimated costs of carrying out the plans as set out in the DWMP for the Designated Technical Matters as and when those liabilities fall due.	Schedule 3, Section 4	Met	The target values set out in section 4 (<i>Targets</i>) of schedule 3 (<i>Minimum Contribution Calculation Rules</i>) to the FAP include those in respect of decommissioning and waste management. Such target values are set at over one hundred per cent. (100%) of the relevant costs.
3.7.3	2c.37	The Target Value for the Fund Assets should include a prudent risk-based contingency which the Fund would be expected to reassess periodically.	Schedule 3	Adequately met	<p>This is based on P80 + 25% contingency (which the Board has been instructed to assume is prudent in the opinion of the Secretary of State). Please refer to Annex 17 (<i>P80 Methodology</i>) for further analysis.</p> <p>As noted in paragraph 8.2(A) of the Main Report, the Long Term Discount Rate, despite the higher risk, higher return investment strategy continuing for longer under the Sizewell C FAP compared to the HPC FAP, leaves no margin for prudence to compensate for the risk that the return from the chosen Investment Strategy is lower than expected and results in a Funding Shortfall, meaning that, all being equal, the End of Generation Target for Sizewell C</p>

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
					could be lower than on HPC. See paragraph 8.2(A) of the Main Report for further analysis.
3.7.4	2c.38	The element of the Target Value intended to meet the costs of waste disposal will be based on the Waste Transfer Price and the agreed schedule according to which payments must be made.	Schedule 3, Section 4	Met	The waste disposal target values set out in section 4 (<i>Targets</i>) of schedule 3 (<i>Minimum Contribution Calculation Rules</i>) to the FAP provide that such target values (the ILW disposal target and the Spent Fuel disposal target) will be based on the Waste Transfer Price (being the ILW Transfer Price and SF Transfer Price). See also row C.7 of Annex 5 (<i>Risk Matrix Identifying Key Potential Risks to Shortfall in Funding for the Cost of FDP Liabilities</i>).
3.7.5	2c.39	The first payment to be made to the Fund no later than First Criticality.	Clause 2	Met	The First Criticality Payment must be paid by the Operator to the FDP Implementation Company on the First Criticality Payment Date (i.e., the date that is five (5) Business Days before the expected date of First Criticality).
3.7.6	2c.40	The Operator should set out its proposals to ensure that in reasonable time before the date on which the station is expected to permanently cease electricity generation, there are assets in the Fund which, having regard to the expected investment performance of the Fund, will be sufficient to meet the estimated costs of carrying out the plans as set out in the DWMP for the Designated Technical Matters. These proposals should take into account the increased risk that at the end of the generating lifetime of the power station, the Operator may not be able to make up any shortfall in the Fund in the absence of revenues from the power station.	Schedule 3, Section 4; Schedules 11 and 21	Adequately met	<ul style="list-style-type: none"> Section 4 (<i>Targets</i>) of schedule 3 (<i>Minimum Contribution Calculation Rules</i>) of the FAP sets out the methodology for calculating the End of Generation Target (including the End of Generation Decommissioning Target). See row 3.7.3 above in relation to the Long Term Discount Rate and its effect on the End of Generation Target. Also, the FAP provides for a Funding Outcomes Report to be prepared by the Independent Financial Verifier at each of FYE EPFP – 10, FYE EPFP – 2 and FYE EPFP. This report will contain an estimate of the Probability Distribution (i.e., a statistical model defining the range of possible outcomes and their corresponding likelihood) of the excess or shortfall in projected Fund Assets at the SF Transfer Date once all DWMP cashflows have been discharged as they fall due. The explanatory note to Part C (<i>Assessment of the Likelihood of Funding Outcomes</i>) of schedule 11 (<i>Financial Verification</i>) of the FAP states that the Secretary of State is expected to review this report with the purpose of determining whether the likelihood of the sufficiency of the Fund Assets is sufficient based on its view of risk, value for money considerations and any other criteria that the Secretary of State considers is appropriate at the relevant time. As such, the Section 46 Agreement contains a trigger for a modification of the FDP in the event that the Secretary of State determines that this report demonstrates that the FDP no longer provides prudent provision for the Technical Matters.

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
					<ul style="list-style-type: none"> In addition, even if there is an increase in the Costs of Decommissioning occurring towards the end of the life of the Plant, the SZC Economic Licence cannot expire or be revoked while an FDP Shortfall is outstanding as described in paragraph 4 (<i>Revocation of the SZC Economic Licence</i>) of Annex 11 (<i>SZC Economic Licence</i>). If this occurs beyond the Initial Regulatory Period, the FAP will respond to this as long as the Quinquennial Reviews during the Operational Period picks up any such increased costs.
3.8 Contributions to the Fund					
3.8.1	2c.41	<p>Payments to the Fund should be viewed as an essential matter during operation which must take priority over debt and/or other costs and any returns made to equity holders.</p> <p>Exceptions to this priority should be limited to defined classes of operational and safety and security expenditure, details of which should be set out in the FDP.</p> <p>Where other creditors of the Operator or any other entity making contributions to the Fund exist, intercreditor arrangements between the Fund, the Operator and other</p>	Recital (i)(iii); Clauses 5, 31	Met	<ul style="list-style-type: none"> The Contributions have priority over all payments (including debt and dividends), other than payments in respect of Safety Critical Expenditure.¹² This is further complemented by the protected assets regime in Section 56 of the Energy Act 2008 (discussed in more detail in Part A (<i>Fund Insolvency</i>) of Annex 13 (<i>Insolvency Remoteness Analysis</i>)). The FAP acknowledges that the Secretary of State, the Operator and the FDP Implementation Company have entered, or will enter, into the Security Trust and Intercreditor Deed, Common Security Documents and any additional security documents in relation to the FDP.¹³

