

## Supplementary application submission guidance for Third Window and the MPI Pilot

<b>Publication date:</b>	14 October 2022
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This supplementary guidance should be read as a supporting document to the existing guidance documents for both the Third Cap and Floor Window for Electricity Interconnectors (**Third Window**) and the MPI Pilot Regulatory Framework (**MPI Pilot**) application processes. It offers clarification and further detail on the submission of documents.

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## Executive Summary

### The Interconnector Policy Review (ICPR) and implementation

In August 2020, Ofgem launched a review of its regulatory policy and approach to new electricity interconnectors – our Interconnector Policy Review.<sup>1</sup> The ICPR and subsequent implementation support our continued ambition to enable investment in low-carbon infrastructure at a fair cost to energy consumers through our Low Carbon Infrastructure Strategic Change Programme.<sup>2</sup>

As a result of the review, we detailed in our ICPR decision that we will run a third application window for interconnectors alongside a multi-purpose interconnectors (MPIs) pilot cap and floor regulatory framework.<sup>3</sup> These investment rounds have the potential to contribute to the delivery of Government policy, such as the ambitions of achieving at least 18GW of interconnection,<sup>4</sup> and 50GW of offshore wind by 2030.<sup>5</sup>

In the first half of 2022, we have refined and implemented the principles outlined in the ICPR decision paper. Following external stakeholder workshops to develop specific aspects with industry, the cap and floor regime has been updated for the third application window to reflect the evolving interconnector investment landscape and build upon lessons learnt in previous windows. In addition, we have launched a MPI cap and floor pilot framework to reflect the complex nature of these hybrid projects.

### Our updated needs case assessment framework

As part of the Initial Project Assessment (**IPA**) for the cap and floor regime, Ofgem conducts a cost-benefit analysis (**CBA**), where projects are assessed on their socioeconomic value, wider network and environmental impacts, and against the existing interconnector landscape. This ensures that projects are necessary, deliverable, and in consumers' interests. The needs case framework has been updated for the third application window following a review by advisors from Ove Arup, to account for whole-system impacts such as an interconnector's impact on the

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<sup>1</sup> <https://www.ofgem.gov.uk/publications/open-letter-notification-interested-stakeholders-our-interconnector-policy-review>

<sup>2</sup> <https://www.ofgem.gov.uk/publications/202223-ofgem-forward-work-programme#low-carbon%20infrastructure>

<sup>3</sup> <https://www.ofgem.gov.uk/publications/interconnector-policy-review-decision>

<sup>4</sup> <https://www.gov.uk/government/publications/energy-white-paper-powering-our-net-zero-future> (see page 80)

<sup>5</sup> <https://www.gov.uk/government/publications/british-energy-security-strategy/british-energy-security-strategy>

existing transmission system, security of supply, and other hard-to-monetise impacts. These new indicators align Ofgem’s approach in some areas more closely with the European Network of Transmission System Operators for Electricity (**ENTSOE**) modelling standards. This updated framework will also apply to the MPI Pilot, and we will collaborate with applicants to ensure that the modelling adequately reflects the bespoke and complex nature of MPIs, given differences in project structure and operation from traditional interconnectors.

### **Existing application guidance**

In early July 2022 we published our Application Guidance for the Third Cap and Floor Window for Electricity Interconnectors.<sup>6</sup> This set out the cap and floor regime application process for the upcoming third application window for new regulated interconnectors, following our ICPR decision from December 2021.<sup>7</sup> This included guidance for potential applicants on eligibility and submission criteria for the IPA stage. Alongside this, we published details of the objectives for the MPI Pilot Regulatory Framework<sup>8</sup> and set out the application process.

Following this, in late July 2022 we published our Cap and Floor Third Application Window and MPI Pilot Regulatory Framework - Guidance on our Needs Case Assessment Framework.<sup>9</sup> This explained the framework to be used to assess the needs case for proposed projects across both schemes and provide guidance for applicants who plan to submit their own cost-benefit modelling study as part of their application.

