

Project Management

LCBB505

Assessment 2

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1. Introduction

The Hinkley Point C is a construction project for a nuclear power plant. The incipient stage of the project has started in 2007 with a proposal being submitted to the Office for Nuclear Regulation. The project is still on work after being initiated in 2017 and it is estimated to be finalised in 2026. The project has been developed under 2 large energy suppliers EDF Energy with a percentage of 66.5% and General Power with a percentage of 33.5%. Both foreign organisations.

This reflection will consider the course of the project from the beginning to the current date and will provide justifications in regards to the positive or negative elements identified. Throughout the analysis it will be highlighted the lessons that could be learnt from Hinkley's Point C Project Management and will conclude with valid recommendations for future approaches.

2. Reflection

Critical Incident

The pandemic has affected industries and economies worldwide. Many projects and business have been put on pause because of lockdowns and restrictions in order to implement strategies to deal with the unprecedented threat. The loss of many lives and the inability to fight with the virus, the Covid-19 threat has disrupted the lives of the population, the Government activity, the business environment and has determined a change in the priorities on all levels.

The leadership of Hinkley Point C "blames pandemic disruption for £3bn delay and EDF says plant will begin operating a year later than planned in June 2027 at an estimated cost of £25bn" (The Guardian, 2022). It was also stated that the cost of £3bn delay will not be projected on the consumers, but will be absorbed by the French and Chinese companies.

The critical incident of the pandemic has influenced the progress of the works for almost two years regarding the work force, with measures put in place for social distancing and reducing the number

of workers on site from 5000 to 1500. These have reduced the efficiency of the works being done on scheduled and delays have impacted for months the course of the project. The company representatives state that “In civil construction alone, having fewer people than planned means we lost in excess of half a million individual days of critical work in 2020 and 2021” (The Guardian, 2022). Besides the aspects related to the workforce the pandemic has impacted the supply chain for the project, with many suppliers being shut down and other having a reduced productivity. The dependance of the project on its suppliers has contributed to the rise of the costs and the delay for the construction. Another consequence of the pandemic is that it has influenced the inflation and that has also hit the project. The rising costs have affected the operations and has resulted in the increase of the project total costs. EDF has also registered loss and that has shaken the organisation and its credibility to finalise the project (News Sky, 2021).

3. Evaluation and recommendations

Success vs failure

The reflective questions for this report refer to Hinkley Point C project management, its development and its progress. It is taken into consideration the critical incident of the pandemic and it looks at evaluating: what is the pre-pandemic management of the project, who are the supporters of the project, what are the benefits of the project, what are the consequences of the disruptor factors, what is the current situation of the project, what are the lessons learned.

In order to reflect on the success or failure of the project it needs to be looked at the overall picture of the project, at how the things were before the critical incident and how is the situation post pandemic. The project of Hinkley Point C is a grandiose project as it is developed in a specialised industry which requires high levels of engineering and usage of raw materials. It requires specialised equipment at large size which has a high cost, it requires large areas for the constructions and it requires to follow specific regulations to comply with the industry requirements

and legislation. Everything related to this project it involves a vast amount of resources, from human workforce to financial investment and high number of policies and regulations. Therefore it is not an ordinary project and this should be taken into consideration when analysing its success or failure. Also external elements should also be taken into consideration as there are many factors that can influence a project (Power Technology, 2023).

The slow progress of the project is costly and delays of the project adds to the cost of the project. Hinkley Point C is a challenging project and to be finalised it requires “to overcome an extraordinary tangle of financial, political and technical difficulties” (The Guardian, 2017). Criticism for the project has been addressed by various specialists and has been considered to be impossible to be built due to high cost, long period of time for construction and controversial design and novelty of the technology. It is estimated that the British electricity consumers will have to pay billions for decades. Others have criticised the deal itself with the project developers, being seen as less favourable for the British than to EDF which is state owned by France. Lack of confidence has been observed within the company also, with the resignation of EDF finance director when the deal was signed in 2013 (The Guardian, 2017).

The supporters of the project are considering the importance of the project for the industry and for developing alternative sources of energy. The Government’s strategy to identify new ways to produce energy has been the focus of Hinkley Point C nuclear power plant after last nuclear plant being built in 1995. Under continuous lobby pro-nuclear and with unreliable sources of gas, with the most current Civil war between Russia and Ukraine, the project would contribute to the energy provision, if the cost of the project would be limited and not delayed. The Government support has been emphasising the role of nuclear industry for the state in contrast with other countries who have more developed nuclear industries. It has also been discussed the military nuclear capabilities of the United Kingdom in comparison with other states, which require nuclear expertise which if not utilised then when needed will not have the required specialised skills (New Civil Engineer, 2021).

