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Electricity Interconnector Use of Revenues report for 1 January 2024 – 31 December 2024

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**")[1], 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.

[1] The text of the Retained Electricity Regulation can be accessed under the following link: https://www.legislation.gov.uk/eur/2019/943

Total revenue and use of revenue

Paragraph 2 of Standard Licence Condition 9 ("**SLC 9**") of the Licence[2] requires non-exempt licensees to use any revenues they receive from the allocation of interconnector capacity in accordance with Article 19(2) and (3) of the Retained Electricity Regulation.

Pursuant to Article 19(4) of the Retained Electricity Regulation, the use of revenues is subject to a methodology. The Use of Congestion Income Methodology[3] ("**Methodology**") sets out the conditions under which interconnector revenues from congestion income can be used for the purposes referred in Article 19(2) of the Retained Electricity Regulation. The Methodology applies to revenues from Congestion Income collected from 1 January 2024 and, therefore, reported by 31 January 2025, and any subsequent reporting period thereafter.

Interconnector TSOs have reported to the Authority with respect to total revenues made in 2024 and the actual use of revenue pursuant to Article 19 (2) and (3) of the Retained Electricity Regulation and in compliance with the Methodology, as outlined in Table 1 below.

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

	Total revenue	**Article 19 (2a)**	**Article 19 (2b)**	**Article 19 (3) sentence 1**	**Article 19 (3) sentence 2**
EWIC	71.9	71.9	-	-	-
IFA	241.8	137.2	35.7	68.9	-
IFA2	107.5	105.1	2.0	28.4	-28.0
Nemo Link	157.7	111.4	0.8	45.5	-
NSL	166.9	154.8	3.1	-	9.1
Viking Link	77.9	76.8	1.2	-	-

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.

[2] Electricity Interconnector Standard Licence Conditions
[3] Decision: Approval of the Use of Congestion Income Methodology for relevant electricity interconnector licensees. Further detail on the Methodology can be found on pg. 4.

EWIC

The primary reporting currency for the East-West Interconnector (EWIC) is euros and its original submission was €84.9 million. For the purposes of this report, we have used the 12-month arithmetic average XUMAERS index (monthly average rate of 1.1814) to convert to GBP (£71.9 million).

IFA

The licensee responsible for the IFA interconnector between Great Britain and France is National Grid Interconnectors Limited (NGIC). NGIC's submission presented the sum of the consumer payment (£68.9 million) to reflect a full calendar view for 2024 to be taken into account when calculating network tariffs (Article 19(3)), as per the reporting requirements in the Retained Electricity Regulation.

IFA2

To indicate payments resulting from Ofgem-approved within period adjustments to its cap and floor revenue[4] relating to an earlier year's surplus, National Grid IFA2 (NGIFA2) has reflected a value of £28.4 million in accordance with Article 19(3) for the calculation of network tariffs. 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. Collectively, the separate internal account and tariff calculation reflect the cap and floor liability recognised in 2024 (i.e. £0.4 million above cap position), hence the negative value indicated in column 6 of Table 1 (Article 19(3)).

Nemo Link

The primary reporting currency for Nemo Link is euros; the total revenue for this period was €186.4 million. Nemo Link has submitted this figure in GBP, using the 12-month arithmetic average XUMAERS index (monthly average rate of 1.1814) to convert to GBP (£157.7 million).

[4] Determination of the Within Period Adjustment request made by National Grid IFA2

Nemo Link has reflected a value of £45.5 million in accordance with Article 19(3) as the amount used when calculating network tariffs.

NSL

The revenue (£9.1 million) allocated to the separate internal account (Article 19(3)) represents the calendar year balance of regulatory commitments for National Grid NSL (NGNSL), 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.

Viking Link

National Grid Viking Link (NGVLL) commenced commercial operations on 29 December 2023. The revenue in NGVLL's first reporting period was allocated to guaranteeing actual availability of allocated capacity and to maintaining or increasing cross zonal capacity.

Updated Methodology

Pursuant to Article 19(4) of the Retained Electricity Regulation, the use of revenues 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 Methodology which Ofgem approved on 12 January 2024.

Following our assessment of the procedural and substantive requirements of Article 19 of the Retained Electricity Regulation, we were satisfied that the submitted GB Interconnector TSO's Methodology meets all the requirements detailed in Article 19 of the Retained Electricity Regulation. As stated above, the Methodology applies to revenues from Congestion Income collected from 1 January 2024 and, therefore, reported by 31 January 2025, and any subsequent reporting period thereafter. Thus, the Authority has determined the current Use of Revenues statements in relation to the Retained Electricity Regulation and the Methodology.

Verification

Pursuant to paragraph 5 of Article 19 of the 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 and the Methodology, developed pursuant to 19(3) and (4) of the Retained Electricity Regulation.

Any queries in relation to this report should be sent to Sara Merkei (sara.merkei@ofgem.gov.uk).

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Duly authuorised on behalf of the Authority

28 February 2025