

The Authority's final decision and analysis on the application for certification as unbundled by NeuConnect Britain Limited

This document explains the Gas and Electricity Market Authority's (the **Authority**)¹ final decision on compliance by NeuConnect Britain Limited (the **Applicant**), with the requirements of the Electricity Act 1989 (the **Electricity Act**) for transmission system operators (**TSOs**) to unbundle from generation, production and supply undertakings.

1. Certification Decision

- 1.1. The Authority concludes that the Applicant complies with the requirements of the ownership unbundling model as set out in the Electricity Act and should therefore be certified as ownership unbundled.

2. Legislation

- 2.1. The ownership unbundling requirements are set out in sections 10A to 10O of the Electricity Act.²
- 2.2. Under section 10F of the Electricity Act "the ownership unbundling requirement is met by an applicant for certification if in relation to each of the five tests ... – (a) the Authority thinks that it is passed, or (b) it is treated as passed by virtue of subsection (7), (9) or (9A)".
- 2.3. Under subsection 10F(9A), where one or more of the tests is not passed, we may decide to treat such tests as passed, if the Authority is satisfied that there is no risk of discrimination, and it would be appropriate and in line with our principal objective and general duties to do so.³

¹ The Gas and Electricity Markets Authority is the regulator of gas and electricity markets in Great Britain. Ofgem is the Office of Gas and Electricity Markets, which supports the Authority in performing its statutory duties and functions. Whilst the terms "Ofgem", "the Authority", "we" and "our" are used interchangeably in this letter, it is the Authority which is responsible for exercising the relevant statutory powers.

² The amending regulations, the Electricity and Gas etc. (Amendment etc.) (EU Exit) Regulations 2019, as amended by The Electricity and Gas etc. (Amendment etc.) (EU Exit) Regulations 2020, came into force on the IP completion day (as provided by Schedule 5, paragraph 1 of the European Union (Withdrawal Agreement) Act 2020).

³ https://www.ofgem.gov.uk/sites/default/files/docs/2021/03/certification_open_letter_-_updated_guidance_-_2021_0.pdf

3. The Applicant

- 3.1. NeuConnect Britain Limited is a private company limited by shares. NeuConnect Britain Limited is a wholly owned subsidiary of NeuConnect Netherlands B.V. (**FinCo**), which in turn is a wholly owned subsidiary of NeuConnect Holdings B.V. (**HoldCo**). Meridiam Investments 3 SAS (**Meridiam**) is the majority shareholder in HoldCo and ultimately controls the Applicant jointly with Allianz SE. Allianz SE ultimately controls three Allianz entities, which are shareholders of the Applicant: Allianz Leben Infrastrukturfonds GmbH; AZ-SGD Infrastrukturfonds GmbH; and APKV Infrastrukturfonds GmbH (together **the Allianz Shareholders**).
- 3.2. The Applicant holds an electricity interconnector licence, granted on 22 August 2018 under section 6(1)(e) of the Electricity Act 1989.⁴ This licence authorises the Applicant to participate in the operation of the NeuConnect interconnector between Great Britain (**GB**) (Isle of Grain, England) and a place within the jurisdiction of another country or territory, being Germany (Wilhelmshaven, Lower Saxony).
- 3.3. The Applicant has the sole business focus of electricity interconnector operation, owning 50% of the NeuConnect interconnector between GB and Germany. NeuConnect Deutschland, a separate entity within the NeuConnect Group, will own and be licensed to operate the remaining 50% of the NeuConnect interconnector.

4. Summary of Ofgem analysis

- 4.1. ***First test:*** *The applicant (a) does not control a relevant producer or supplier; (b) does not have a majority shareholding in a relevant producer or supplier; and (c) will not, on or after the relevant date, exercise shareholder rights in relation to a relevant producer or supplier.*
- 4.2. The Applicant has confirmed that it does not control, nor hold shares in, any other company. Furthermore, the Applicant has provided a signed undertaking⁵ in its application for certification, where it undertakes that it will not exercise, or cause to be exercised on its behalf, any shareholder rights in relation to a relevant producer or supplier (**RPoS**). Therefore, the Applicant meets the requirements of the first test.