¹² **Note:** See Risk Category B of Annex 5 (*Risk Matrix Identifying Key Potential Risks to Shortfall in Funding for the Cost of FDP Liabilities*) in relation to risk factors identified by the Board in respect of the priority of Safety Critical Expenditure.

¹³ **Note:** See further detail on the security package at Annex 9 (*Financing Arrangements*).

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
		creditors of the Operator may be required.			
3.8.2	2c.42	The FAP should set out the basis on which the level of and schedule for contributions which the Operator will make to the Fund will be determined, reviewed and, where necessary, revised. The Secretary of State will expect the Fund to set or approve the contribution schedule with reference to the approved Investment Strategy.	Clause 4; Schedules 2 – 3, 8 – 9	Met	As noted above, the FAP contains obligations on the level and schedule of Contributions (including the review and revising of same in accordance with the Annual Review Process and Quinquennial Review Process) (see row 3.7.1).
3.8.3	2c.43	Operators will need to ensure that the FAP takes account of both direct and indirect taxes. That will include corporation tax, income tax and/or capital gains tax on income and gains of the Fund, and the incidence of VAT on the acquisition of goods and services for the purposes of, and otherwise funded by, the Fund. Operators will also wish to consider the tax consequences of contributions made to the Fund and any payment received from the Fund.	Clause 66, Schedules 3, 9	Met	As set out in row C.6 of Annex 5 (<i>Risk Matrix Identifying Key Potential Risks to Shortfall in Funding for the Cost of FDP Liabilities</i>), the FAP takes account of the potential tax liabilities of the FDP Implementation Company and the Operator. One area of potential weakness is that whilst from year 45 from First Criticality there will be a “Detailed Tax Assessment” with a shift to prospective funding of tax arising in respect of the Disbursement Period for the remaining operational period, this will be based on the tax laws as at the date of each Quinquennial Review and will not seek to make provision for the risk of changes to tax law or treatment during this period. We understand this is a considered position taken by the Operator with the agreement of DESNZ, as further explained in paragraph 11.2 of Part B (<i>Life Cycle of the FAP</i>) of Annex 7 (<i>Funded Decommissioning Programme</i>).
3.8.4	2c.44	The FAP may set out the circumstances in which contributions to the Fund may be revised downwards, or surplus assets withdrawn from the Fund.	Recitals (A)(iv), (D)(b); Schedules 8 – 9	Adequately met	The FAP does not contain provisions for the withdrawal of surplus assets from the Fund prior to winding up of the FDP Implementation Company ; however, it does set out that the correction procedures contained in the Annual Review and Quinquennial Review may correct either deficits or surpluses (and that surpluses may be set off against scheduled Contributions).

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
3.8.5	2c.46	The Secretary of State will expect to be provided with the views of the person or persons expected to be responsible for the Fund on the arrangements set out in the FDP prior to approval of the FDP.		Not within the Board's remit	The Board is not aware of this having been done, but it recommends that the Secretary of State should be provided with such views prior to any approval of the FDP.
3.9 Dispute Resolution					
3.9.1	2c.47	The terms setting out the relationship between the Operator and the Fund should recognise that it will be for the Fund to set or approve the contribution schedule based upon the Investment Strategy put forward by the Operator and approved in the FAP. The Secretary of State recognises the possibility of disputes arising between the Operator and the Fund, particularly given the nature of the liabilities and costs involved and the length of time before those liabilities are expected to be discharged.	Schedules 8 – 9, 19	Met	The various review procedures set out in the FAP (e.g., the Annual Review and Quinquennial Review procedures) contemplate that disputes may arise between the Operator and the FDP Implementation Company and contain dispute resolution provisions in accordance with schedule 19 (<i>Claims, Disputes and Arbitration</i>) of the FAP accordingly (see below).
3.9.2	2c.48	The FAP should include a dispute resolution procedure to facilitate the timely and cost-effective resolution of disputes.	Schedule 19	Met	The dispute resolution procedure is set out at Schedule 19 (<i>Claims, Disputes and Arbitration</i>) of the FAP.
3.9.3	2c.49	Whatever forms of dispute resolution are chosen, the FDP should make clear:	Clause 53; Schedule 19	Met	<ul style="list-style-type: none"> The dispute resolution procedure in Schedule 19 (<i>Claims, Disputes and Arbitration</i>) of the FAP covers the points referenced in paragraph 2c.49 of the Guidance. The FAP also generally contains provisions related to the binding nature of the dispute resolution procedure (such as requiring the FDP

