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BY EMAIL ONLY

18th December 2024

Dear Margaret,

RE: Consultation on Electricity Transmission Advanced Procurement Mechanism

Getlink Projects 2 Limited ('Getlink') welcomes the opportunity to respond to Ofgem's consultation on Electricity Transmission Advanced Procurement Mechanism (the 'Consultation').

Getlink is a key player in mobility infrastructures, international transport and a leader in eco-responsible transport in Europe. Getlink is committed on a daily basis, to facilitating trade, supporting economic activity between the UK and continental Europe and creating value for all its stakeholders, by bringing people, businesses and cultures together.

Getlink has extensive experience in developing interconnector projects and operating interconnector infrastructure. Under the Getlink portfolio is ElecLink, a 1GW HVDC electricity interconnector between Great Britain and France. Commencing full operations in May 2022, ElecLink has helped strengthen the security of energy supply between Great Britain and France and is also the first HVDC electricity interconnector between Europe and the UK that has no impact on underwater ecosystems.

Getlink is currently in the early stages of development of a new 1GW GB-France Interconnector through the Channel Tunnel and is the preferred future project of choice on the GB-France border by CRE and RTE.¹ This project is referred to as ElecLink 2.

Although Getlink could be supportive on an Advanced Procurement Mechanism, the proposed mechanism raises significant concerns as it could distort market competition and jeopardise future investments.

Meeting the UK Governments ambition for clean power by 2030, the Sixth Carbon Budget² and the broader transition to a renewables-dominated power system will require unprecedented change in the way transmission infrastructure projects are delivered. Given the current supply chain constraints and the increasing pressures that will be placed on them to meet the ambition of building out the transmission network at a scale and pace never seen before, Getlink are supportive of the intent that sits behind the proposal to introduce an Advanced Procurement Mechanism ("APM").

However, although we agree with the concept of an APM in principle, we are concerned with the scope of the existing proposals set out in Ofgem's consultation and fear that it could lead to unintended

¹ [Opportunity for new electricity interconnection capacity between France and the United Kingdom | CRE](#)

² Which recommends a 78% reduction in UK territorial emissions between 1990 and 2035: [Sixth Carbon Budget - Climate Change Committee](#)

consequences and at worst, severe market distortions unless key considerations are taken into account prior to implementation. We believe that it will be imperative for analysis on potential market impacts to be undertaken in combination with the Competition and Markets Authority (CMA) before a procurement mechanism comes into effect, ensuring that short-term targeted actions do not undermine broader investment and market competition in the longer term. Getlink would like to raise the following key concerns to Ofgem for consideration.

APM scope and market competition

Getlink believe that it will be necessary for increasing amounts of anticipatory investment to be undertaken to enable the buildout of transmission assets at the pace and scale required to meet the UK Governments goals. Whilst there may be some risk that elements of investments are ultimately not needed, we believe that network constraint costs will pose a bigger risk to GB consumers.

In order to meet the goals of 2030 and beyond, it will be crucial that all regulatory regimes under which transmission projects are developed have sufficient flexibility and certainty so that investors can deliver projects at pace. Ofgem recognise within their consultation that other third parties – such as OFTOs and/or interconnectors – would face equivalent issues to that of the transmission owners who are regulated under the RIIO framework (the “**TOs**”) in terms of engaging with a constrained supply chain. Whilst we acknowledge and welcome Ofgem stating that they are developing an OFTO model, it is unclear whether this model would be comparable to the APM; if it would incorporate interconnector projects; and the speed with which any supplementary framework(s) in addition to the APM would be introduced and available to transmission project developers. Getlink are of the view that the APM must be broader than the current proposal, including all transmission developers within the framework (and/or supplementary frameworks are developed and made available at the same time for transmission developers pursuing the development of transmission assets under alternative regulatory regimes). Getlink are concerned that unless all developers constructing transmission assets are able to avail themselves to a procurement mechanism, the APM risks creating an unlevel playing field whereby a few TOs regulated under the existing RIIO framework can benefit from a de-risked supply chain by being provided with allowances which enable them to procure supplier capacity (and potentially related services) in advance of other project developers.

Should this be allowed to happen, this risks creating a competitive advantage for some network companies, and more broadly risks introducing market distortions whereby project developers outside of the APM framework will likely be required to either: (a) compete for any residual supply chain capacities that may still available at a later date once the TOs have completed their procurement – potentially creating scarcity value from reduced supply; (b) project developers needing to take on greater project risk and the risk of sunk costs by procuring supply chain capacity before there is regulatory certainty or approval for their respective projects from the regulatory authorities; and/or (c) project developers being required to offer more competitive terms when procuring EPC contracts, potentially leading to greater project risk and inefficient costs being incurred. Should these risks emerge, Getlink are concerned that the increased risk could jeopardise the business cases for future investments being made.

We urge Ofgem to perform an in-depth analysis of the potential impacts of the APM on the market before further work is carried out to ensure that the introduction of an APM does not, or could not appear to, counteract with UK competition law.

Active market monitoring

Getlink are of a view that the extent of any adverse impacts or unintended consequences from the implementation of the APM framework will depend in part on whether supply chains are able to recognise future industry demand and can act accordingly to ensure that supply chain capacities are increased, with a broad enough skilled labour force. Whilst we acknowledge that some critical drivers that will underpin the expansion of the supply chains will not sit with Ofgem, we believe that given Ofgem

anticipate that the initial value of allowances to be provided under the APM will be in the range of £5-8bn, it will be crucial for Ofgem to establish that the introduction of the mechanism will not introduce any adverse distortions to market competition – as set out above. Getlink believe that prior to the introduction of a procurement mechanism it will be imperative for Ofgem to seek policy advice from the CMA. Should a procurement mechanism then be introduced, it will be essential that a robust monitoring framework is established alongside the mechanism's governance framework so that Ofgem and the UK Government are assured that the intent of the policy is being achieved in its outcomes. As previously highlighted, we are concerned that unintended consequences could emerge if the APM only allows a small number of transmission developers to participate – such as competitive advantages through the de-risking of the supply chain and lowering costs for some developers – potentially at the expense of excluded developers who may face a more constrained market.

Publication of APM costs and volumes

Getlink agree with the view that the publication of detailed APM costs and volumes could be commercially detrimental to TOs within the APM framework. However, there is a risk that should market distortions emerge, as identified above, this could create information asymmetries when considering what is a fair market value for the procurement of assets and services. For example, network companies within the APM framework should be able to benefit from more competitive pricing due to procuring supply chain capacity in advance and using economies of scale. Conversely, project developers outside of the APM may be subject to comparatively higher costs should scarcity value, cross-subsidisation or a more constrained supply chain emerge at the point of procurement. It will be important that when Ofgem conducts efficiency assessments on project CAPEX costs, variations in procurement timings and the nature of the supply chain at the time of procurement are fully taken into account.

We welcome the opportunity to respond to this consultation on the Electricity Transmission Advanced Procurement Mechanism. Furthermore, we would welcome the opportunity to discuss the points made in this response directly with you and in more detail. If you have any questions regarding the response, please don't hesitate to contact myself.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Alice Varney".

Alice Varney

Development Manager, ElecLink 2