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# **Electricity Interconnector Use of Revenues report for 1 January 2023 – 31 December 2023**

## **Background**

The Authority, in accordance with Article 19(5) of Regulation (EU) 2019/943 as amended by Regulation 7 and paragraph 18 of Schedule 4 of the Electricity and Gas (Internal Markets and Network Codes) (Amendment etc.) (EU Exit) Regulations 2020 (2020 No. 1006) (the “Retained Electricity Regulation”), is required to publish a report by 1 March each year detailing:

- the amount of revenues collected from the allocation of interconnector capacity; and
- a breakdown of the actual use of revenues collected by the national transmission system operators (TSOs) over the period 1 January to 31 December of the previous year.

Specifically, the report shall set out:

- the amount of revenue that has been collected;
- the use of the revenue pursuant to Article 19(2) of the Retained Electricity Regulation, including the specific projects the income has been used for, and the amount that has been placed in a separate account line;
- the amount that was used when calculating network tariffs; and
- verification that the amount that was used to calculate network tariffs complies with Article 19 of the Retained Electricity Regulation and the methodology developed pursuant to 19(3) and (4) of the Retained Electricity Regulation.

## **Total revenue and use of revenue**

Interconnector TSOs have reported to the Authority with respect to total revenues made in 2023 and the actual use of revenue pursuant to Article 19 of the Retained Electricity Regulation, as outlined in Table 1 below.

**Table 1 – Total revenue and use made of revenue, £million**

	<b>Total revenue</b>	<b>Article 19 (2a)</b>	<b>Article 19 (2b)</b>	<b>Article 19 (3) sentence 1</b>	<b>Article 19 (3) sentence 2</b>
<b>EWIC</b>	33.7	33.7	-	-	-
<b>IFA</b>	364.7	101.5	92.2	171.0	-
<b>IFA2</b>	188.3	50.9	-	85.3	52.2
<b>Nemo Link</b>	173.7	105.0	1.1	67.6	-
<b>NSL</b>	141.5	178.1	-	-	-36.6

Where:

- Article 19(2a): Guaranteeing the actual availability of the allocated capacity;
- Article 19(2b): Maintaining or increasing cross-zonal capacities;
- Article 19(3) sentence 1: Referring to the calculation of network tariffs; and
- Article 19(3) sentence 2: Referring to the revenues placed on a separate internal account line.

## **EWIC**

The primary reporting currency for the East-West Interconnector (EWIC) is euros and its original submission was €38.7 million. For the purposes of this report, we have used the 12-month arithmetic average XUMAERS index (monthly average rate of 1.1498) to convert to GBP (£33.7 million).

## **IFA**

The licensee responsible for the IFA interconnector between Great Britain and France is National Grid Interconnectors Limited (NGIC). In its January 2023 submission, NGIC reported a negative value for the sum attributed to guaranteeing the actual availability of the interconnector for the calendar year 2022 to reflect the effects of a converter station fire (September 2021) and subsequent phased insurance payments. Insurance proceeds were received in the period January to March 2023; therefore, its current submission reflects this additional revenue and its use for repairing the converter station (Article 19(2b)). In addition, it reflects the resulting positive value for its tariff payment (Article 19(3)) in accordance with its Use of Revenue framework.

## **IFA2**

To indicate payments resulting from Ofgem-approved within period adjustments to its cap and floor revenue,<sup>1</sup> National Grid IFA2 (NGIFA2) has reflected a value of £85.3 million in accordance with Article 19(3). The revenue allocated to the separate internal account (Article 19(3)) represents the calendar year balance of regulatory commitments for NGIFA2, in the context of the cumulative five-year assessment period position. That is, it aligns to the revenue that is attributed in its statutory accounts to any anticipated, but unpaid, above cap payments under the cap and floor regulatory regime.

## **Nemo Link**

The primary reporting currency for Nemo Link is euros; the total revenue for this period was €199.8 million. Nemo Link has submitted this figure in GBP, using the 12-month arithmetic average XUMAERS index (monthly average rate of 1.1498) to convert to GBP (£173.7 million). To indicate payments resulting from Ofgem-approved within period adjustments to its cap and floor revenue,<sup>2</sup> Nemo Link has reflected a value of £67.6 million in accordance with Article 19(3).

## **NSL**

The revenue allocated to the separate internal account (Article 19(3)) represents the calendar year balance of regulatory commitments for National Grid NSL, in the context of the cumulative five-year assessment period position. The negative value for 2023 represents a deduction from the previous above cap surplus position (reported to be £77.5 million for calendar year 2022).

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<sup>1</sup> [Determination of the Within Period Adjustment request made by National Grid IFA2:](https://www.ofgem.gov.uk/publications/determination-within-period-adjustment-request-made-national-grid-ifa2)  
<https://www.ofgem.gov.uk/publications/determination-within-period-adjustment-request-made-national-grid-ifa2>

<sup>2</sup> [Determination of the Within Period Adjustment request made by Nemo Link Limited:](https://www.ofgem.gov.uk/publications/determination-within-period-adjustment-request-made-nemo-link-limited)  
<https://www.ofgem.gov.uk/publications/determination-within-period-adjustment-request-made-nemo-link-limited>

## Use of Revenue Methodology

Pursuant to Article 19(4) of the Retained Electricity Regulation, the Use of Revenues, in accordance with Article 19(2) of the Retained Electricity Regulation, is subject to a methodology. In our 2021 Use of Revenues report, we noted that the GB Interconnector TSOs must submit a common methodology by 30 June 2022. The TSOs have since developed and consulted on a proposed Use of Congestion Income Methodology ("Methodology") which Ofgem approved on 12 January 2024.<sup>3</sup>

Following our assessment of the procedural and substantive requirements of Article 19 of the Retained Electricity Regulation, we were satisfied that the proposed Methodology meets all the requirements detailed therein. The Methodology will apply to revenues from congestion income collected from 1 January 2024 and therefore reported by 31 January 2025. Thus, the Authority has determined the current Use of Revenues statements in relation to the Retained Electricity Regulation only.

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<sup>3</sup> [Approval of the Use of Congestion Income Methodology for relevant electricity interconnector licensees](https://www.ofgem.gov.uk/publications/approval-use-congestion-income-methodology-relevant-electricity-interconnector-licensees): <https://www.ofgem.gov.uk/publications/approval-use-congestion-income-methodology-relevant-electricity-interconnector-licensees>

## Verification

Pursuant to paragraph 5 of Article 19 Retained Electricity Regulation, the Authority verifies that the revenues taken into account when setting network tariffs comply with paragraphs 2 and 3 of Article 19 of the Retained Electricity Regulation.<sup>4</sup>

Any queries in relation to this report should be sent to Sara Merkei

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**Okon Enyenihi**  
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**Duly authorised on behalf of the Authority**

**29 February 2024**

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<sup>4</sup> The verification is pursuant to the Retained Electricity Regulation only. The Authority will verify the compliance with the Methodology in the 'Electricity Interconnector Use of Revenues report for 1 January 2024 – 31 December 2024', in respect of revenues from Congestion Income collected from 1 January 2024 and therefore reported by 31 January 2025.