

Annex F: Response form for the consultation document on a Fixed Unit Price methodology and updated cost estimates

You may respond to this consultation by email or by post.

Please note that if you accessing this document electronically you will only be able to enter text in the response fields.

Respondent Details	
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Please return by 18 th June 2010 to:
Fixed Unit Price methodology and updated cost estimates consultation Office for Nuclear Development Department of Energy and Climate Change Area 3D 3 Whitehall Place London SW1A 2AW
You can also submit this form by email: decomguidance@decc.gsi.gov.uk

Tick this box if you are requesting non-disclosure of your response.

No.	Question
Chapter 3: The methodology to determine a Fixed Unit Price	
1	<p>Do you agree or disagree that prospective operators of new nuclear power stations should be given the option to defer the setting of their Fixed Unit Price? If so, do you agree that this deferral should be limited to 10 years after the nuclear power station has commenced operation? Do you have any comments on the way the Government proposes to determine an expected Fixed Unit Price as the basis for an operator's interim provision in the event that they choose to defer the setting of their Fixed Unit Price?</p>
Response	<p>PLEASE SEE REMARKS IN THE EMAIL TO WHICH THIS FORM IS ATTACHED.</p> <p>We disagree with the proposals for either an eFUP or FUP. The proposals, put forward by the Labour Government, must be rejected. If the industry wants new build it should be made to pay the full price of waste disposal - up to the time of disposal - whatever the costs. The Government must enact legislation on this.</p> <p>A FUP is effectively a cap on liabilities which leaves the taxpayer at risk of having to find additional funds. Setting a FUP in the very near future is plainly not acceptable to the industry hence the proposal for an eFUP. The eFUP is meant to allow for greater certainty on disposal - if such certainty can be gained within the proposed ten years after reactor operations commence. Earlier efforts to accurately estimate costs for waste and spent fuel management and disposal have been shown to have failed, yet we are now being asked to assume the methodology is correct for setting a FUP some years hence (and that other costs estimates and methods for arriving at them will also be correct). This is clearly untenable.</p> <p>Instead of proceeding with this consultation the Government should re-examine waste funding arrangements. Operators should be made to put away the amount of money necessary to deal with the wastes and spent fuel as and when they are created. Operators must put waste funding before paying out dividends to investors. There does not seem to any guarantee against "the investor first, waste fund second" scenario happening again (as was with British Energy when it almost went bankrupt in 2002). Funding cannot be allowed to be dependent on accruing interest to make up the majority of the funds - as is currently proposed.</p>
2	<p>Do you agree or disagree with the proposal that the Schedule for the Government to take title to and liability for an operator's waste should be set in relation to the predicted end of the decommissioning of the nuclear power station? Do you have any comments on the way the Government proposes to recoup the additional costs it will incur in this case?</p>
Response	<p>We disagree. The Government must reject this proposal. Operators must remain financially and legally liable for their waste and spent fuel until such time as it can be disposed of - if and when that happens. That way if there are additional costs e.g. extended storage, it is the industry that has to pay any extra monies needed. If the Government were to take title and liability</p>

No.	Question
	<p>to the wastes and spent fuel at the end of reactor decommissioning there is a risk that taxpayers will have to subsidise further care and maintenance of the wastes and stores. The process put forward by the last Government does not all for public or Parliamentary scrutiny to review any of potential cost increases. The continuing lack of transparency by DECC on this, in its decision not to publish cost modelling data (para 5.1.4) is indicative of closed door nature of the discussion around these issues. This is not acceptable. The Government should release all information relating to cost estimates.</p> <p>The consultation claims that because of the very long timescales involved it considers the Government is better placed than an operator to manage cost risks , so it will take title and liability earlier in line with the operator's decommissioning timetable, rather than in line with the estimated availability of a GDF. This is another way of saying the risk will transfer to the taxpayer. Operators should be made to pay for all costs for waste and spent fuel management which fall outside of FUP funding. There is a risk that shared facilities for legacy and new build (e.g. for spent fuel encapsulation) could also lead to taxpayer subsidies - particularly if the monies for these are paid as a lump sum when title and liability is transferred.</p>
3	<p>Do you agree or disagree that the proposed methodology to determine a Fixed Unit Price strikes the right balance in protecting the taxpayer, by taking a prudent and conservative approach to cost estimation, while facilitating new nuclear build by providing certainty to operators? What are your reasons?</p>
Response	<p>It is not possible to determine if the proposed methodology to determine a FUP is correct. The consultation did contain all the relevant information to determine whether DECC's calculations are correct. Too many uncertainties remain. This consultation is just one of many actions taken to facilitate new build rather than stopping the process to allow for a full examination of the costs and the uncertainties. It is clear the benefit of this exercise, by the previous government, was to favour potential new build operators over the interests of taxpayers.</p> <p>As has been noted, the idea of the taxpayer “facilitating new nuclear build” by accepting the risk that cost estimates made now about something which will not happen until 2130, in order to provide “certainty to operators” is verges on the reckless. If utilities are not prepared to accept the risks and the uncertainties associated with all waste management and disposal costs they should opt for other forms of low carbon generation or efficiency measures with lower risks.</p>
4	<p>Do you agree or disagree with the proposed approach to determining an operator's contribution to the fixed costs of constructing a Geological Disposal Facility? What are your reasons?</p>
Response	<p>The consultation makes it clear there are many uncertainties over the GDF. Apart from the issue of the geology of any GDF, there are many other</p>

