

National Grid Viking Link Limited,  
electricity interconnector  
licensees, and other interested  
parties

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Date: 12 December 2023

Dear stakeholders,

**Decision on proposed changes to the electricity interconnector licence held by  
National Grid Viking Link Limited**

In November 2023, we conducted a statutory consultation on proposed changes to the electricity interconnector licence held by National Grid Viking Link Limited (**NGVL**).<sup>1</sup> These changes were required in order to implement Viking Link's cap and floor regime.

Following consideration of consultation responses, we have decided to implement the proposed licence modifications with amendments, as set out in this letter. Notice of the licence modifications is published as Schedule 1 alongside this decision. Following this decision, these licence modifications will take effect from 7 February 2024.

**Consultation responses**

We received one response to our consultation. The response was non-confidential and has been published alongside the Consultation. A summary of the points raised by the respondent, together with our views on those points is set out in Appendix 1 to this letter.

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<sup>1</sup> Our November 2023 statutory consultation is available at: [Statutory consultation on a proposal to insert new special conditions into the electricity interconnector licence held by National Grid Viking Link Limited \(NGVL\) | Ofgem](#)

## Licence modification decisions

We are now proceeding to make the licence changes. A modification decision together with other relevant schedules have been published alongside this letter as follows:

- Schedule 1 - Notice of licence modification
- Schedule 2 - Special conditions for the electricity interconnector licence held by Viking Link
- Schedule 3 - Section G Direction<sup>2</sup>
- Schedule 4 - Guidance to the cap and floor conditions in Viking Link's licence<sup>3</sup>

If you have any questions in relation to this letter, please contact Alexander Graham by email ([alexander.graham@ofgem.gov.uk](mailto:alexander.graham@ofgem.gov.uk)).

Yours sincerely,



**Stuart Borland**

**Deputy Director, Offshore Network Regulation**

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<sup>2</sup> This Direction brings into effect Section G (Cap and Floor Conditions) of the standard licence conditions. The Section G conditions of the standard licence conditions are switched off by default for all electricity interconnector licensees until the Authority issues a Section G (Cap and Floor Conditions) Direction to switch them on.

<sup>3</sup> We previously published a draft version of the guidance as part of our November 2023 statutory consultation on the proposed licence changes

## Appendix 1: Summary of consultation responses

Respondent	Condition Ref	Comments	Our views	New licence drafting
National Grid Viking Link	Special Condition 7 (Part D) <i>Determination of Income Adjusting Event term (IAT<sub>t</sub>)</i>	<p>We note that the draft offered by Ofgem maintains very restricted provisions around Income Adjusting Events (IAE). Current drafting provides that an income adjusting event must both qualify as a Force Majeure event and satisfy the 5% cost threshold. The definition of Force Majeure is however very limiting and does not account for changes in law from regulatory authorities. We believe that the policy intent of Income Adjusting Events is to provide protection to the interconnector from the impact of events beyond its reasonable control (subject to efficiency and materiality tests), and the current licence drafting does not do that.</p> <p>There is no mechanism to recognise legislative changes that impose unforeseen costs on the interconnector owner (outside the single opex reopener opportunity).</p> <p>Our view is that cost allowances are a critical aspect of the cap and floor framework and as such, where significant costs are incurred as a result of changes in law, the regime should also offer protection by allowing them to</p>	<p>In our 2014 decision on the cap and floor regime for Nemo Link, we noted that there is a high regulatory burden associated with investigating income-adjusting events, and that we think the likelihood of these events is rare, and that the floor also provides protection through the regime.</p> <p>This thinking has been maintained through the IFA2 and NSL Special condition consultation and decision.</p> <p>We retain this view.</p>	N/A

		be assessed and possibly allowed as part of the cap and floor operational costs.		
National Grid Viking Link	Special Conditions 2 (Part A)  <i>Calculation and entry into force of the Cap Level term (CLt) and Floor Level term (FLt)</i>	<p>We note that, in line with current cap and floor regime policy, the drafting maintains very strict rules on the floor start date which require that the interconnector must have been available at its Rated Capacity for 60 continuous days before the floor becomes effective. The drafting also has very limited exceptions to this rule whereby the count to the 60-day timeline is paused.</p> <p>Our view is that this pre-condition to the Floor Start date is excessively onerous for the following reasons:</p> <ul style="list-style-type: none"> <li>(a) It has a very limited list of exceptions whereby the counting of the 60-day timeline is paused.</li> <li>(b) It focuses on the Rated Capacity of interconnector, which is the asset's name plate full capacity even though the Availability Target set out in the licence already anticipates less than 100% availability.</li> <li>(c) It does not make accommodation for planned outages that might be required to maintain the interconnector asset health within the early period of operation following commissioning</li> </ul>	<p>The purpose of the 60-day continuous operation provision is to demonstrate the ability of the interconnector to flow power continuously and deliver consumer benefit.</p> <p>We have no evidence suggesting that any project has been unable to comply with the provision due to it being too "onerous". In our view, the provision:</p> <ul style="list-style-type: none"> <li>(a) Provides adequate reasons as to when an outage does not impact the 60-day test.</li> <li>(b) Ensures that the interconnector is able to operate at the rated capacity.</li> <li>(c) Ensures the interconnector can operate for prolonged periods without repeated maintenance. The developer has ample time and flexibility during the project commissioning stage to plan necessary outages before project is ready for the proofing period stage.</li> </ul> <p>In a situation whereby there were a significant number of days of non-operation for this reason, then the purpose of this provision would not be met.</p>	N/A