Despite that it has been considered that the initial deal did not protect the interest of the British energy consumers because the deal was negotiated in a bubble when the power prices were high and nowadays the cost of renewable energy has decreased. In 2013 the European Commission has issued a document which comprised an investigation of the EDF deal stating that “the payments to EDF were so big that they could distort the electricity price across the whole of Europe” (The Guardian, 2017). The deal itself insured EDF, for a project failure to be absorbed by the British Government, which is ultimately the British public. The Government has to adapt the plan and ensure that gain share mechanism are put in place, which were approved by the European Union at a small margin. All the parties involved the British Government, the French and the Chinese companies have very difficult exit strategies with penalties to pay and humiliation for such a lengthy project and high costs.

The pandemic has put pressure on the project, but this has happened to majority of business. Pandemic has not been the only impacting factor, the slow progress of the project has been observed from incipient stages. With a high number of parties involved, with numerous changes put in place and with high levels of ambiguity can conclude that according to The Guardian (2017) Hinkley Point C project is presumably “a chain of decisions, taken by dozens of people over almost four decades, which might have made sense in isolation, but today result in an almost unfathomable scramble of policies and ambitions. Promises have been made and broken, policies have been adopted then dropped then adopted again”.

Reflecting on the project management of Hinkley Point C nuclear plant, the pandemic had impacted majorly the course of the project, but the project itself had glacier development throughout the project stages. The parties involved had invested a great number of resources, time and money and are constrained to put extra efforts to ensure the project is finalised (Office for Nuclear Regulation, 2023). The core analysis of the project (see Assignment 1) has revealed that it has been considered that initial expectations would change from some reasons or other. Nobody expected the pandemic

though and that was an element of surprise and determined major changes in the external environment worldwide. The pandemic led disruptions have shaken economy worldwide and had impacted activity of many organisations. Political tensions had also influenced at some levels the markets.

Current stage of the progress

The current situation in the United Kingdom involves a concern for the risen cost of the energy and the cost of living has increased. As emphasised previously the higher levels of inflation are influencing the price established by the Government for the fixed deal with Hinkley Point C.

Hinkley Point C project is still on and it still has chances to have a positive result. It still has chances to achieve its purpose to develop the nuclear industry and to open a new way to secure the United's Kingdom energy future and the reduction of carbon emissions. According to BBC (2021) the developers are determined to deliver the project on time which is now post pandemic established for 2027.

The current cost of the project has surpassed the initial proposed cost and it is most likely that the construction cost to overrun the project. The National Audit Office (2017) had suggested that alternative approaches could have helped with the increasing cost of the project, but it is not specified if that would have impacted the electricity price for consumer. As the project is not finalised it is discussed that NNB Generation Company Limited might even need financial support from the Government in defiance of the contractual agreement. That is why the Department plans are considering development of alternative solutions to produce energy and reduce risks. Even at this point it can not be provided a conclusive result of the project and evaluate if the project represents value for money, but it is imperative to manage the right arrangement to maximise the project value for consumers and tax payers.

Finalising the project comprises of several stages that has to be completed entirely to achieve its objectives. The success of the project will be measured in finalising the construction of the nuclear

plant, ensuring the technology is effective and functions at full capacity, considering is the novelty of the technology and that the energy prices are relevant for the British consumers. Currently the project has another 3 to 4 years to be completed and the project managers should focus in keeping operations efficient and effective. Communication is crucial for ensuring that obstacles are surpassed and continuous quality control to remain a priority. The lessons learned from the course of this project is that the lack of clarity and uncertainty can only lead to increase in risks, to delays and exacerbated costs. Although pandemic was an external factor this should also be a learning point for any project and ensure that is has the required resources put in place. A better use of resources, a focused management and a detailed oversight of the project can create effectiveness in allocating resources and maintaining high levels of efficiency.

According to EDF (2023) the project now has moved into final stages and that indicates positive elements for the project's outcome. The project continues to keep the news lines because of its importance and the imperative need to find alternative sources for the energy for the United Kingdom.

4. Conclusion

It can be reflected that the project had a risky approach from the beginning and the original vision for the plant and Government plans did not include the involvement of foreign investors. Entering in a deal with different states were destined to be a difficult process for discrepancies related to way of operation, cultural differences, reduced levels of communication, limited levels of negotiation. The identified solutions were rooted in the continuous pressure for sourcing alternative energy and have been pushed forward with high risks assumed.

It can be questioned if the Government would have been able to identify new solutions and if the nuclear energy would still be relevant when the project is completed. Further research is required to

assess the benefits of the project and that could only be assessed when the power plant is put in function.

In conclusion this reflection has evaluated the course of the project from incipient stages to the current stage. It has taken into consideration the critical incident of pandemic and it has been assessed the domino impact on the project operations. It can be questioned if pandemic did not happen if the project would have been perceived more positively, but based on the analysis above worries and risks have been and continues to be defining this project.

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