### **Updates for this supplementary guidance**

This guidance should be read as a supporting document to the existing guidance documents for both Third Window and MPI Pilot applicants. We set out additional details and corrections regarding application submissions, including the cost assessment template, for the Third Window and MPI application process, alongside areas of clarification. We have provided a revised cost assessment template, with adopted changes, on this website. To summarise, the additional details and corrections are as follows:

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<sup>6</sup> [Application Guidance for the Third Cap and Floor Window for Electricity Interconnectors](#)

<sup>7</sup> [Interconnector Policy Review - Decision](#)

<sup>8</sup> [Multi-purpose Interconnectors Pilot Regulatory Framework](#)

<sup>9</sup> [Cap and Floor Third Application Window and MPI Pilot Regulatory Framework- Guidance on our Needs Case Assessment Framework](#)

- a) There are minor formulae inconsistencies in the high level cost assessment template for both Third Window and MPI Pilot applications which require amending.
- b) For clarity, the cost assessment template, also requires the addition of specific table titles.
- c) The reporting of annual data in the cost assessment template is to be done according to financial/tax years, and not calendar years.
- d) We recommend that, where possible, the various submission components of the MPI Pilot and Third Window submissions be numbered in accordance with this guidance.
- e) Applicants are required to contact [cap.floor@ofgem.gov.uk](mailto:cap.floor@ofgem.gov.uk) as soon as possible and at least three working days prior to when they plan to submit in order to gain access to the application portal.

## 1. Introduction

### Context

#### The cap and floor regime for Interconnectors

1.1. Electricity interconnectors are the physical links that allow the transfer of electricity across borders. The cap and floor regime, which has been in place since 2014, is the regulated route for interconnector development in Great Britain.

1.2. The cap and floor regime, initially piloted for Nemo Link (1GW) in 2013, and then expanded into two application windows in 2014 and 2016, incentivises development in electricity interconnection by limiting developers' exposure to electricity market price risk. In 2020, the Government committed to working with Ofgem to realise at least 18GW of interconnector capacity by 2030, highlighting the role of interconnection to facilitate a more flexible energy system needed to meet net zero targets. Once complete, the existing projects, regulated by the cap and floor regime or exempted, will, assuming all proceed, increase GB interconnection capacity to 15.9GW.

1.3. Related publications for this guidance are listed below:

[Interconnector Policy Review - Decision | Ofgem](#)

[Multi-Purpose Interconnectors Regulatory Framework | Ofgem](#)

[Application Guidance for the Third Cap and Floor Window for Electricity Interconnectors](#)

[Cap and Floor Regime Handbook](#)

### Your feedback

1.4. We welcome ongoing engagement and any comments or questions regarding this guidance. Please send any general feedback comments to [Cap.Floor@ofgem.gov.uk](mailto:Cap.Floor@ofgem.gov.uk).

## 2. Cost assessment template alterations

### Overview

The cost-template forms an important component of the IPA process, and is a required submission element for both the third cap and floor window and the MPI Pilot. This section demonstrates the alterations required to the cost-template to ensure the accurate and optimal presentation of information. It also clarifies the interpretation of 'a year' and how reporting of annual data should be completed.

### Cost assessment template

2.1. On 31 August 2022, Ofgem contacted stakeholders to inform them of our decision to replace the original cost assessment templates with one common high-level cost assessment template to be used by both the Third Window and MPI Pilot applicants.

2.2. As a result of the consolidation of the MPI Pilot and Third Window data into one template, there were some inconsistencies in the template, which require correction.

2.3. To ensure all inputs are calculated correctly, all applicants should adopt the changes detailed in Table 1, below, to sheet 'HL Submission Summary' into their working versions of their cost assessment template for their submission. However, applicants can also choose to use the revised version of the cost assessment template, in which we have addressed the changes, on this website.



