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National Grid Lion Link Limited,
National Grid Nautilus Limited
and stakeholders

Email: cap.floor@ofgem.gov.uk
Date: 29 August 2025

Dear stakeholders,

Decision to amend the IPA conditions for pilot Offshore Hybrid Asset (OHA) cap and floor projects

Background

OHAs are novel assets that combine interconnection with the transmission of offshore wind. The OHA pilot scheme was open for applications between September and October 2022. Following its closure in October 2022, two project applications were found to be eligible for the Initial Project Assessment (**IPA**) stage. Both projects are Non-Standard Interconnectors (**NSIs**), a sub-category of OHAs where the offshore wind generation is located the connecting country's jurisdiction, and are developed by National Grid Ventures (**NGV**).

Following our IPA decision in November 2024, Ofgem decided to grant two NSI projects a cap and floor regime in principle, subject to certain conditions. These projects are:

- LionLink to the Netherlands; and
- Nautilus to Belgium.

The IPA approval of these projects is subject to certain conditions which can be found in the decision on the Initial Project Assessment of the Offshore Hybrid Asset Pilot Projects.[1]

Since our IPA decision, project developers and other participants in the industry have made us aware of a number of external pressures on the delivery of pilot OHA projects, including supply chain constraints. These circumstances have the potential to materially impact project timelines and financing structures.

[1] Decision on the Initial Project Assessment of the Offshore Hybrid Asset Pilot Projects (published November 2024)

We have decided to review the IPA conditions of pilot OHAs to take account of the supply chain pressures and incentivise developers to enable their projects at least cost.

Decision

The IPA condition in paragraph 5.2 (1) '**Operations prior to the end of 2032**' states that if there is a change in circumstances before the Final Project Assessment (**FPA**) decision that means a project is no longer able to become operational by the end of 2032, we may choose to conduct an IPA review of the project. This could include Ofgem undertaking a reassessment of the IPA in order to confirm whether or not the project continues to be in consumers' interests and should continue to hold a regime in principle. Following an IPA review, Ofgem may decide either to allow the project to retain in principle its cap and floor regime or to revoke the in principle approval of the regime for the project.

In light of recent material impacts on project timelines and financing structures, we are amending the IPA condition 'Operation prior to the end of 2032' with the new requirement of achieving **operations prior to the end of 2035** (i.e. to **31 December 2035**) for both pilot OHA projects. This means that if there is a change in circumstances before the FPA decision that means it is no longer feasible for a project to become operational by the end of 2035, we may choose to conduct an IPA review of the project.

An extension to this length and effect is consistent with our approach in previous point-to-point cap and floor electricity interconnector windows and we deem it proportionate given the nature of potential delay factors. We do not expect this to have a detrimental impact on other projects or on consumers. Developers continue to remain incentivised to reduce any delays as far as possible.

This decision does not impact the individual regime start dates (**RSD**) for pilot OHA projects. The projects' individual RSD, as determined at IPA, remains unchanged, to protect consumers from undue delays. Should pilot OHA projects experience delays, developers must notify Ofgem of this delay. Any delay request to the RSD will be duly assessed by Ofgem.

If you have any questions on the content of this letter, please contact Nick Pittarello at cap.floor@ofgem.gov.uk.

Stuart Borland
Deputy Director, Offshore Network Regulation