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	<p>technical, social/political and financial issues around the GDF. For example, the issue of voluntarism for the GDF is barely mentioned in the document, yet there is an overwhelming assumption in the whole cost modelling that there is a community which will accept new build waste and that a second GDF would only be considered in light of a much larger than planned fleet of new reactors.</p> <p>What if no new build waste is accepted into the 'first' GDF? The issue of the inventory for a repository has not yet been discussed by the current Managing Radioactive Waste Safely Partnership in Cumbria. The result of any discussions, when they do take place, may be that they will not accept new build waste being disposed of with legacy wastes - or may do so only up to a certain point (in terms of volume or time). The actual community asked to host the repository (as opposed to those involved in the Partnership now) may object to taking legacy and new build wastes and spent fuel. The consultation makes too many assumptions about the GDF for any decisions now to be at all realistic or guaranteed.</p> <p>Even if all such matters were resolved - and they may not be for many years - the idea of new build operators paying possibly a relatively lower proportion of the costs, when their wastes could clearly contribute to a significant increase in the GDF costs, is not acceptable. The volume of new build waste in addition to that of legacy waste is estimated at 10%. New build spent fuel could add 50-55% to the volume over that of legacy high level wastes and spent fuel - but there is no mention of the fact the new build waste will contain three-fold the amount of radioactivity of that in all legacy wastes. It is understood that new build operators may not pay towards any benefits package associated with the GDF (this cost will presumably be borne solely by the NDA/taxpayer). This is not reasonable, particularly in light of the additional problems new build disposal would bring - e.g. a much longer operational period for the GDF itself.</p> <p>The proposal that new build operators pay only for marginal, incremental costs additional to the whole GDF programme is not equitable. They should be made to pay the full amount, properly costed e.g. proper allocation for the all resources needed for construction, operation and any ongoing care and monitoring. In addition, they should make a contribution towards the estimated £1bn already spend on developing a GDF design. It is understood this is not included in new buld waste estimates.</p>
5	<p>Do you agree or disagree with the proposal that the units to be used for the Fixed Unit Price are pence per kWh for spent fuel and cubic metres of packaged volume for intermediate level waste? What are your reasons?</p>
Response	<p>The consultation does not make it clear how operators will make up any shortfall in waste funds, and within what time frame, if there is any decrease in electricity prices. Presumably such matters will be dealt with under the annual or five year reviews of the Funded Decommissioning Programmes. The consultation document does not make this clear. Unfortunately, due to the closed door nature of future deliberations on these matters (between</p>

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	<p>industry, officials and with only 'advice' from the Nuclear Liabilities Financing Assurance Board) public and Parliament will have to take these matters on trust. Given the current all-time low in public confidence in how Government takes care of financial monitoring and budgeting in almost every sector, it is hardly surprising that critical questions are being asked - and will continue to be asked - of the proposed arrangements.</p>
<p>Chapter 5: Updated estimates of the costs for decommissioning, waste management and waste disposal</p>	
<p>6</p>	<p>Do the updated cost estimates represent a credible range of estimates of the likely costs for decommissioning, waste management and waste disposal for a new nuclear power station?</p>
<p>Response</p>	<p>There are too many unknowns for the Government, industry, public or Parliament to sign off on this issue now. Major issues such as possible reprocessing of spent fuel from new build have been left open for possible future discussion. The implications of such a possible change to spent fuel management, which would have massive financial and environmental impacts, should be part of discussions now before any further steps are taken to allow new build.</p>

Please select the category below which best describes who you are responding on behalf of.

- Business representative organisation/trade body
- Central Government
- Charity or social enterprise
- Individual
- Large business (over 250 staff)
- Legal representative
- Local Government
- Medium business (50 to 250 staff)
- Small business (10 to 49 staff)
- Micro business (up to 9 staff)
- Trade union or staff association
- Other (please describe):

Thank you for taking the time to let us have your views. The Government does not intend to acknowledge receipt of individual responses unless you tick the box.

Department of Energy and Climate Change
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