**Table 1: Changes to be made to sheet HL Submission Summary**

Cell	Current Formula	Change	Required formula
<b>C17</b>	=IF(OR(SUM(J129:J156)=0 ,SUM(J129:J156)=""),"-",SUM(J129:J156))	<b>All references to (J129:J156) to be replaced with (J129:J160)</b>	=IF(OR(SUM(J129:J160)=0,SUM(J129:J160)=""),"-",SUM(J129:J160))
<b>C19</b>	=IF(OR(SUM(G3,G8:G10)=0,SUM(G3,G8:G10)=""),"-",SUM(G3,G8:G10))	<b>(G3,G8:G10) to be replaced with (G3,G8:G11)</b>	=IF(OR(SUM(G3,G8:G11)=0,SUM(G3,G8:G11)=""),"-",SUM(G3,G8:G11))
<b>D10</b>	=IF(MIN(J85:J88)=0,"-",MIN(J85:J88))&IF(OR(MAX(J85:J88)=0,IF(MIN(J85:J88)=0,"",MIN(J85:J88))=MAX(J85:J88)),"", "&MAX(J85:J88))	<b>All references to (J85:J88) to be replaced with (J77:J80)</b>	=IF(MIN(J77:J80)=0,"-",MIN(J77:J80))&IF(OR(MAX(J77:J80)=0,IF(MIN(J77:J80)=0,"",MIN(J77:J80))=MAX(J77:J80)),"", "&MAX(J77:J80))
<b>D13</b>	=IF(OR(MAX(J57:J89)=0,MAX(J57:J89)=""),"-",MAX(J57:J89))	<b>References to (J57:J89) to be replaced with (J57:J88)</b>	=IF(OR(MAX(J57:J88)=0,MAX(J57:J88)=""),"-",MAX(J57:J88))
<b>E7</b>	=IF(MIN(N73:N76)=0,"-",MIN(N73:N76))&IF(OR(MAX(N73:N76)=0,IF(MIN(N73:N76)=0,"",MIN(N73:N76))=MAX(N73:N76)),"", "&MAX(N73:N76))	<b>All references to (N73:N76) to be replaced with (M73:M76)</b>	=IF(MIN(M73:M76)=0,"-",MIN(M73:M76))&IF(OR(MAX(M73:M76)=0,IF(MIN(M73:M76)=0,"",MIN(M73:M76))=MAX(M73:M76)),"", "&MAX(M73:M76))
<b>G12</b>	=IF(OR(O89=0,O89=""),"-",O89)	<b>All references to O89 to be replaced with N89</b>	=IF(OR(N89=0,N89=""),"-",N89)
<b>D12</b>	<b>Remove formula in cell and change cell colour to grey pattern colour.</b>		
<b>E12, E13 F12, F13</b>	<b>Change cell colour to grey pattern colour.</b>		
<b>F41 to P41</b>	<b>The financial years should start in F41 with 2021/22, before going 2022/23 and so forth. This means that P41 should end with 2031/2032</b>		
<b>D92 to N92</b>	<b>The financial years should start in D92 with 2021/22, before going 2022/23 and so forth. This means that N92 should end with 2031/2032</b>		

## Table Numbering

2.4. In addition to the formulae changes detailed above, further minor amendments are required to the cost assessment template 'HL Submission Summary' tab. Specifically, to the table titles.

2.5. In tab 'HL Submission Summary' of the current template, only five of the eight tables are labelled. To enable greater ease of interoperability and communication, we ask applicants to label the currently unnumbered tables A-C, as detailed under 3.6 below.

2.6. Amendments to be made are indicated in **bold** (working top-down on the spreadsheet):

- **Table A:** Project Capex summary (2021/22 prices)
- **Table B:** Total project cost breakdown (2021/22 prices)
- Table 1: Total project spend at IPA stage (2021/22 prices)
- Table 2: Total project spend expected at FPA stage (2021/22 prices)
- **Table C:** Project spend profile (2021/22 prices **and financial years**)
- Table 3: Project capex costs (2021/22 prices)
- Table 4: Project capex spend profile (2021/22 prices)
- Table 5: Project operational, maintenance and decommissioning costs (2021/22 prices)

2.7. Tables 1-5 in the above are already labelled and do not need amending. Only the new tables A-C require titles to be added. Table C also requires the specification of financial years, as shown above. To this, all figures in the cost template should be reported in **financial/tax years**, rather than calendar years. This is to better align with how we process such data internally. To further clarify, the price base should be set to 2021/22 for all inputs.

## 3. Submission requirements

### Overview

This section details the submission material required as part of Third Window and MPI submissions.

### Document submission format

3.1. Table 2 below lists the different components of both MPI Pilot and Third Window Applications as set out in the application guidance documents.<sup>10</sup> It shows detail of any changes since the Second Window highlighted in orange, and further context of the requirement.

3.2. Where possible, applicants are encouraged to number the components below for both Third Window or MPI applications as per the numbering in red. However, we understand that applicants may already have structured their submissions differently and in these cases request that the components are labelled clearly for identification.

3.3. Additional documents such as appendices should be submitted alongside their main documents using a logical numbering notation so that documents can be easily identified.

