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THE CROWN ESTATE

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1 May 2015

Dear Stuart,

Cap and floor regime: Initial project assessment of the FAB Link, IFA2, Viking Link and Greenlink interconnectors. Response from The Crown Estate

Thank you for the opportunity to respond to the consultation on the initial project assessments for the FAB Link, IFA2, Viking Link and Greenlink interconnectors, published on 6 March 2015. The Crown Estate (TCE) welcomes this consultation as it begins to provide further clarity on the trajectory – both in terms of timing and likely capacity – of interconnector projects that are expected to come forward over the next few years. We hope our response is helpful in refining your policy in this area.

The Crown Estate

The diverse portfolio of TCE comprises marine, rural and urban properties across the whole of the United Kingdom, valued in total at almost £10 billion. Under the 1961 Crown Estate Act, TCE is charged with maintaining and enhancing both the value of the property and the revenue from it consistent with the requirements of good management. We are a commercial organisation guided by our core values of commercialism, integrity and stewardship. Our entire revenue surplus is paid directly to HM Treasury for the benefit of UK citizens; in 2013/14 this amounted to over £267 million.

Our energy and infrastructure portfolio comprises virtually the entire UK seabed out to the 12 nautical mile territorial limit, in addition to the sovereign rights to explore and make use of the natural resources of the UK continental shelf, with the exception of oil, coal and gas. We also own around half of the foreshore and beds of estuaries and tidal rivers in the UK. Our expertise includes marine resource management (e.g. marine aggregate extraction, marine renewable energy installations, seabed infrastructure, aquaculture and new activities such as gas storage and carbon capture and storage) and its interplay with other marine activities such as defence, energy, navigation and marine safety. We have a strong understanding of the needs of a broad range of coastal and sea users, as commercial partners, customers and stakeholders.

Response

As we have set out in previous consultation responses, we are supportive of the overarching cap and floor regulatory framework put in place for new interconnectors, which we consider is helping to unlock potentially significant future investment activity on the UK seabed.

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Our interest in interconnectors is twofold; firstly in terms of spatial planning and secondly owing to our sovereign right to grant seabed rights for the installation and operation of interconnectors on the territorial seabed and foreshore for which we are landlord. On this latter point, we are close to finalising our approach to granting seabed rights for interconnector projects, which would apply equally to all future interconnector projects including those considered in this consultation. Under this approach, our rental fee will be charged periodically during occupation (annually, 6 monthly or quarterly in advance) and should, we understand, form part of the operating cost base of interconnector projects. We also understand that our fee will be treated as a pass through item when project revenues are at or below the floor in the final regulatory settlement. However, we would ask Ofgem to clarify these points in its final decision document, to inform the wider stakeholder community on the regulatory treatment of our fees. We intend to publish a summary of this approach over the summer, which we would be happy to discuss with Ofgem and other interested parties.

We trust that you find our comments constructive, which as always we are happy to discuss further. Please feel free to contact me using the details above.

Yours sincerely,

Richard Clay
Senior Manager, Energy Policy & Regulation