

National Grid  
European Business Development  
31 Homer Road  
Solihull  
B91 3TL

Energinet.dk  
Tonne Kjærvej 65  
DK-7000 Fredericia

Jon Parker,  
Future Networks, Electricity Transmission  
Ofgem  
9 Millbank  
London  
SW1P 3GE

Dear Jon,

**Response to “The regulation of future electricity interconnection: Proposal to roll out a cap and floor to near-term projects” [consultation published 23<sup>rd</sup> May 2013]**

National Grid and Energinet.dk, as project partners, welcome the opportunity to contribute our views to the above consultation. This is a joint representation response from both partners in relation to the Viking Link Project.

Viking Link provides an exciting opportunity to connect the Danish and UK energy systems. Denmark is a very well connected market that is supplied by multiple countries and generation mixes; the link therefore provides the opportunity for the UK to gain access to a much wider energy market than just the Danish one. There is a low to moderate wind correlation between the UK and Denmark meaning that the opportunity to deliver true wind integration between the two countries is present; Denmark would also be able to leverage its lead in wind technology, and its ambitions for future wind generation. We believe that these ingredients come together through Viking Link to deliver significant value to both sides of the interconnector.

Our preliminary economic analysis indicates that the project would deliver substantial socio-economic benefits in GB and Denmark, as well as wider regional benefits.

We welcome the consultation proposals, and believe that this is a positive move from Ofgem intended to enable interconnector investment to be realised in the UK. The proposed regulatory regime of a cap and floor framework will no doubt enable some projects, such as Viking Link, to move forward into delivery to achieve the connection target of 2020. To ensure that this target of 2020 remains achievable, we at National Grid and Energinet.dk are committed to meeting the timescales and processes identified in the consultation and look forward to working and engaging with Ofgem throughout this period.

Both parties look forward to engaging in constructive dialogue with Ofgem on this and future interconnector regulatory regimes.

Viking Link believes that:

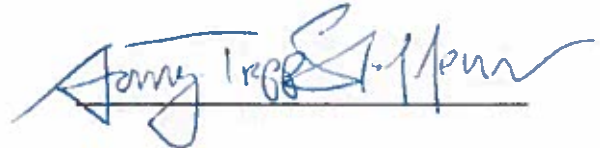
- The regulatory certainty that this consultation brings is welcome and positive, specifically as it allows for key investment decisions to be made;
- The proposed process and timescales we believe are appropriate. It is, however, important that the process, especially the cost assessment stages identified, should remain and continue to be flexible and align with project risks and timescales;
- Significant uncertainty remains with regard to the involvement of interconnectors in the GB capacity mechanism (e.g., method of participation, de-rating factors). This is a key consideration for us as project developers.

The Viking link project and the development partners welcome continuous engagement with Ofgem on the above points and hope that we can realise a positive regulatory regime that enables our project to move forward.

Yours sincerely,



Paul Johnson  
National Grid European Business Development



Jonny Trapp Steffensen  
Energinet.dk