



Making a positive difference
for energy consumers

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Date: 29 November 2021

Dear Jan,

BritNed interconnector – 10-year review of exemption

On 22 July 2021, BritNed Development Limited (BDL)¹ submitted a Financial Report² to the Authority³ setting out details of the actual and projected total costs and revenues of the project, and the rate of return on the investment, allowing for comparison with the data provided in BDL's exemption request in 2006.

Background and 10-year review

In July 2007, the Authority granted BritNed an electricity interconnector licence under section 6(l)(e) of the Electricity Act 1989 and issued an exemption order:

- a) providing that standard licence conditions 9, 10 and 11 are not in effect or are suspended from operation; and
- b) exempting BritNed from the provisions of Article 6(6) of Regulation (EC) No 1228/2003 ("the Regulation"),

for a period of 25 years from the date on which the BritNed interconnector commences commercial operation, which was 1 April 2011.

The European Commission requested an amendment to the exemption from the Regulation before issuance, to include conditions for BDL to provide the national regulators (Ofgem in Great Britain and the Authority for Consumers & Markets in the Netherlands) with a report containing all the details necessary to scrutinise the total costs and revenues of the project, and the subsequent internal rate of return (IRR) on the investment, with 2007 as the base year.

¹ BritNed Development Limited is a joint venture of Dutch TenneT TSO B.V. and National Grid. The company commercially operates the BritNed interconnector, a 1000MW high voltage direct current link between Maasvlakte in the Netherlands and the Isle of Grain in Great Britain.

² Pursuant to Part D, paragraph 6 of BritNed's Amended exemption order:
<https://www.ofgem.gov.uk/sites/default/files/docs/2007/11/britned-amended-exemption-order.pdf>

³ The Gas and Electricity Markets Authority. Ofgem is the Office of the Authority. The terms "Ofgem" and "the Authority," "we" and "us" are used interchangeably in this letter.

On 22 July 2021, after 10 years of operation, and as a condition of their exemption, BritNed submitted such a report to Ofgem and ACM.

Our view

As detailed in the accompanying joint position paper, Ofgem and ACM have reviewed the report provided and we are satisfied that the information meets the conditions of the amended exemption order.

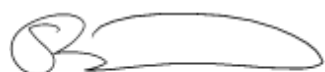
The report contains updated forecast revenue figures for the remaining 15 years of BritNed's exemption, with analysis being performed by the independent consultants Baringa. We acknowledge that there is a degree of uncertainty associated with any projection of interconnector revenues into the future – however, we are satisfied with the methodologies and resultant conclusions drawn.

We note from the Financial Report provided by BDL that the updated forecast IRR for the entire project does not exceed by more than one percentage point the IRR threshold requested by the European Commission.

The findings of Ofgem and ACM are contained in the joint position document published alongside this letter.

If you have any questions relating to this decision, please contact Alexander Graham by email (alexander.graham@ofgem.gov.uk).

Yours sincerely,



Stuart Borland

Head of Interconnectors