

RECOMMENDATIONS

for the updated feasibility study of the new power plant blocks

In relation to the updated feasibility study of the new power plant blocks, dated May, 2014, in the lack of background material and other undisclosed information, we call attention to the following recommendations:

- **We suggest that the objective of the study be stated**
We suggest that in the introduction or in the beginning sections of the study the objective and the target audience be named straightforward.
- **We suggest the revision and modification of the title of the study**
Due to the level of detail and preparedness of the study it would be wiser to avoid naming it “feasibility study”; instead, the term “state report” or “report on work in progress” would better apply - given the actual content of the study. The study does not summarize the results of preparation steps leading up to a final decision (which is typically the aim of feasibility studies); instead, it provides information on alterations in progress, the results of which are yet unknown.
- **We suggest the professional proofreading of the study**
The current version is an update of prior studies. Most probably due to the lack of time, some elements that are no longer valid have been kept, despite them not being needed necessarily any more. The use of the studies of 2008 is only acceptable if they are still valid. There are several typos and mistakes also. A professional proofreading would be welcome. The quality of the study could be improved if during the process of proofreading the figures of the different chapters would need to be harmonized and there would not be different data in the different chapters.
- **We would suggest the revision of the market environment detailed in the study**
We suggest the supervision of the energy and electricity market environment and the update of the most substantial conditions and most determining requirements. There have been major changes in the past years, which are essential to take into consideration when determining the conditions for the integration and expected operation of the planned facilities. Based on the prognoses and on the changes that have taken place, it is unlikely that the conditions serving as a base for the study and that were typical of the years of 2007 and 2008 will return. One would think that it is highly unlikely that the estimated prices of 2011 would still be valid.
- **We suggest the revision of the project’s integration into the system**
We suggest the revision of the conditions of the project’s possible operation and its integration into the existing system based on the current visible or assessable environment. Adjusting to the expected loading, the conditions of integration should ensure the optimal utilization of the investment as well as the highest possible cost-efficiency. At the same time, however, the highest possible utilization of the entire nuclear capacity should also be guaranteed. Without supplementary conditions there is a danger that the integration of the new blocks will supersede at least some portion of the capacity of production of Paks I. Therefore the inevitable supplementary conditions and the costs of guaranteeing them should be taken into account. The integration of the new capacities will alter the structure of production, the consequences of which should be managed in their complexity (reserves, regulation, keeping the schedule) at the lowest possible costs.

- **We suggest to supplement the information provided in connection with the investment costs**

We suggest corrugating the investment costs as well as supplementing the structure of the expenditure framework. The investment cost set up by the study is an estimation, it does not specify the resources of a specific budget lines, the cost structures and the benchmarks. It is not clear what is included on the budget estimation and it is not specified which year's price level should be taken into account when interpreting this data. The cost of a feasibility study is usually based on contractor offers. The allocation of the annual investment costs laid out in the study is uncommon, even contradictory to international practice for power plant investments. A deficiency of the study is that it only describes concepts in connection with certain supplementary conditions (e.g. in the case of cooling), without taking into account supplementary costs. The revision of the study's section on costs would be reasonable.

- **We suggest the revision of the underlying conditions of the economic assessment**

We suggest the supervision of the fundamentals of the economic assessment now being modified. The amount of electricity planned to be annually marketed and its availability requires guaranteeing the adequate conditions. The solutions and costs of these are not reflected on by the study. It is not clear how ELCOE a tool for preliminary assessments is part of the conditions for the investment decision. The source of determining statements remains unknown, e.g. that countries in the area are unable to sustain their export. We suggest the ascertainment of investment costs (among them, for example, interest, ie capital costs) and the assessment of the cost- effect of occasional digressions from the original plan.

- **We suggest the specification of the structure of execution**

If the study is not a general information guide for external use but a material preparing an internal decision, we suggest the specification of the executional structure. Whose obligation is it to make a feasibility study (is the Russian partner's?) or are there multiple studies to be made. What constitutes main entrepreneurship and what does not. Is there a schedule plan arranged with the main entrepreneur. We also suggest taking into account the critical external conditions and their possible effects. This includes, for example, questions of EU and Hungarian competition law, market conditions for produced electricity, etc.