

NETA and the future of British Energy

We write with a sense of urgency in view of the current difficulties faced by British Energy and the speculation about what government action might be required to safeguard nuclear facilities in the near future.

We are dismayed by press comment that NETA has in some way failed to deliver, or has produced unexpected results. It is only to be expected that wholesale prices will be low in a market where supply so comprehensively exceeds demand. The fact that there is currently an excess of generation capacity reflects years of over-investment, encouraged by artificially high prices, for which industrial customers have paid dearly. At long last, UK wholesale prices are now competitive with those in mainland Europe (although still higher than in France).

We are aware of no convincing argument for interfering with that NETA to ensure any particular generator remains profitable. Nor do we accept the griping (lead predictably by the generators) that NETA will lead to under-investment in future. On the contrary – NETA is a success story for DTI, delivering competitive electricity prices to UK industry, and an achievement of which we should all be proud.

We recognise that the financial collapse of British Energy would have consequences for the future of nuclear generation affecting safety and the ability of the UK to deliver its international commitments on greenhouse gas emissions. There are unique reasons in this instance why government intervention may be fully justified. Our concern is that, in addressing this situation, the government ensures that competition between generators is not distorted, and that the costs of continuing nuclear support are not borne unduly by electricity consumers.

We urge the DTI to examine the contractual arrangements between British Energy and BNFL and to question whether there is a practical or economic case for continuing with re-processing. The extent to which nuclear generation is unfairly treated under the current terms of the Climate Change Levy should also be re-examined.

We do not accept that there is a case for fundamental change to NETA, which is functioning as intended.