

Ofgem (FAO Andrew Bullimore)
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28 July 2021

EDF response to Interconnector policy review:
Working Paper 2 – Socio-economic modelling
Working Paper 3 – Wider impacts of interconnection
Working Paper 4 – Multiple-purpose Interconnectors

Dear Andrew

EDF is the UK's largest producer of low carbon electricity. We operate low carbon nuclear power stations and are building the first of a new generation of nuclear plants. We also have a large and growing portfolio of renewable generation, including onshore and offshore wind and solar generation, as well as gas stations and energy storage. We have around five million electricity and gas customer accounts, including residential and business users.

EDF aims to help Britain achieve net zero by building a smarter energy future that will support delivery of net zero carbon emissions, including through digital innovations and new customer offerings that encourage the transition to low carbon electric transport and heating.

Thank you for the opportunity to allow us to respond to the review of the cap and floor regime to date and considering future direction that may allow for a more efficient framework.

We have only provided answers to those questions where we have specific observations and suggestions to make.

Working Paper 2 – Socio-economic modelling

Question 2: What are your views on the scenarios, assumptions and methodology that AFRY has used to model notional future interconnectors and the impact of cross-border interconnector flows?

Firstly, we acknowledge the complexity of modelling notional future interconnectors and the impact of cross-border interconnector flows. There are very significant uncertainties of the respective country decarbonisation pathways and policy measures over the coming decade. Going forward we would like to see regular reviews and modelling which can realistically demonstrate the impact of potential I/C growth to establish likely benefits.

Question 3: Do you agree with our view on the results of AFRY's modelling? Do you agree that this modelling supports the needs case for further interconnection?

We agree that the modelling supports the need for further interconnection but the potential short-term negative financial impact to GB consumers also implies that increasing interconnection is not required immediately.

There is a significant pipeline of interconnector developments, some that already have regulatory approval and would materially meet a large part of this identified need. Given this it is important to ensure adequate interconnector capacity comes forward at the right time.

As set out throughout Ofgem's working papers, a stronger role for an Independent System Operator to identify optimal timing for future interconnection to maximise consumer benefits is important.

Alongside this, it is hard to sustain a largely developer led approach to interconnection given the scale of change, complexity and degree of coordination needed in network planning and delivery to meet the UK's own net zero pathway. Interconnection is an important part of the developments needed to support this pathway but must be part of a more coordinated process by an independent system operator to maximise consumer benefits. The current developer led cap and floor regime is likely to increasingly become more inefficient for consumers without increased coordination.

Working Paper 3 – Wider impacts of interconnection

Question 1: Do you agree with the approach we have taken to workstream 3?

We recognise the importance of interconnection particularly to system flexibility. We agree with Ofgem that interconnectors will likely have material implications for security of supply, decarbonisation and operability as well. We believe that assessment, particularly of the operability implications, should have been given a much greater focus in the previous cap and floor assessments. The connection of new interconnection has had material effects on system inertia driving substantial costs to consumers which were not fully accounted for in the previous cap and floor assessment. It is essential in future regulatory mechanisms that these wider implications are assessed effectively.

Question 7: Do you agree with our initial conclusions? If not, please concisely explain why and provide supporting information if available.

Interconnection can help security of supply but it also exposes countries to risks from events far outside their own borders – which makes it essential that the analysis is capable of looking at these wider risks. We agree this is essential to be considered under the Capacity Market, it is also important to assess under any future cap and floor regime to ensure these wider impacts on consumers are understood.

Success of further value from interconnection may depend also on the trade and cooperation agreement.

Question 9: Do you have any further feedback on our analysis, conclusions or proposals presented in this consultation document

At a time when Brexit has excluded the GB market from participation in the EU Internal Energy Market closer cooperation to provide flexibility may, at least in the short term, become more difficult; for example, GB won't participate in TERRE in the foreseeable future and day ahead

market coupling may be resumed next year in a suboptimal form. All of this won't stop interconnectors being used to provide flexibility, but it may make it more difficult and less efficient.

Working Paper 4 – Multiple-purpose Interconnectors

In principle there may be a value from MPIs by providing a more efficient solution to connecting offshore wind and interconnecting markets. At this stage it is not clear the relative benefits case versus coordinating offshore wind connections and having separate interconnectors.

At a time where there is already a very significant and critical programme of work to coordinate the delivery of network infrastructure to support the UK's offshore wind ambitions it is appropriate to consider the development of MPIs as part of this work (OTNR).

The logistics both technically and commercially to enable MPIs to work is likely to be very complex. As we have mentioned in our previous responses, an Independent System Operator would assist in developing the assessment and benefits of MPIs.

We agree that determining the appropriate commercial arrangements including allocating revenues and risks to the right market and allocating costs to the offshore wind developers is essential to avoid an inefficient solution. This will also need to consider what changes may be needed to the CfD auction process to accommodate such changes.

If you wish to discuss this response in any further detail please do not hesitate to contact me (mark.cox@edfenergy.com) or Binoy Dharsi at binoy.dharsi@edfenergy.com.

Yours sincerely



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