



Recipient:  
Thomas Johns, Senior Economist  
RIIOElectricityTransmission@ofgem.gov.uk  
Ofgem  
10 South Colonnade  
Canary Wharf  
London  
E14 4PU

From: Paul Williamson  
Business area: NKT HV Cables AB

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## **Eastern HVDC – Consultation on the project’s Initial Needs Case and initial thinking on its suitability for competition**

Dear Sirs,

NKT has pioneered the cable industry since 1891, and today we are proactively meeting the world’s needs for power.

NKT develop, manufacture and market high quality cables, accessories and solutions for electrical infrastructure. Sustainable energy systems are becoming increasingly important within power transmission and we are at the forefront of this development with solutions that are ideal to meet today’s energy challenges. We are a market leader in HVDC cable systems and have a strong track record with experience stretching back over six decades in this sector. Indications are that the demand for high voltage cable systems will increase dramatically in the coming years, with greater global demand for renewable energy projects and the drive towards higher levels of interconnection, to meet intermediate 2030 targets and ultimately achieve Net Zero obligations by 2050.

NKT has an interest in new transmission infrastructure, meeting the net zero challenge and competition in onshore transmission networks, and therefore welcomes the opportunity to comment on this consultation.

Based on the information provided in the Eastern HVDC (EHVDC) Initial Needs Case Assessment consultation document, we would tend to agree that the technical requirement and need for the two proposed HVDC links is appropriate given the indicated net benefit, initial conclusions on the cost benefit assessment and the balance of evidence provided. We also note the impact of the earliest in service dates (EISD) on the consumer benefits and the Transmission Owners (TO’s) preferred options (E2DC and E4D3) being considered the most likely and optimum approach. It is clear that timely delivery is critical for the two HVDC links.

With regard to Delivery Model considerations, a clear procurement process and framework for timely delivery are important factors. It is noted that Ofgem assess the need for the proposed project under the Large Onshore Transmission Investment (LOTI) mechanism and that the project as a whole meets the criteria for late model competition (new, separable, and high value). We further note that as part of its economic analysis, the Electricity System Operator (ESO) assessed the impact of a one-year delay to this transmission investment. For a single year delay of one HVDC link, it estimated that £330m of additional constraint cost could be incurred. If both HVDC links are delayed by one year, the ESO indicated that £665m of additional constraint cost could be incurred.

It is understood that the TO’s expect to submit their Final Needs Case (FNC) by the end of 2021, with the assessment taking place early 2022 and the FNC decision coming soon after the decision on major planning consents for EHVDC which is expected to take place by the end of 2022.

Postal address:  
NKT HV Cables AB  
Box 546  
SE-371 23 Karlskrona  
Sweden

Visiting address:  
Rombvägen 4, Karlskrona, Sweden  
Phone: +46 455 55600  
Fax: +46 455 55655

Reg. no.:  
559079-0290  
VAT no:  
SE559079029001

Reg. office:  
Lyckeby, Sweden



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From our perspective, we believe that it would be beneficial to have certainty of the delivery model ahead of the Invitation to tender (ITT) stage of the EHVDC procurement process in order to provide certainty to the market. However, the introduction of a late competition model at FNC (CATO Model, SPV Model, Competition Proxy Model) may itself create some uncertainties for the supply chain in terms of contracting entity and/or financing aspects for the project. You also mention that it is difficult to determine at this stage when the required legislation will be introduced to finalise the Competitively Appointed Transmission Owner (CATO) model and whether this would support timely delivery of the EHVDC project. Given the high indicative costs of delay to the project, any potential delay caused by introducing a late competition model should be taken in to consideration together with any implications on the overall delivery plan.

We trust that our comments will be considered as part of this consultation on EHVDC project.

**Paul Williamson**  
Sales Manager  
UK & Ireland, HV Solutions