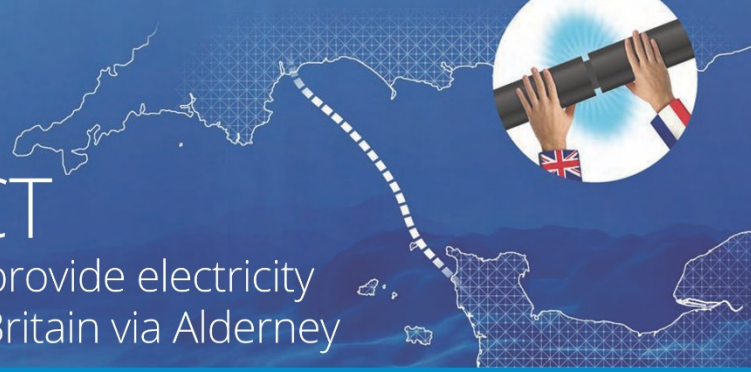




# FAB PROJECT

An interconnector to provide electricity  
between France and Britain via Alderney



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Dear Okon

**FAB Link Limited response to Ofgem's "Statutory consultation on our proposal to insert new special conditions into the electricity interconnector licences held by Greenlink Interconnector Limited and NeuConnect Britain Limited to implement the cap and floor regime".**

The FAB project is a proposed 1,400MW electrical interconnector between France and Britain via the channel island of Alderney. The project has been under development by FAB Link Limited ("FAB Link") in the UK and Réseau de transport d'électricité (RTE) in France since 2013.

We welcome the opportunity to provide our views on the new Special Conditions for Greenlink Interconnector Ltd (GIL) and NeuConnect Britain Ltd (NBL) and in particular the detailed provisions to support project financing. In general, we support the new special conditions proposed to be inserted in GIL's and NBL's and see them as significant and positive to enable project financing solutions. There are however two area's we wish to highlight which have not been addressed and will detrimentally impact project financing solutions.

It is currently unclear whether interconnector owners may become liable for GB Networks Costs such as Transmission Use of System (TNUoS) and Balancing Services Use of System (BSUoS) charges. Historically this has not been the case due to terms under the European Network codes and the GB system being included in the Inter-TSO Compensation Mechanism. However, due to the changes under the Trade and Cooperation Agreement these charges may, in the future, become charged to interconnector owners and are clearly an uncontrollable cost. This was raised in the consultation on the Interconnector Licence for IFA2 which showed that Paragraph 7.15(b) had been amended from "Network and Property Rates" in the Nemolink special conditions to "GB Property rates" in the IFA2 special conditions. This change persists in the GIL and NBL special conditions. Ofgem stated in the decision on the IFA2 special conditions that *"The Nemo Link interconnector licence is clear that the term "network rates" applies to rates payable specifically in Belgium, not charges in GB"*. We do not agree with this statement and challenge that if this was the case why Ofgem felt a change in the terminology was required for the IFA2 licence. Equally we do not see justification in why Ofgem deem the potential GB Network Costs as controllable. We urge Ofgem to be clear on the justification of why

GB Networks Costs (such as TNUoS and BSUoS) are controllable by an interconnector or adjust Paragraph 7.15 of the special conditions to include GB Network Costs.

In previous consultation responses we have highlighted our concerns regarding the Trial Operation period requirements and their compatibility to project financing. The drafting of the Special Conditions requires a 60-day fault free period (aside from 1-hour de-minimis interruptions) and is more onerous than that offered by manufacturers as part of their commissioning packages. This presents a risk that a Taking Over Certificate is required to be issued to the EPC contractors and the operational period would begin without the introduction of the floor. Without the EPC contractors' obligations being 'back-to-back' with those of the regulation, it is foreseeable that the link may never satisfy the requirements to be granted the floor and yet the developer would no longer have any recourse on the EPC contractors. Without a floor, required levels of cash-flow are not guaranteed creating a barrier to project financing and resulting in projects being unable to raise debt and therefore proceed under that finance structure.

Furthermore, under the current requirement and if finance can be raised (such is the case for a balance sheet financed project) perverse incentives exist. The requirement encourages owners to take a high-risk approach to achieving the 60-day requirement; potentially running the asset at risk and taking an outage shortly after the period has been achieved. We propose that the reliability run period be aligned to that available from manufacturers so that this period can be managed in a more controlled manner allowing the interests of the EPC contractor to be aligned with those of the interconnector owner. This will allow the manufacturer to assess the asset risk against the potential financial impact of damages and take informed and adequate action. Confirmation that Ofgem will declare the successful completion of the Trial Operation period and introduction of the floor upon completion of the test within the time afforded the owner (circa 24 hours) to issue the Taking Over Certificate to the contractors is equally key to managing this risk.

Finally, we would like to highlight that the documentation provided as part of this consultation could be significantly improved to aid the consultation. The guidance document is unclear in many places requiring reference to the special conditions and making the actual special conditions easier to interpret and understand. The consultation would benefit from a tracked change version of the new special conditions comparing the wording with the previously consulted on special conditions (in this case IFA2) and a guidance document explaining all terminology, acronyms employed, a legible flow diagram included showing how the terms interact and a general summery overview. This would aid responders in providing Ofgem with detailed and supportive feedback.

If you would like to discuss any aspect of this response, please do not hesitate to contact me directly.

Yours sincerely,



Richard Sidley  
Commercial and Regulatory Manager