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
		<ul style="list-style-type: none"> whether the procedure and outcome are binding; the scope of the procedure (i.e., the disputes to which it relates if it does not relate to all disputes); the time scales within which relevant steps have to be taken by the parties; and the matters or factors to which an independent arbiter should have regard in coming to his determination in relation to the dispute. 			Implementation Company/the Operator (as applicable) to do all such things necessary to give full effect to any binding determination made in accordance with the dispute resolution procedure).
3.9.4	2c.50	Any dispute resolution procedure under the FDP must not compromise the ability of the Secretary of State to take enforcement action in the event of a breach of the FDP.	N/A	Met	The FAP is not expressed to compromise the ability of the Secretary of State to take enforcement action in the event of a breach of the FDP.
3.10 Investment Strategy					
3.10.1	2c.51	The Secretary of State will expect the FAP to set out an Investment Strategy in an appropriate degree of detail. The Investment Strategy should be designed to ensure that the assets which the Fund receives from the Operator will be appropriately invested to generate the sums necessary to meet the estimated costs of carrying out the plans as set out in the DWMP for the Designated Technical Matters.	Schedule 7	Adequately met	The FAP itself does not set out the actual Investment Strategy; however, Schedule 7 (<i>Investment Rules</i>) of the FAP sets out the Investment Rules, which provide certain key requirements for the formulation of the Investment Strategy and parameters that the Investment Strategy will need to adhere to (see further at row 1.5.1 above).
3.10.2	2c.52	The Investment Strategy will be proposed by the Operator in	Schedule 7	Adequately met	<ul style="list-style-type: none"> As noted above, the full Investment Strategy is not set out in the FAP, however the FAP does provide that the FDP Implementation Company

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
		<p>consultation with the Fund and will be included in the FAP.</p> <p>As a minimum, the Secretary of State will expect the Investment Strategy to include the Fund's:</p> <ul style="list-style-type: none"> • investment objectives; • risk exposure limits and principles for the definition, measurement, mitigation and monitoring of risk; • high-level asset allocation strategy for the life cycle of the nuclear power station, for example, to provide for a gradual reduction in investment risk as the end of the generating life of the station approaches; • permitted and prohibited asset or class of asset types; • decision-making authorities, processes and procedures regarding investment decisions; • performance measurement criteria and benchmarks; • policy on realising investments; • policy on exercising rights (including voting rights) attached to investments; • policy on the extent to which social, environmental or ethical considerations are taken into account in investment decisions; • mandates to all advisers and managers and associated fee and liability structures; and 			<p>will prepare the Investment Strategy and the Operator will have opportunity to review and raise objections on the basis of the Investment Rules set out in Schedule 7 (<i>Investment Rules</i>) to the FAP. As discussed at the start of this Annex, whilst the Guidance technically refers to the Operator proposing the Investment Strategy, in light of the Objective, the Board considers it appropriate for the FDP Implementation Company to prepare the Investment Strategy for the reasons set out at the start of this Annex.</p> <ul style="list-style-type: none"> • While Schedule 7 (<i>Investment Rules</i>) to the FAP does not cover in detail all of the requirements set out in paragraph 2c.52 of the Guidance, it does cover (in limited detail) some of the key elements referred to in paragraph 2c.52 of the Guidance, such as investment objectives (see below), altering risk profiles in different funding periods, permitted and prohibited investments and reporting requirements. The FAP also specifies that details of the remaining "minimum" requirements listed in the Guidance (other than the Fund's policy on the extent to which social, environmental or ethical considerations are taken into account in investment decisions) must be included in the Investment Strategy. • In relation to the investment objectives of the FDP Implementation Company, the Board has had constructive discussions with DESNZ and SZC in relation to this objective, which is set out in clause 8 of the FAP. The Board acknowledges that the objective is now clearer than it was in the earlier drafts of the FAP; in particular, clause 8.1.1(b) of the FAP provides that the FDP Implementation Company's objective is to invest Fund Assets in accordance with the Investment Strategy with the intention of achieving the relevant funding targets and that, "following FYE End of Secondary Funding Period, so as to ensure that the value of the Fund Assets is sufficient to discharge the Operator's DTM Costs during the Disbursement Period". The Board would have preferred to see even clearer standards being included in the objectives of the FDP Implementation Company, such as an express statement that the Investment Strategy should have the objective of investing the Fund Assets to achieve the relevant funding targets so as to make the risk of recourse to public funds remote.

