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Response to Ofgem and Department for Energy Security and Net Zero's Consultation on Market Arrangements for Multi-Purpose Interconnectors and Ofgem's Consultation on the Regulatory Framework for Offshore Hybrid Assets: Multi-Purpose Interconnectors and Non-Standard Interconnectors

Dear Sirs

MaresConnect Limited (**MCL**) welcomes the opportunity to respond to Ofgem and the Department for Energy Security and Net Zero's (**DESNZ**) joint consultation on Market Arrangements for Multi-Purpose Interconnectors published on 2 June 2023 (the **Market Arrangements Consultation**) and Ofgem's consultation on the Regulatory Framework for Offshore Hybrid Assets: Multi-Purpose Interconnectors and Non-Standard Interconnectors.

MCL is the developer of the 750MW MaresConnect Interconnector project between GB and Ireland (**MaresConnect**), which has applied for initial project assessment in Ofgem's third cap and floor window (**W3**). MaresConnect is a point-to-point interconnector. Further information on MaresConnect can be found at: www.maresconnect.ie.

As point-to-point interconnectors are being assessed by Ofgem alongside the two OHA pilot projects in W3, MCL is keen to make the following general points in relation to the Consultations:

- We note Ofgem and DESNZ's recognition of the nascent status of GB MPIs. At paragraph 3.20 of the Market Arrangements Consultation, Ofgem and DESNZ state:

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“We wish to highlight that our reflections are based on qualitative analysis (as well as stakeholder engagement). As all GB MPI projects are novel, they are still subject to sensitivity and confidentiality, thus making it challenging and perhaps premature to perform robust quantitative analysis.”

- Similarly, it is a relatively early stage to be undertaking a cost benefit analysis of the W3 pilot projects, given that some of the major parameters are yet to be determined, including:
 - the market arrangements that will be in place when the pilot projects commence operations, and whether there will be a transition from HM to OBZ during the life of the project (itself subject to progress between the UK and the EU to reintroduce implicit trading arrangements);
 - the details of the regulatory regime(s) selected following the Regulatory Options Consultation to apply to the W3 pilot projects;
 - the regulatory regime(s) which will apply to the parts of the OHA located in the connecting country; and
 - the cost and revenue split for the OHA between the UK and the connecting country, which may differ depending on the projected social economic welfare and other benefits to each country; and
 - certain project specifics such as the capacity and characteristics of the OFW(s) that will connect to each pilot project.

- While MCL understands the importance of Ofgem undertaking a cost benefit analysis at this stage based on the best information currently available, which allows those W3 projects that meet Ofgem’s criteria to obtain a positive initial project assessment (**IPA**), it may be premature for Ofgem to reach a conclusion as to whether each project is in the interests of consumers. Accordingly, it would be prudent for Ofgem to ensure that the conditions to a positive IPA for the pilot projects provide Ofgem the ability to reassess the cost benefit analysis and impact on consumers at a later stage once these major parameters are finalised and able to be modelled with greater certainty. This aligns with Ofgem’s existing approach to point-to-point interconnectors in previous windows, where specific conditions to the Final Project Assessment (**FPA**) are included if there are certain matters that are material to the cost benefit analysis which need to be confirmed before FPA is granted.

- For MaresConnect, obtaining an IPA decision by the end of 2023 is on the critical path to reaching financial close. This is because the next major step for the project is to undertake marine surveys, which are the single greatest cost in the development phase. MaresConnect is currently procuring a marine survey contract which will be conditional on obtaining a positive IPA status in GB. Due to the seasonality of

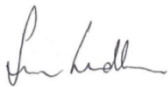
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undertaking marine surveys, and that survey contractors require a reasonable period to mobilise once the developer confirms the survey can proceed, a significant delay to the IPA decision (beyond January 2024) could result in the marine surveys being delayed or becoming less cost efficient if undertaken in less favourable weather. Developers have been waiting some time for W3 to open. The current process is already 6 months delayed prompting MaresConnect to delay its marine surveys from 2023 to 2024. Accordingly, we are very keen to obtain the IPA decision as quickly as possible to avoid further delays. If Ofgem anticipates that the process for determining the regulatory regime to apply to the OHA projects, and associated financial modelling for the IPA decisions for those projects, will take a significantly longer period than currently timetabled, MaresConnect requests that Ofgem separates the OHA and point-to-point IPA decision processes to allow the successful point-to-point projects to proceed and mitigate further delays. Ultimately, to benefit consumers, it's essential to expedite the development of increased interconnection capacity with Great Britain's neighbours, and all parties should take efficient steps towards this aim.

- In the context of Ofgem considering OHAs alongside point-to-point interconnectors in W3, the approach outlined above would allow Ofgem to take forward the pilot OHA projects without risk of challenge from any point-to-point projects which are not successful in W3. There is a risk that unsuccessful point-to-point projects perceive that W3 capacity was allocated to a pilot project(s) and may raise a challenge that capacity should be allocated to projects which have greater certainty in terms of the cost benefit analysis results and lower the risks of deliverability compares to those of nascent OHA projects dependent on regulatory developments both in GB and the connecting country and/or the EU.

We are available to discuss further any of the points made above.

Yours sincerely,



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