⁴ <https://www.ofgem.gov.uk/publications/neuconnect-britain-ltd-notice-grant-electricity-interconnector-licence>

⁵ As per section 10F(3) of the Electricity Act

- 4.3. **Second Test:** *Where the applicant is a company, partnership or other business, none of its senior officers has been, or may be, appointed by a person who (a) controls an electricity undertaking which is a relevant producer or supplier; or (b) has a majority shareholding in an electricity undertaking which is a relevant producer or supplier.*
- 4.4. The Applicant has provided details of the process for appointing directors. Due to the confidential and commercially sensitive nature of this process, we have retained this part of our analysis for internal view only.
- 4.5. There are four indirect shareholders of NeuConnect Britain Limited: Meridiam; the Allianz Shareholders; KPIC Netherlands B.V. (**KPIC**); and FI1 Limited (**FI1**).
- 4.6. The Applicant claims that one shareholder controls undertakings that are considered a RPoS inside and outside of Europe.⁶ Two of these undertakings are in GB and Germany and therefore connect into the same market as the NeuConnect interconnector. This shareholder, who is a non-controlling minority shareholder of the Applicant, holds joint control in these electricity undertakings.
- 4.7. Section 10F(9A) of the Electricity Act provides that the Authority may use its discretion to treat one or more of the five tests as passed in certain circumstances. The Applicant has asked Ofgem to exercise its discretion under section 10F(9A) with respect to the second test. The Applicant has set out in their submission why they believe there is no risk of discrimination or conferring an unfair advantage arising as a result of the shareholder's minority shareholding of both the Applicant and the companies that are considered as being RPoS or their assets.
- 4.8. The Applicant has demonstrated to our satisfaction that it does not have a relationship with a RPoS which might lead them to discriminate in favour of the RPoS. There appears to be no risk that the shareholder's involvement could lead to discrimination on the part of the Applicant or the shareholder to benefit from generation interests in the jurisdictions in Europe, Asia, or Oceania.
- 4.9. Based on our assessment of the information provided by the Applicant, we consider that the generation interests in Europe, Asia, and Oceania, in which the shareholder

⁶ The ultimate controllers and shareholders of the Applicant are detailed in paragraphs 3.1 and 4.5. We have not named specific entities in the remainder of this document due to the confidential and/or commercially sensitive nature of the information.

holds joint control, do not give rise to a risk of discrimination or a conflict of interest, particularly due to their lack of geographical proximity to the NeuConnect Interconnector. With respect to the generation interests that are considered RPoSs in Europe, the total generating capacity of the RPoSs located in Europe, in which the shareholder holds joint control, is de minimis relative to the total European Union electricity generation (less than 0.1%).⁷ According to the Applicant, the generation interests that are considered a RPoS in GB and Germany are subject to financial mechanisms that make them largely insensitive to wholesale market fluctuations and unable to influence market pricing.

4.10. We consider that the directors of the Applicant are effectively deterred from discriminating in favour of any RPoS undertakings that could give rise to a conflict of interest. This is due to the Commercially Sensitive Information (**CSI**) Policy that the Applicant has implemented, which applies to the Applicant's directors and persons related to the NeuConnect Group. Provided that is adhered to by the Applicant, the CSI Policy ensures that a strict level of compliance and confidentiality of CSI will be maintained by directors, both in the present and the future.

4.11. The Applicant has provided information on the procedures in place and we deem these measures appropriate in dealing with potential breaches of the CSI Policy. As such, we consider that the directors of the Applicant are deterred from discriminating in favour of any RPoS undertakings that could give rise to a conflict of interest. As a result, we are satisfied that any influence that the shareholder has on the Applicant's board membership does not pose a risk of discrimination. We are therefore satisfied that the Applicant does not have relationships with these RPoSs that might lead the Applicant to discriminate in favour of these RPoSs.

4.12. Section 10F(9A) of the Electricity Act provides that the Authority may use its discretion to treat one or more of the five tests as passed in certain circumstances.

4.13. Therefore, by applying the test contained in section 10F(9A) of the Electricity Act, the Authority considers it is appropriate to treat the second test as passed.

⁷ This calculation was performed against the total electricity generation in the EU in 2022. This value was 2,701,000 GWh based on the 2022 data published from Eurostat. This calculation has been performed for all other analysis of total electricity generation in the EU.