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
		<ul style="list-style-type: none"> reporting requirements. 			
3.10.3	2c.53	The FAP must set out how risks associated with the implementation of the Investment Strategy are to be managed, including with respect to the relative roles of the Operator and the Fund.	Clauses 9 – 15; Schedule 7	Met	<ul style="list-style-type: none"> Although, as noted above, the FAP does not set out the full Investment Strategy, it does provide (in limited detail) guidelines for risk profiling and management of the Investment Strategy. In addition, the respective roles of the Operator and the FDP Implementation Company are set up in order to ensure compliance with the Investment Strategy. The FDP Implementation Company is required to ensure that all investments are undertaken in compliance with the Investment Rules and that all investments must be made under Investment Orders (such that neither the FDP Implementation Company nor the Operator deal directly with the Fund Assets).¹⁴ The Operator has powers to review Investment Orders and consider whether the FDP Implementation Company is following the Investment Rules. Accordingly, the Operator may prevent the FDP Implementation Company from making certain investments which the Operator considers (acting reasonably) to constitute a prohibited practice (as set out in Schedule 7 (<i>Investment Rules</i>) of the FAP).
3.10.4	2c.54	<p>In making or approving investment decisions, the FAP should require the Fund to act prudently, having obtained appropriate professional advice and in accordance with the Investment Strategy.</p> <p>The Fund will be responsible for ensuring that investments are made according to the approved Investment Strategy.</p>	Clause 9; Schedule 7, Paragraph 4	Adequately met	<ul style="list-style-type: none"> The FDP Implementation Company is responsible for ensuring that all investments are undertaken in compliance with the Investment Rules (which includes compliance with the Investment Strategy). Although there is no express requirement on the FDP Implementation Company in the FAP to act prudently, the Board considers that the effect of the FAP is such that the FDP Implementation Company acting in accordance with the FAP would likely ensure sufficient prudence in its investment decisions. In order to ensure ongoing compliance with the Investment Rules, the FDP Implementation Company is required to take professional advice on the Investment Strategy.
3.10.5	2c.55	The FAP should require the Fund to take account of the suitability of	Schedule 7,	Met	The FDP Implementation Company is required to adjust its approach to risk profiling of the Investment Strategy depending on the nature and timing of

¹⁴ **Note:** See Row C.5 of Annex 5 (*Risk Matrix Identifying Key Potential Risks to Shortfall in Funding for the Cost of FDP Liabilities*) in relation to risk factors identified by the Board in respect of investment returns post Plant closure not adequately compensating for an increase in DWMP costs.

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
		investments having regard to the nature and timing of the Operator's future liabilities.	Paragraph 1.3		<p>Sizewell C (including the timing of the Operator's liabilities). For example, the FAP provides that:</p> <ul style="list-style-type: none"> • during the period from First Criticality until two years prior to the end of the Primary Funding Period, the Investment Strategy should adhere to the principles of being "risk-on, return-seeking", taking long-term views, seeking commensurately higher levels of expected return and to outperform traditional, low-risk investments (being the Growth Portfolio); • during the period commencing three (3) years following the end of the Primary Funding Period until the end of the Secondary Funding Period and thereafter, the Investment Strategy should reflect a balanced split between the Growth Portfolio and a lower-risk, and lower-returning portfolio, with allocation to fixed income or similar low-risk investments (being the Long Term Portfolio); and • during the period between FYE EPFP – 2 and FYE EPFP + 3 (being the De-Risking Period), the Investment Strategy should de-risk on a linear basis, lowering its risk profile from that set under the Growth Portfolio to that set under the Long Term Portfolio (provided that the FDP Implementation Company may elect to re-risk earlier than FYE EPFP – 2 to the extent it is satisfied that the Fund Assets are on track to meet the End of Generation Target earlier than expected, as against the Funding Path).
3.10.6	2c.56	It will also be necessary for the Operator to explain the rationale for the proposed Investment Strategy and to justify the assumptions that have been made about future returns on investments made by the Fund.	Schedules 8 – 9	Adequately met	<p>The Investment Strategy will be set by the FDP Implementation Company rather than the Operator, which the Board considers is appropriate in light of the Objective for the reasons set out at the start of this Annex. In any case, as part of the Annual Review and Quinquennial Review procedures, independent financial verification is required to be carried out, pursuant to which the Investment Strategy and the key assumptions will be reviewed and evaluated. Also, the FDP Implementation Company will be required at each Quinquennial Review to deliver a statement to the Operator setting out reasons why the draft Investment Strategy submitted at the Quinquennial Review is consistent with schedule 7 (<i>Investment Rules</i>) of the FAP.</p>

