

Ofgem

Att.: Jon Parker, Future Networks, Electricity - transmission,
e-mail: Cap.floor@ofgem.gov.uk

Document officer: CAC
Secretary: JLO
Case no.: s2014-518
Document no.: d2014-9603-7.0
16 July 2014

Ofgem consultation - The regulation of future electricity interconnection

The Danish Energy Association is the member association for Danish generators, traders and distributors. We appreciate the opportunity to comment on the proposal to roll out a cap and floor regime to near term interconnector projects in GB.

Interconnector development is of critical importance to the implementation of the internal electricity market and particularly so in the North Sea region, where the transition to wind power and other renewables is significant. The Danish market participants are following the GB interconnector development with great interest.

The Danish Energy Association therefore welcomes this consultation and we would like to highlight the following three general points:

- We see the suggested near term regime as a good initiative to grab the low-hanging fruits by developing the most mature interconnection projects. However, seen from a social welfare perspective, we expect the beneficial level of interconnection to be greater than what the near term regime can sustain, and we hope the Integrated Transmission Planning and Regulation (ITPR) project can secure an optimised interconnector build-out seen from a social welfare perspective.
- We see a risk by not incorporating the benefits of interconnectors on security of supply which may cause the suggested cap and floor regime to fail to deliver all the interconnector projects that the GB consumers otherwise would benefit from.
- The timing and interaction between an interconnector regime and a capacity market are points of key interest. Investments in generation capacity by a GB capacity market will presumably lower the wholesale electricity price and thus worsen interconnector business cases if the capacity value or the contribution to security of supply from interconnectors is not incorporated in the interconnector business cases.

Comments to the specific questions in this consultation:

Question 1: Do you agree that making the developer-led cap and floor regime available to near term projects would be in GB consumers' interests?

Yes, we agree it would be in the interest of GB consumers, but we also see a risk that some projects of potential benefit to GB consumers could fail to be delivered through the near term cap and floor regime, as capacity value and security of supply are not incorporated in the assessment.

Questions 2-4 on the cap and floor regime design:

- 2. What are your views on the cap and floor regime design?*
- 3. What are your views on our proposed approach to the cost assessment process?*
- 4. Where do you think we may need to be flexible to accommodate the specifics of different projects and other national approaches?*

We have no specific comments to the cap and floor regime design.

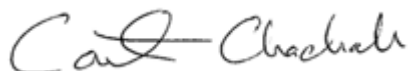
Questions 5-10 on the assessment framework and process:

- 5. What are your views on the framework and processes set out in this document?*
- 6. What are your views on the timing and the information that we would require developers to submit?*
- 7. What are your views on our proposed eligibility test and the specific provisions that we are minded to include in such a test?*
- 8. What are your views on how we intend to assess projects at the initial and final project assessment stages?*
- 9. What are your views on the need for and timing of future windows?*
- 10. What are your views on the options to protect consumers from the risk of a needs case changing between our decision to award a cap and floor and a project's final investment decisions?*

We have no specific comments to the assessment framework and process.

Please do not hesitate to contact us if you have any questions regarding this consultation response.

Yours sincerely
Dansk Energi



Carsten Chachah

cac@danskenergi.dk

Tel: +4522750438

DANSK ENERGI

Rosenørns Alle 9 | DK-1970 Frederiksberg C | +45 35 300 400 | info@danskenergi.dk | www.danskenergi.dk