- 4.14. ***Third Test:*** *Where the applicant is a company, partnership or other business, none of its senior officers is also a senior officer of an electricity undertaking which is a relevant producer or supplier.*
- 4.15. The information provided by the Applicant confirms that none of its directors is also a senior officer of an electricity undertaking which is a RPoS. The Applicant therefore meets the requirement of the third test and this third test is therefore passed.
- 4.16. ***Fourth Test:*** *The applicant is not controlled by a person who controls a relevant producer or supplier.*
- 4.17. The Applicant has provided information on all companies in which the joint ultimate controllers of the Applicant have an interest. This shows that the Applicant is controlled by a person who controls RPoSs located in Europe and North America. The Applicant has confirmed that this person currently controls RPoSs in Germany and does not control any RPoS in the UK.
- 4.18. Section 10F(9A) of the Electricity Act provides that the Authority may use its discretion to treat one or more of the five tests as passed in certain circumstances.
- 4.19. Based on our assessment of information provided by the Applicant, we consider that the generation interests in North America, in which this person exercises control, solely or jointly with other entities, do not give rise to a risk of discrimination or a conflict of interest, particularly due to their lack of geographical proximity to the NeuConnect interconnector. With respect to the RPoSs located in Europe over which this person exercises control, solely or jointly with other entities, the total generating capacity of the RPoSs is de minimis relative to the total European Union electricity generation (less than 0.1%). As such, we are satisfied that this does not pose a risk of discrimination in favour of those RPoSs.
- 4.20. There are two RPoSs in Germany currently controlled by this person. For these RPoSs, the Applicant confirmed in the information provided that the generating capacities of these RPoSs are de minimis relative to the total generating capacity of Germany. We are satisfied that the circumstances do not pose a risk of discrimination in favour of the RPoSs in Germany.

- 4.21. Therefore, by applying the test contained in section 10F(9A) of the Electricity Act, the Authority considers it is appropriate to treat the fourth test as passed.
- 4.22. ***Fifth Test:*** *The applicant is not controlled by a person who has a majority shareholding in a relevant producer or supplier.*
- 4.23. The Applicant has provided information on all companies in which the joint ultimate controllers of the Applicant have an interest. This shows that the Applicant is controlled by a person who has a majority shareholding in RPoSs located in Europe and North America. The Applicant has confirmed that this person currently has a majority shareholding in one RPoS in Germany⁸ and does not have a majority shareholding in any RPoS in the UK or Ireland.
- 4.24. Section 10F(9A) of the Electricity Act provides that the Authority may use its discretion to treat one or more of the five tests as passed in certain circumstances.
- 4.25. Based on our assessment of information provided by the Applicant, we consider that the generation interests in North America, in which this person holds investments and/or majority shareholding, do not give rise to a risk of discrimination or a conflict of interest, particularly due to their lack of geographical proximity to the NeuConnect interconnector. With respect to the RPoSs located in Europe in which this person holds investments and/or majority shareholding, the total generating capacity of the RPoSs is de minimis relative to the total European Union electricity generation (less than 0.1%). As such, we are satisfied that this does not pose a risk of discrimination in favour of those RPoSs.
- 4.26. For the RPoS in Germany in which this person currently holds majority shareholding, the Applicant confirmed in the information provided that the generating capacity of this RPoS is de minimis relative to the total generating capacity of Germany. We are satisfied that the circumstances do not pose a risk of discrimination in favour of this RPoS in Germany.
- 4.27. Therefore, by applying the test contained in section 10F(9A) of the Electricity Act, the Authority considers it is appropriate to treat the fifth test as passed.

⁸ Although this person currently controls two RPoSs in Germany, there is only one in which this person currently has a majority shareholding.

5. Ongoing monitoring

- 5.1. The GB legal framework provides several measures to monitor our certification decision on an ongoing basis. The Authority has an obligation under section 10I, 10J and 10L of the Electricity Act to monitor and review whether a certified person should remain certified according to the process set out in the Electricity Act.
- 5.2. We require certified parties to inform the Authority of any significant changes that are relevant to our certification decisions promptly and to provide the Authority with an annual update. This would include any amendments to any supplementary documentation in support of this application, such as the CSI Policy.
- 5.3. In compliance with the Electricity Act, we will continue to monitor whether the basis on which the Authority decided to certify the Applicant (the certification basis) continues to apply.

6. Controller from a country outside the United Kingdom

- 6.1. Meridiam is incorporated in France, and Allianz SE is incorporated in Germany. As Meridiam and Allianz SE are from a country outside the United Kingdom, for the purposes of this certification assessment and as per section 100 of the Electricity Act, we notified the Secretary of State on 16 June 2025 in accordance with section 10B(3) of the Electricity Act. On 25 July 2025, the Secretary of State concluded that certifying the Applicant would not put the security of electricity supplies in the United Kingdom at risk.