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
3.10.7	2c.57	<p>The Operator, in consultation with the Fund, should review the Investment Strategy on a regular basis to ensure the continued appropriateness of the investment arrangements.</p> <p>The FAP should detail responsibilities and processes for reviews of the Investment Strategy. Changes to the Investment Strategy will be a modification to the FDP which will require approval by the Secretary of State under Section 49 of the 2008 Act.</p>	Schedule 7, Paragraph 6, Schedules 8 – 9	Adequately met	<ul style="list-style-type: none"> The investment decisions, as well as the responsibility for preparing the Investment Strategy, remain with the FDP Implementation Company. The Operator is to review the Investment Strategy, and the Operator is permitted to challenge the Investment Strategy if the Operator believes it is materially inconsistent with the requirements set out in schedule 7 (<i>Investment Rules</i>) of the FAP. As noted above, the Operator is able to review Investment Orders and consider whether the FDP Implementation Company is following the Investment Rules, and as part of the Annual Review and Quinquennial Review procedures, independent financial verification is required to be carried out, pursuant to which the Investment Strategy and the key assumptions will be reviewed and evaluated. Changes to the Investment Rules would require a modification of the FDP pursuant to the terms of the s. 46 Agreement. Changes to the Investment Strategy will, however, not be a modification to the FDP. Nevertheless, the Board does not consider this to be a material issue on the basis that the Investment Rules contain parameters around the terms of the Investment Strategy. Also, in light of the Objective, the Board agrees with DESNZ and the Operator that the Fund Assets value will benefit from the Investment Strategy being adaptable to changing circumstances within such parameters given the long tenor of the investment profile of the Fund Assets.
3.11 Payment and Disbursement Policy					
3.11.1	2c.59	<p>Even with a contingency for risk and uncertainty built in, it is important that appropriate governance is exercised by the Fund in making disbursements of Fund Assets.</p> <p>The FAP should set out the disbursement policy for the Fund, including:</p> <ul style="list-style-type: none"> the governance arrangements under which Fund Assets would 	Section J	Met	Section J (<i>Payments and Disbursements Policy</i>) of the FAP sets out the Payments and Disbursements Policy, which covers the requirements set out at Paragraph 2c.59 of the Guidance (as set out in more detail in rows below).

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
		<p>be disbursed by the Fund in line with the approved FDP;</p> <ul style="list-style-type: none"> the persons to whom payment will be made; and the mechanism for making and auditing payments. 			
3.11.2	2c.60	<p>The FAP should address when and on what basis assets may be disbursed. Safeguards must be in place to ensure that assets are disbursed only in accordance with the FDP and that such payments are auditable and confirmed as appropriate.</p>	Clauses 37, 39	Met	<ul style="list-style-type: none"> It is an express requirement of the FAP that the Operator will be responsible for claiming DTM Payments from the FDP Implementation Company and that the Operator may only use such DTM Payments in order to discharge Allowable Costs (e.g., costs to which the Detailed DWMP gives rise to or costs arising directly from instructions from a regulator with jurisdiction over the Operator). The Allowable Costs must be evidenced in the Annual Work Plan and Budget which the Operator must submit to the FDP Implementation Company, and the FDP Implementation Company must use reasonable endeavours to ensure that the Annual Work Plan and Budget is reviewed by an independent verifier as soon as possible.
3.11.3	2c.61	<p>The FAP should set out the Fund's governance arrangements for overseeing the disbursement of Fund Assets. The Fund will be expected to review progress against the DWMP as set out in the FDP, and, to the extent that a shortfall in funding is anticipated, the Operator will be expected to repair the deficit.</p>	Clauses 37, 38, 39	Met	<ul style="list-style-type: none"> The FAP is specific in requiring that the disbursement of the Fund Assets must only be used to fund Allowable Costs. The FAP also requires the Operator to submit an Annual Work Plan and Budget to the FDP Implementation Company and the Independent Technical Verifier, as well as providing that the FDP Implementation Company (rather than the Operator) shall calculate the Annual DTM Payment due to the Operator on each Annual DTM Payment Date. At the point of disbursement however, the Operator would be unlikely to be able to repair any shortfall in the FDP funding (and there accordingly is no obligation in the FAP for the Operator to do so), as it will no longer have any RAB revenue.
3.11.4	2c.62	<p>The Operator will be expected to demonstrate to the Fund that it has appropriate procedures in place for checking that Fund Assets disbursed by the Fund are being applied against allowable DWMP costs and that</p>	Clauses 37, 39	Met	<p>As noted above, the review of the Annual Work Plan and Budget by an independent verifier ensures that measures are put in place for checking that the Fund Assets are being used in accordance with the Payments and Disbursements Policy.</p>

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
		milestones for achieving the DWMP are being met.			
3.11.5	2c.63	<p>The obligation on the Operator to provide annual reports will continue when assets are being disbursed against allowable DWMP costs.</p> <p>In such circumstances, changes recorded in the annual report must capture the differences between the payments from the Fund and the reduction in the Operator's liabilities, as these involve changes to the cost estimates and changes to the security provided to meet such costs.</p> <p>The annual report may also set out the difference between the actual costs paid and the budgeted costs. The annual report should be prepared in consultation with the Fund.</p>	Schedule 8, Paragraph 1.3	Met	<ul style="list-style-type: none"> Schedule 8 (<i>Annual Review Programme</i>) to the FAP provides that in each Annual Report, the Operator must update the DWMP to take into account Indexation of cost estimates from the previous DWMP and, in the Disbursements Period, to take into account the removal of the liabilities that have been discharged from the DWMP and propose any relevant amendments to the cost estimates. In addition, the obligations set out in Schedule 8 (<i>Annual Review Programme</i>) require the consultation and cooperation between the Operator and the FDP Implementation Company.
3.11.6	2c.64	In circumstances where an Operator's expenditure does not reduce the Operator's liabilities by the required amount, the Annual Report should set out how the Operator intends to mitigate this and it should propose, if appropriate, a modification to the DWMP.	Schedule 8	Adequately met	<ul style="list-style-type: none"> The Annual Review procedure does not stipulate expressly the method, timing or notice periods that the Operator should observe when proposing modifications to the DWMP (although modifications are contemplated as options in order to correct errors or deficits identified in the verification processes (including the modification verification)). The Board notes that this element of the Objective does not expressly require the FAP to formulate the Annual Review procedure in this way and as such, this element of the Objective is capable of being met in the Annual Report.