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<sup>10</sup> See page 26 of [Application Guidance for the Third Cap and Floor Window for Electricity Interconnectors | Ofgem](#) and page 19 of [Multi-purpose Interconnectors Pilot Regulatory Framework | Ofgem](#)

**Table 2: Eligibility criteria and submission material for both Third Window and MPI Pilot**

No.	Submission requirement	Status for Third Window	Status for MPI Pilot
<b>A</b>	<b>GB connection agreement for connection prior to the end of 2032</b>	No change since W2	Same as W3
<b>B</b>	<b>An interconnector licence (either granted or application made)</b>	No change since W2	NOT APPLICABLE
<b>1</b>	<b>Project overview.</b>	No change since W2	Same as W3, including project permutation information and market model (recognising that there may be uncertainty)
<b>2</b>	<b>Modelling study.</b>	Optional, however, recommended	Optional, however, recommended
<b>3</b>	<b>Qualitative assessment of risk and dependencies.</b>	No change since W2	Same as W3
<b>4</b>	<b>Indicative costs.</b>	No change since W2	Same as W3
<b>5</b>	<b>Hard-to-monetise impacts</b>	Provide qualitative information	Provide qualitative information
<b>6</b>	<b>Justification of connection location, cable route, capacity and technical design.</b>	No change since W2	Same as W3, whilst recognising that there may be uncertainty
<b>7</b>	<b>System operability</b>	Information on ancillary services capacity if applicable	Information on ancillary services capacity if applicable
<b>8</b>	<b>Detailed and realistic project plans.</b>	Proof of engagement with PCI process no longer needed	Same as W3, with additional information for working with Ofgem and offshore generation
<b>9</b>	<b>Plans for grid connection in the connecting country.</b>	Written evidence of engagement	Written evidence of engagement
<b>10</b>	<b>Plans for obtaining regulatory approval in the connecting country</b>	Written evidence of engagement	Written evidence of engagement
<b>11</b>	<b>Financing and investment decision plans.</b>	Further information required	Same as W3
<b>12</b>	<b>Supply chain plans.</b>	No change since W2	Same as W3
<b>13</b>	<b>Indication of FPA submission.</b>	No change since W2	NOT APPLICABLE
<b>14</b>	<b>Other supplementary material</b>	No change since W2	No change since W2

## 4. Submission process

### Overview

Both the Third Window and MPI Pilot applications are to be submitted via Huddle.

MPI pilot applicants are to email [cap.floor@ofgem.gov.uk](mailto:cap.floor@ofgem.gov.uk) as soon as possible with the email addresses of those required to join the Huddle application page.

### Huddle

- 4.1. [Huddle](#) is an online software that was originally designed as a collaborative workspace, and is used within Ofgem as a file and data exchange.
- 4.2. Huddle is the preferred platform by which both the MPI Pilot and Third Window applications should be submitted.
- 4.3. The platform enables more efficient and convenient file sharing than via email; enabling the transfer of up to 10GB documents without reaching the file capacity of an email.
- 4.4. Applicants are required to email [cap.floor@ofgem.gov.uk](mailto:cap.floor@ofgem.gov.uk) to detail the email addresses of all people who will require access to the Huddle software to upload their application. **This should be done at the earliest opportunity**, at least three working days prior to when they plan to submit their application. This is to allow for sufficient time to add applicants to the Huddle software.
- 4.5. The specified people will then be invited via email to join a page on Huddle where they can upload their application documents.
- 4.6. All submissions will be treated as confidential and will not be visible to other applicants.
- 4.7. Specific detail of how to upload to huddle can be found [here](#).

## 5. Conclusion and next steps

### Summary

5.1. This guidance has provided the following updates to the existing MPI Pilot and Third Window application guidance:

- The high-level cost assessment template for both Third Window and MPI Pilot applicants requires some formulae amendments. We have provided a revised cost assessment template on this website.
- The cost assessment template requires the addition of titles.
- The reporting of annual data is to be done according to financial/tax years, and not calendar years.
- We recommend that the various submission components of the MPI Pilot and Third Window submissions are numbered.
- Applications will be submitted via Huddle. **Applicants are required to contact [cap.floor@ofgem.gov.uk](mailto:cap.floor@ofgem.gov.uk) at the earliest opportunity**, at least three working days prior to their submission, with details of the email addresses of those required to access the Huddle.