



National Grid Ventures (NGV), part of National Grid plc, is a distinct commercial unit that owns and operates energy businesses in competitive markets in the UK and US. NGV's UK portfolio includes National Grid Interconnector Holdings Limited and Grain LNG.

Introduction

National Grid Ventures (NGV¹) welcomes this opportunity to engage with Ofgem's priorities for the period 2022-23. We are responding to discussion in the draft 2022-23 Forward Work Programme and more broadly the development of multipurpose interconnectors (MPIs) and coordinated offshore grid development.

As the leading developer and operator of electricity interconnectors in the UK, we welcome Ofgem's and the UK government's deepening commitment to interconnection, and, under Point 4, to specifically implement the findings and outcomes of the interconnector policy review and develop a regulatory regime for multi-purpose interconnectors. Cross-border offshore renewable resources are at the heart of the UK government's commitment to net zero carbon emissions by 2050, but this can only be realised if the policy and regulatory landscapes allow it. This is true both for UK decision-making and the future trading relationship with the EU, where efficient cross-border electricity trading and common marine renewables development is essential.

The Cap and Floor regulatory regime continues to provide benefit to consumers and developers, and we welcome the third Cap and Floor investment round this summer. There are significant consumer benefits from interconnection, through facilitating decarbonisation of the UK energy mix while contributing to security of supply and lowering energy prices. This can only grow further through multi-purpose interconnection and is of particular importance at a time of rising wholesale energy prices and ultimately costs for consumers.

NGV welcome the concept of pilot(s) and hope that this will provide the necessary level of regulatory flexibility to get these first of a kind, innovative, complex projects off the ground whilst balancing risks to investors with benefits to consumers. We will be engaging with Ofgem as part of the pilot scheme for MPIs under an adjusted Cap and Floor regime that Ofgem has confirmed will take place from mid-2022. We look forward to working with Ofgem on the commercial and regulatory arrangements for MPIs and to support this policy-regulatory development, alongside the BEIS offshore transmission network review.

Setting out the commercial and regulatory frameworks must be timely, and there is already plentiful learning and precedent to draw on. In the Cap and Floor regime, Ofgem set out the founding principles to strike a level playing field and balance risk and rewards between consumers and developers. We look forward to working with Ofgem and relevant stakeholders to define a clear and efficient commercial and regulatory framework for multi-purpose interconnectors.

We would support greater flexibility for interconnectors, allowing the import of more diverse sources of energy from Europe, saving consumers money as well as contributing to security of supply and wider environmental targets. We would welcome the next phase of the Smart Systems Forum and agree with the points raised in Point 5 of this consultation related to full chain flexibility, particularly the removal of

¹ NGV manages National Grid's GB interconnector business interests including its share of IFA, IFA2, BritNed, Nemo Link, NSL, Viking Link and any future interconnector developments.

barriers to flexibility on the grid for storage and interconnectors, as this can only be a positive to deliver the UK government's target to have net zero emissions by 2050 and facilitate flexibility for consumers.

We would agree in prioritising cooperation on cross-border policy, increased interconnection and expanding offshore renewables raised in Point 1 of this consultation related to Core Regulatory Functions. The EU-UK Trade and Cooperation Agreement sets out a detailed agreement between the UK and EU to deliver a replacement process for efficient allocation of cross-border capacity across interconnectors. Such efficient allocation approaches will likely become ever more important as transmission networks in the North Sea become more complex and interconnected. As such we would agree with Ofgem that cooperation on cross-border policy now that the UK is out of the EU Internal Energy Market should continue and we urge Ofgem to focus on this as a priority.

Although we recognise the negotiations are primarily the responsibility of BEIS and the EU Commission, we believe it is important that Ofgem work effectively in building working arrangements with ACER and other European Regulators. This is important to facilitate discussions relating to all of the trading arrangements contained in the Trade and Cooperation Agreement (TCA), including to introduce multi-region loose volume coupling to enable implicit capacity allocation on UK-EU interconnectors. We look forward to working closely with Ofgem to ensure that cross-border trading is as efficient as possible and that UK consumers can continue to enjoy the benefits that it brings.

We are happy to discuss the views contained within this response, should that be helpful. For further details, please contact Ruben Pastor-Vicedo (ruben.pastor-vicedo@nationalgrid.com).