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
3.11.7	2c.65	Once all the Operator's liabilities relating to the Designated Technical Matters have been fully discharged and the Operator or any other person with obligations under the FDP have been released from their obligations in accordance with Section 64 of the 2008 Act, the Fund can be wound up in accordance with the Guidance.	Clause 71	Met	The FAP sets out that the Operator may only wind up the FDP Implementation Company when the FDP Implementation Company ceases to have any further obligations to the Operator under the FAP.
3.11.8	2c.66	<p>The FAP may set out the circumstances in which contributions to the Fund may be revised downwards, or surplus assets withdrawn from the Fund where the actuarially assessed value of the Fund is significantly greater than its Target Value at that point in time. These circumstances may include where the Fund's growth has significantly outperformed expectations and/or the technical solutions available for decommissioning reduce the anticipated costs substantially.</p> <p>The FAP should set out the extent to which the Fund will be required to consider whether a reduction in the contribution rate or withdrawal of surplus assets would be prudent, and what financial or other conditions must</p>	Recitals (A)(iv), (D)(b); Schedules 8 – 9	Adequately met	As noted above, the FAP does not contain provisions for the withdrawal of surplus assets from the Fund; however, it does set out that the correction procedures contained in the Annual Review and Quinquennial Review may correct either deficits or surpluses (and that surpluses may be set off against scheduled Contributions).

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
		be satisfied before the Fund is not required to do so. These circumstances and conditions (including the time period) over which a reduction or withdrawal is to be permitted should be clearly set out in the FAP.			
3.11.9	2c.67	The FAP must be robust where there is a change in ownership or control of the Operator or site and, in particular, must set out safeguards to ensure that assets are not improperly disbursed by the Fund in this event.	N/A	Adequately met	The FAP does not contain change-of-control provisions in respect of the Operator. However, this means that the FAP is insulated against change-of-control risk as it will not vary in such circumstances. As such, this ensures that any new controller of the Operator is bound by the same obligations. The Board therefore considers this requirement to be adequately met in light of the Objective.
3.12 Sufficiency of Fund					
3.12.1	2c.68	The FAP must set out the mechanisms it proposes to utilise and the Investment Strategy it intends to adopt to ensure that sufficient assets will be available in the Fund to meet in full and on their due date the costs of the Designated Technical Matters. This must include mechanisms to ensure Fund sufficiency in the event of an insolvency of the Operator or an Associated Company.	Clauses 27, 29, 30	Adequately met	<ul style="list-style-type: none"> The FAP sets out the mechanisms for the Operator to provide Contributions to fund the Fund Assets and for those contributions to be adjusted accordingly to achieve the End of Generation Target. The Board also notes that there are no Contributions or adjustment mechanisms after end of generation (from which point all costs can only be met by the assets that have been accumulated by the end of generation plus any relevant investment returns during the Decommissioning Period). As noted above, the FAP does not set out the Investment Strategy (albeit it does set out the Investment Rules). As explained in row 3.10.7, the Board agrees with DESNZ and the Operator that it is appropriate for the Investment Strategy to be adaptable to changing circumstances within the parameters in the Investment Rules given the long tenor of the investment profile of the Fund Assets. As noted above, the FAP sets out Annual Review and Quinquennial Review processes to provide periodic reviews in order to improve the likelihood of the costs of the Designated Technical Matters being fully funded by the Fund Assets.

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
					<ul style="list-style-type: none"> See Part B (<i>Operator Insolvency</i>) of Annex 13 (<i>Insolvency Remoteness Analysis</i>) for further details on the protections for the Fund Assets in the event of Operator insolvency.
3.12.2	2c.69, 2c.70	<p>The Secretary of State will expect mechanisms to be put in place to mitigate against the risk of the Fund Assets being insufficient, including, for example, where the Fund Assets are:</p> <ul style="list-style-type: none"> insufficient against the Target Value during the generating lifetime of the station; insufficient against the Target Value at the date the station reaches the end of its generating life; and/or inadequate to meet the Operator's liabilities during decommissioning and until all liabilities have been fully satisfied. Insufficiency at any time might arise because, for example: <ul style="list-style-type: none"> the power station has to be permanently closed and decommissioned early for technical reasons; or where there is a shortfall in the Fund as a result of either a reassessment of the Operator's liabilities or a reduction in the value of the Fund Assets; or lower-than-anticipated investment returns are achieved 	Clause 38; Schedules 8 – 9	Met	<ul style="list-style-type: none"> The Annual Review and Quinquennial Review procedures under the FAP contain obligations on the FDP Implementation Company to review the progress of Contributions according to the Funding Path and to revise the Funding Path if it appears that the Contributions are insufficient against the Target Values at the time of the relevant Annual / Quinquennial Review. The FAP acknowledges risks such as early closure of the power station and attempts to provide mitigants (such as the mechanism for emergency DTM Payments to be identified as a source of funding to discharge operating costs from the date of a Shutdown Notice and the recognition that such an event should trigger an FDP Modification Event whereby the Operator would propose a revision to the DWMP and/or the FAP).¹⁵

¹⁵ **Note:** See Section B of Annex 5 (*Risk Matrix Identifying Key Potential Risks to Shortfall in Funding for the Cost of FDP Liabilities*) in relation to risk factors identified by the Board in respect of early/partial Plant closure.

