

19 May 2022

Dear Aliabbas,

### **Consultation on NeuConnect Final Project Assessment**

Transmission Investment, as one of the UK's leading independent transmission companies manages one of the largest offshore electricity transmission portfolios. We are a strong advocate of introducing competition into the delivery of onshore transmission and we continue to support the development of the required arrangements inter alia through industry groups, responding to consultations such as these and providing evidence to parliament.

Transmission Investment is also leading, in partnership with the French national grid company RTE, the development of a proposed 1400MW HVDC interconnector between France and Britain via Alderney ("the FAB interconnector project"). This project was granted cap & floor regulatory treatment in Window 1 in 2015. Transmission Investment is also in the early stages of developing a 700MW HVDC interconnector between Scotland and Northern Ireland ("the LirIC interconnector").

The government has set challenging targets for interconnection to support the UK's Net Zero energy system. Achieving this will need a diverse investor base to deliver the tens of billions of pounds needed to fund the projects to achieve the 18GW by 2030 and more beyond. We have provided specific responses to three questions in the consultation Section 3, Question 1 and Section 4, Questions 3 & 4.

### **Policy on allowable costs to recognise different financing structures and models**

*Question 1: Do you agree with our proposed cost allowances?*

We strongly support Ofgem's flexible approach allowing for details of the Cap and Floor regime to vary and adapt to a range of different investment structures and financing models. By fostering a competitive market for interconnector development, consumers' interests can be better protected. We would encourage careful consideration of the treatment of customary costs specific to the financing arrangements and sector which are efficient and therefore legitimate to include in the cost assessment, for example advisor success fees. In addition, there are costs required by debt providers and unavoidable when seeking to create a financing package. These, like in a price control settlement need to be considered 'in the round' e.g. Delayed Start-up Insurance. Without these elements the package simply does not work. Taking that adaptive approach will allow the market to develop and improve competition for financing, which will help protect consumers' interests.

### **Regulatory processes should not introduce delays**

*Question 3: Do you agree with our view that, on balance of the information we have, Option 1 of our needs case review is in the interests of today and future GB consumers?*

*Question 4: Are there any extra steps that you think we should consider to inform our final decision on NeuConnect following this consultation?*

While we understand Ofgem's policy to reassess a needs case where there are significant changes in project cost or dates from the previous stage assessment, we also suggest a second 'value' test before Ofgem and developers begin investing time and effort into such a review. The value of a review for such strategically important investments relies on there being a reasonable possibility that a different conclusion could be reached.

While we support Option 1, adopting that approach must avoid changing the process or adding new steps into the process that would then cause a delay.

### **Maintaining flexibility in the regulatory regime**

The consultation seeks views on other project specific topics, e.g. technical assessment and approach to the Post Construction Review. We have not provided specific responses to those questions. We would make the general point that we support Ofgem in maintaining an adaptive regime. Flexing the process and maintaining a proportionate approach, to reflect the circumstances, structure and financing for each project, will ensure the regime is a facilitator of these strategically important investments for the UK.

Yours faithfully,



**Mark Fitch**  
Corporate Development and Regulation Manager