

More outages (maintenance periods) at British Energy's nuclear plants

Maintenance makes more of a difference at major power producers than at the fringe.

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Just as the market was beginning to think that British Energy was finally turning the corner, the company has come out and dashed everyone's hopes again after admitting yesterday that it faced a "worst case scenario" at two of its ageing nuclear power stations that will wipe £100m from its profits.

The troubled nuclear operator was forced to admit that units at its ageing Hunterston B and Hinkley Point power stations would not be back online until March of next year. That date represents the costliest of three possible scenarios that had been outlined by the company in November when it emerged that cracks were appearing in boiler pipes at the stations.

British Energy also revealed that further inspections had revealed a small number of defects on boiler tailpipes. While repairs on these have been completed at Hinkley Point, in Somerset, they are yet to take place at Hunterston in Scotland. A planned power outage there will be brought forward, although that will boost financial results in the next financial year.

The upshot of all this is that the company will lose nine terrawatt hours of electricity output in the current financial year, compared to six in the two more optimistic scenarios.

The shares responded by tumbling 35.5p to 538.25p as investors' hopes were brought back down to earth with a painful bump. They had been snapping up the shares on rumours that the company was set to surprise on the upside.

But Lueder Schumacher, an analyst at Dresdner Kleinwort, summed the situation up when he said: "Realities keep catching up with the company," adding: "By and large the market has medium to long term output assumptions which are just too high. The last output statement just showed how many operations problems that they are facing. The realities of the AGR (reactor) technology just keep hitting them. There is not very much you can do about it. They are just there."

The two plants will still only be operating at 70 per cent efficiency when the work is completed. The company will then have to decide whether the most cost-effective option is to undertake further work to get them up to 100 per cent, or whether simply to continue running them at the lower level.

High energy prices bailed British Energy out when it reported last month, as production fell well short of targets.

British Energy also ousted its chief nuclear officer, Roy Anderson, who is set to receive a payoff of close to £1m as part of a management shake up.

One source said yesterday: "Those plants are just ageing and they haven't been adequately maintained over the last 20 years. Not enough money has been spent, and a catch-up operation is now going on."

The company is hoping that it will be able to capitalise on the Government's controversial decision to "go nuclear" to help cut Britain's spiralling carbon emission levels, but the benefits are likely to be a long time in coming, and it is likely to take at least 10 years before any new plants are brought online. Most of British Energy's existing plants will have reached the end of their useful lives by 2023.