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
		so that contributions have been insufficient.			
3.13 Protection against an insufficient Fund					
3.13.1	2c.71	The Secretary of State will need to be satisfied that the Operator is and will continue to be in a position to meet its obligations to make Contributions under the Fund. This might entail the FDP containing some provisions regarding the scope of the Operator's activities.	Schedule 5	Met	<ul style="list-style-type: none"> The FDP Allowance Building Block under the SZC Economic Licence shall be sized such that the Operator can meet its obligation to make FDP Payments – see further at Annex 11 (<i>SZC Economic Licence</i>). In addition, see row 3.8.1 in respect of the priority ranking of the Contributions. Schedule 5 (<i>Operator Business</i>) to the FAP contains operational restrictions on the Operator's business such as:¹⁶ <ul style="list-style-type: none"> the Operator may not carry out business activities that fall outside the Approved Operator Business Scope (i.e., activities related to the development of nuclear electricity generation facilities, energy technologies that could be powered by low-carbon electricity or heat from nuclear generation facilities and non-nuclear low carbon electricity generation facilities in the UK); and the Operator may not dispose of any of its rights in relation to a Key Generation Asset (i.e., any asset without which the Operator would not be able to operate Sizewell C in a manner consistent with the Nuclear Site Licence), aside for very limited exceptions such as the grant of security.
3.13.2	2c.72	Under the provisions of the 2008 Act, the Secretary of State may, under certain circumstances, seek to impose obligations on Associated Companies (such as a parent company), by proposing a modification to the FDP. This could happen if, for example, the Operator fails to comply with its funding obligations under the FDP.	N/A	N/A	As noted in the Guidance, pursuant to section 48(3)(a) of the 2008 Act, it is possible for the Secretary of State under certain circumstances to propose a modification of the FDP to impose additional obligations on a body corporate associated with the Operator. ¹⁷ The Board has not seen any documents to suggest that this would be disapplied with respect to Sizewell C. However, on HPC, the Secretary of State entered into a deed of undertaking with Électricité de France, S.A., and China General Nuclear Power Corporation to prohibit the Secretary of State from exercising this power under section 48(3)(a) of the 2008 Act to modify the HPC funded decommissioning programme to impose any liability, obligation or cost on bodies corporate associated with the HPC Operator other than the HPC FundCo and the HPC Operator's subsidiaries.

¹⁶ **Note:** See further analysis in row C.2 of Annex 5 (*Risk Matrix Identifying Key Potential Risks to Shortfall in Funding for the Cost of FDP Liabilities*) in relation to the scope of the Operator's activities.

¹⁷ **Note:** A body corporate would be associated with the Operator if it holds 20% or more of the issued share capital of the Operator.

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
		Furthermore, under Section 64 of the 2008 Act, the obligations on an Operator (or former Operator) under an FDP remain until the Secretary of State explicitly releases the Operator from its obligations, even if it no longer holds a site licence. Subject to the provisions of the Section 46 Agreement with the Operator, the Secretary of State would expect to use these powers with the aim of addressing the risk of insufficiency of the Fund.			As such, in light of the HPC replication strategy, the Board has assumed that this power will not be available to be exercised for the Secretary of State with respect to the FAP. In any event, particularly given the FAP does not contain change-of-control provisions in respect of the Operator as noted in row 3.11.9 above, the Board is not able to assess the future financial standing of bodies corporate associated with the Operator sufficiently to consider this power as a reliable mitigant against any risk of Funding Shortfall if and when it may arise.
3.13.3	2c.73	<p>The Operator must satisfy the Secretary of State that effective and transparent arrangements are in place, no later than First Criticality, as part of the approved FDP to ensure that the Operator will meet its obligations to discharge its liabilities in full.</p> <p>In the FAP, an Operator must set out how it will manage and mitigate the risk that there are insufficient funds. An Operator's proposals will be assessed by the Secretary of State on a case-by-case basis to ensure that the risk of any recourse to public funds remains remote at all times.</p>	N/A	Met	<ul style="list-style-type: none"> One of the key general purposes of the FAP provisions is to ensure that there are effective and transparent arrangements in place for the Operator to meet its obligations to discharge its liabilities in full. The analysis set out in the Board's report as a whole contains the Board's more detailed review of the provisions of the FAP and the extent to which the FAP meets such requirements. As noted above, insolvency remoteness concerns are also one of the main focuses of the FAP (and accordingly, the Board's review).¹⁸

¹⁸ **Note:** See further detail on the question of insolvency remoteness at Annex 13 (*Insolvency Remoteness Analysis*).

