

Cross Border Market Arrangements Team  
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Dear Cross Border Market Arrangements Team,

**NGIC Response to Consultation on interim period and enduring development cost recovery submission under the CACM Regulation**

National Grid Interconnectors Limited (NGIC) welcomes the opportunity to respond to Ofgem's minded-to position on the recovery of remaining Capacity Allocation and Congestion Management (CACM) historical costs. NGIC is a wholly owned subsidiary of National Grid plc holding an Electricity Licence to operate the IFA interconnector.

EPEX SPOT performed analysis and established a list of historical CACM costs, attributed to GB over the period 2017 to 2020, that had not previously been recovered through the 2021/22 TNUoS cycle. Following instruction from Ofgem, the relevant GB interconnector TSOs made cost submissions produced by, and on behalf of, EPEX SPOT, initiating Ofgem's cost assessment process.

Subject to Ofgem's final decision, based on the minded-to position, NGIC expects:

To be invoiced by EPEX SPOT for **£1,036,752**, of which:

- **£895,204** will be recovered through TNUoS via the 2024/25 cycle
- **£141,548** will be recovered from NGIC

Our responses to the consultation questions are provided in the Appendix to this letter. In addition, we have outlined some broader comments below.

- **Payment to EPEX SPOT - Currency**

Our expectation is that, just as costs will be recovered in GBP via TNUoS, NGIC will be invoiced by EPEX SPOT in GBP in line with the values set out in Ofgem's final decision on this issue.

- **Payment to EPEX SPOT – Time value of money**

EPEX SPOT has not submitted any time value of money adjustment to the remaining historical costs (and therefore this is not included within Ofgem's consultation). Our expectation is that these costs will be treated in nominal terms without any additional time value of money adjustment.

- **Payment to EPEX SPOT – Timing**

To avoid ambiguity, given that cost recovery via TNUoS will take place over the 2024/25 cycle, it would be helpful if Ofgem indicates in the final decision when it expects the GB interconnector TSOs to make payment(s) to EPEX SPOT.

- **Final Claim by the NEMOs on CACM Cost Recovery**

We expect these to be the final remaining GB costs due to the NEMOs under CACM Regulation and do not expect any further claims to be made.

For any questions on the content of this letter, please contact [sally.lewis@nationalgrid.com](mailto:sally.lewis@nationalgrid.com).

Yours sincerely,

Ruben Pastor-Vicedo

**Head of UK Policy & Regulation**

National Grid Interconnectors Ltd (NGIC)

## **Appendix - Consultation Questions:**

**Question 1: Do you agree with how we have assessed costs as being efficient, proportionate and reasonably incurred?**

The cost assessment process took place between Ofgem and EPEX SPOT. Ofgem's summary in the consultation document of the process that has been undertaken, while brief, appears to describe a reasonable approach to cost assessment.

**Question 2: Do you agree with our proposed approach to use the value of GBP currency for the cost recovery claims, including our approach to request an adjustment to the interim and enduring costs based on the average annual currency exchange rates for each year of its claim?**

We agree that the claim should be converted to the GBP value for Ofgem's determination and consequential payments, and we are satisfied with Ofgem's proposed approach to calculate this.

In paragraph 2.1, Ofgem states: *'Each of the GB interconnector TSOs had converted invoices in Euros to GBP using an FX rate dated in April 2023.'* It is correct that the Euro to GBP conversions initially applied an FX date of April 2023, and that this has been amended. However, for clarity, GB interconnector TSOs have not yet been invoiced by EPEX SPOT for these costs.

Our expectation is that, after costs have been recovered via TNUoS, NGIC will be invoiced by EPEX SPOT in GBP in line with the values set out in Ofgem's final decision.