

Interconnector developers and  
other interested parties

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Date: 16 October 2014

Dear interconnector developers and other interested parties,

### **Decision on project eligibility as part of our cap and floor regime for near-term electricity interconnectors**

In August 2014 we published our decision to extend the cap and floor regime to near-term electricity interconnectors, and opened an eight-week application window.<sup>1</sup> This application window closed on 30 September 2014.<sup>2</sup>

During that window we received five applications. We've assessed these against our eligibility criteria and have decided that they all meet the minimum eligibility criteria, and so can progress to the Initial Project Assessment (IPA) stage of our cap and floor assessment process.

#### **Eligibility criteria**

Our eligibility criteria distinguish near-term projects from those that are less mature. They require projects to have:

- an interconnector licence (granted or application duly made)
- a connection date in place to provide market-to-market interconnection by the end of 2020 (or an existing connection agreement requiring modification)
- a detailed and realistic project plan
- all required submission information for the IPA stage complete.

#### **Project applications received**

We received five applications from developers:

| <b>Project name</b> | <b>Developer</b>                 | <b>Connection date</b> | <b>Connection locations</b>       |
|---------------------|----------------------------------|------------------------|-----------------------------------|
| FAB                 | FAB Link (and RTE <sup>3</sup> ) | 1 December 2020        | Exeter (GB) and France            |
| Greenlink           | Element Power                    | TBC                    | Pembroke (GB) and the Republic of |

<sup>1</sup> Read our August 2014 decision letter at: <https://www.ofgem.gov.uk/publications-and-updates/decision-roll-out-cap-and-floor-regime-near-term-electricity-interconnectors>

<sup>2</sup> This followed a consultation on our proposals for our cap and floor regime, published in May 2014: <https://www.ofgem.gov.uk/publications-and-updates/regulation-future-electricity-interconnection-proposal-roll-out-cap-and-floor-regime-near-term-projects>

<sup>3</sup> RTE (Réseau de Transport d'Électricité) is the French transmission system operator (TSO).

|             |   |                 |                             |
|-------------|---|-----------------|-----------------------------|
|             |   |                 | Ireland                     |
| IFA2        | National Grid Interconnector Holdings <sup>4</sup> (NGIH) (and RTE) | 31 October 2019 | Chilling (GB) and France    |
| NSN         | NGIH (and Statnett <sup>5</sup> )                                   | 1 October 2019  | Blyth (GB) and Norway       |
| Viking Link | NGIH (and Energinet.dk <sup>6</sup> )                               | 31 October 2020 | Bicker Fen (GB) and Denmark |

We have decided that all five projects are sufficiently mature to progress to the IPA stage.

## Reasons for our decision

### *Interconnector licence*

Two of the five projects have been granted an interconnector licence (FAB and NSN). Three projects have made applications for interconnector licences (Greenlink, IFA2 and Viking). These applications are currently being assessed.

### *Connection date in place to provide market-to-market interconnection by the end of 2020*

Four projects have submitted copies of signed connection agreements. These agreements allow the projects to connect to the GB national electricity transmission system before the end of 2020. These agreed connection dates are listed in National Grid Electricity Transmission's (NGET's) interconnector register.<sup>7</sup>

Our 6 August decision letter noted that we'll allow projects to progress to the IPA stage if they can demonstrate that an existing agreement for connection by the end of 2020 requires modification.

Element Power has an agreement to connect 2GW of generation at Pembroke substation linked to a further 1GW generation connection at Pentir. The agreement was drafted to allow for modification to an interconnector agreement given the uncertainty surrounding the treatment of these connections at the time that the agreements were signed. The project developer expects to modify this agreement in spring 2015 and receive a connection agreement for the Greenlink interconnector from NGET by summer 2015, for a connection to the GB transmission system before the end of 2020.

We consider that Greenlink meets this criterion, but note that our decision at the IPA stage may be conditional on the final interconnector connection agreement being in place.

### *Detailed and realistic project plan*

All five project applications contain detailed project plans. These set out developers' interim milestones to connect by the end of 2020. While we have not assessed these plans in detail, we think the developers have provided evidence of sufficient planning to meet this criterion. We will look at the plans in more depth as part of the IPA stage.

<sup>4</sup> NGIH is a subsidiary company of National Grid Plc, established solely for the development of electricity interconnectors.

<sup>5</sup> Statnett is the Norwegian TSO.

<sup>6</sup> Energinet.dk is the Danish TSO.

<sup>7</sup> NGET is the system operator for GB. In this role NGET is responsible for granting connections to the national electricity transmission system. The interconnector register is available at:

<http://www2.nationalgrid.com/UK/Services/Electricity-connections/Industry-products/TEC-Register/>

### *Submission information complete*

All five project applications include the necessary material to inform our IPA stage. The project developers have provided the information required in Appendix 3 of our consultation document and Appendix 1 of our decision letter. All five applicants meet this eligibility criterion.

### **Next steps**

All five projects will now move to the IPA stage of our assessment process. This will involve us assessing the impacts of the projects, how the projects interact, and whether they are likely to be in the interests of GB consumers. We expect this stage to take three to six months. We will consult on our draft conclusions.

As we have received additional cost information from the NSN interconnector, we will also begin the Final Project Assessment (FPA) for NSN. Our May 2014 consultation noted that we may run the IPA and FPA stages in parallel. We think this is sensible to avoid delaying investment that may be in the interests of consumers. We also expect the FPA stage to take three to six months and will consult on our draft conclusions.

Our August 2014 decision letter noted that we may prioritise consideration of projects that submit FPA information together with the IPA submission. We therefore intend to consult on the IPA (and FPA) for NSN ahead of other projects.

Our decision letter stated our intention to open a second cap and floor application window. Developers should flag interest in a second cap and floor application window by 1 May 2015. Subject to interest, we expect that this application window will close in September 2015.

If you have any questions or comments on this decision letter please contact Stuart Borland on 020 7901 7134 or write to [cap.floor@ofgem.gov.uk](mailto:cap.floor@ofgem.gov.uk).

Yours faithfully,

**Kersti Berge**

**Partner, Smarter Grids and Governance – Transmission**