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
3.13.4	2c.74	<p>The Operator must make provision to manage and mitigate the risk of the Fund being insufficient.</p> <p>Security against such risk could take the form of a material upfront endowment to the Fund (no later than First Criticality) together with a provision to front load contributions to the Fund during the early years of the power station's generating life. This may be an acceptable form of security against such risks where it is one amongst several elements of a proposal in this regard and provided it is structured on appropriate terms.</p>	N/A	Met	<p>While there are provisions in the FAP regarding obligations that the Operator and the FDP Implementation Company must follow in order to set a Funding Path, minimum and Base Case Contributions and targets for the various milestones (see row 3.7.1 above), there are no express provisions relating to frontloading Contributions to the Fund during the early years of the generating life. Such frontloading is not necessary in the Board's view, given the provision to manage and mitigate the risk of the Fund being insufficient is made by the FDP Allowance Building Block under the SZC Economic Licence for the entire Operational Period.</p>
3.13.5	2c.75	<p>Alternative forms of security, such as insurance or financial instruments (from an appropriate financial institution) or security over cash flows from the generation or charges over other assets, may be acceptable to the Secretary of State to make up a shortfall in the assets held by a Fund where it is one amongst several elements of a proposal.</p>	Clause 26	Met	<ul style="list-style-type: none"> The FAP notes that the Common Security Package is designed to secure <i>inter alia</i> the payment to the FDP Implementation Company of the Contributions, the Accelerated Decommissioning Contributions Amount and any unspent portion of the DTM Payments. While the FAP itself does not expressly set out the components of the Common Security Package, see further detail on the security package at Annex 9 (<i>Financing Arrangements</i>).
3.13.6	2c.76	<p>Parent company guarantees, on their own, are not expected to be an acceptable form of security as protection against an insufficient Fund. The Secretary of State might find a</p>	Not in scope	Adequately met	<p>The FAP does not contemplate parent company guarantees being part of the security package. However, the risk is considerably mitigated by the FDP Allowance Building Block under the SZC Economic Licence.</p>

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
		<p>parent company guarantee acceptable where it was one amongst several elements of a proposal in this regard.</p> <p>It would be essential for the parent company to have an acceptable credit rating at the time the FDP was first approved. Arrangements must also be in place to monitor the creditworthiness of the parent company; and if the parent company's credit rating should fall to an unacceptable level, the Operator must immediately notify the Secretary of State and ensure supplemental arrangements, which are acceptable to the Secretary of State, are in place.</p>			
3.14 Winding up of the Fund					
3.14.1	2c.77	An Operator will be required to set out in the FDP when and by what means the Fund will be wound up.	Clause 71.2	Met	<ul style="list-style-type: none"> The FAP sets out that the Operator may only wind up the FDP Implementation Company when the FDP Implementation Company ceases to have any further obligations to the Operator under the FAP. The FAP does not prescribe expressly by what means the Fund will be wound up. It sets out that the FDP Implementation Company and the Operator will cooperate to wind up the Fund in the most financially efficient manner.
3.14.2	2c.78	<p>The Secretary of State would expect the Fund to be wound up when:</p> <ul style="list-style-type: none"> the Operator and all other persons with obligations under the FDP have been released from their obligations in 	Clause 71.1	Met	<p>The FAP provides that the Parties will cease to have further obligations to each other under the FAP (other than expressly carved out provisions) on the earliest of:</p> <ul style="list-style-type: none"> subject to any intercreditor agreement which is in effect, the Operator giving notice to the FDP Implementation Company and the Secretary of

#	Guidance Ref	Topic	FAP Ref	Position in the FAP	Comments
		<p>accordance with Section 64 of the 2008 Act;</p> <ul style="list-style-type: none"> all of its liabilities have been fully paid and discharged and there is no risk of contingent liabilities arising, or alternative arrangements to meet those liabilities, which are acceptable to the regulators and the Secretary of State, have been put in place; any surplus assets have been disbursed. It is expected that any surplus assets held by the Fund once decommissioning is complete and all liabilities in respect of the Designated Technical Matters have been discharged will be disbursed to the Operator. all the Operator's outstanding waste and decommissioning liabilities have been transferred to HMG under the Waste Transfer Contract, with a full and final payment of the Waste Transfer Price and lump sum payment; or the FDP arrangements are modified (as approved by the Secretary of State) so as to use a different Fund vehicle. 			<p>State prior to First Criticality stating that it has permanently abandoned its plans to develop Sizewell C;</p> <ul style="list-style-type: none"> the FDP Implementation Company having disbursed all of the Fund Assets in accordance with the FAP; the later of the date that all of the Operator's liabilities under the SFTC have been discharged or the date that the Site achieves the Site End State; the Operator providing evidence that is satisfactory to the FDP Implementation Company, acting reasonably, that a replacement FDP has been approved by the Secretary of State in respect of the Site; and the Operator receiving a notice from the Secretary of State releasing it from its obligations under the FAP in accordance with Section 64(3) of the 2008 Act.