

Dear Mr Chapman

In reply to Sir John Mogg's letter of 1 September 2003 addressed to our Chairman, Mr Collum, BNFL welcomes the opportunity to provide Ofgem with views on the key challenges faced by the electricity industry in the period 2004-7, and actions and priorities for the Authority in the light of these. We believe there are three key challenges for the Authority and the industry:

achieving security of supply in generation, transmission and distribution

meeting Government environmental objectives in the electricity sector

minimising costs to the consumer consistent with achieving security and environmental objectives

The events of recent months both in the UK and elsewhere have highlighted the importance that needs to be attached to achieving security of electricity supplies. This fundamental requirement should be central to all the actions that the Authority takes and is consistent with its statutory duties. Since the introduction of NETA, there has been a steady reduction in plant margins which could give rise to short term concerns over security; in the longer term, the UK faces the prospect of reliance on external supplies of gas for electricity generation. In the case of environmental issues, the EU Emissions Trading Scheme will be implemented during this period, which will sit alongside the Climate Change Levy and Renewables Obligation as mechanisms designed to deliver the Government's environmental objectives. These need to be carefully managed and reviewed as experience of their operation is gained.

BNFL has argued consistently that in meeting the challenges outlined above, nuclear power potentially has a crucial role to play. We would therefore expect that the potential role of nuclear power should be considered when the Authority considers security of supply, for example through the Joint Energy Security of Supply Working Group with DTI . Equally, we believe that the Authority should consider whether the current market framework creates barriers to future nuclear construction which might otherwise assist in meeting CO2 reduction targets in a cost effective manner, and if so how these barriers might be reduced or eliminated.

Yours sincerely

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Special Assistant to  
Mike Parker, CEO, BNFL