



Department for Energy Security & Net Zero

Rt Hon Lord Hunt of Kings Heath OBE
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Dr James Cuthbert

Our ref: MCB2024/20588

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14 February 2025

Dear Dr Cuthbert,

Thank you for your letter of 11 December regarding our previous correspondence on the use of the Regulated Asset Base (RAB) model for nuclear projects. I am grateful to you and your co-signatories for your further comments in response to my letter. Please accept my apologies for a delayed reply.

I would emphasise that the Government's introduction of the RAB model as an option for funding new projects has been driven by careful and robust comparisons, both between RAB and alternative funding options for new nuclear (particularly the contract for difference)¹ and, in the specific case of Sizewell C. Our published value for money assessment has compared the cost of the electricity system where the project is built with the cost under a next best low-carbon alternative system, which does not feature additional nuclear power.² I would also note that – in line with HM Treasury Green Book guidance – the scenarios developed for our value for money assessments are stress tested and subject to sensitivity analysis.

Regarding the Green Book and the National Infrastructure Commission (NIC) analysis you have cited, as set out in my previous response we have not applied their analytical approach relating to an opportunity cost to consumers, to maintain compliance with the Green Book's guidance. There are other differences between our approach and the one set out by the NIC, for instance our use of a comprehensive power sector model, to assess the impact of the project on the power system in Great Britain. We view tools such as this as important to informing a robust assessment of the project's value for money.

However, as noted in my previous letter we have carefully reviewed the NIC's analysis as we assess Sizewell C, and our approach is consistent with other aspects of their proposed methodology, including using robust mechanisms – informed by reference class forecasting – to estimate the potential for cost and schedule overrun, and capturing the impact of risk as it would be transferred to consumers.

Finally, in response to your comments regarding the potential classification of Sizewell C, I understand you have had a separate correspondence with officials on this matter. As confirmed in that correspondence, this Department's officials have been working on the potential classification of Sizewell C with the Office for National Statistics (ONS) and HM Treasury. A decision on the classification of the project will be made by the ONS, independently of the

¹ <https://www.nao.org.uk/reports/hinkley-point-c/>; <https://publications.parliament.uk/pa/bills/cbill/58-02/0174/ImpactAssessment.pdf>

² <https://assets.publishing.service.gov.uk/media/6384b1a6d3bf7f7eb0dbb206/szc-designation-document.pdf>

Government. The classification of other nuclear projects to use the RAB model would be made by the ONS on a case-by-case basis.

Thank you once again to you and your co-signatories for your response.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Rt Hon Lord Hunt'.

RT HON LORD HUNT OF KINGS HEATH OBE
Minister for Energy Security and Net Zero