

FAB Link Limited

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Laura Edwards
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05 April 2016

Dear Laura,

Consultation on Interconnector Licence changes for Nemo Link & other

FAB Link Ltd, in partnership with the French national grid company RTE, is leading on the development of the FAB interconnector, a 1400MW electricity interconnector between France and Britain via Alderney (the "FAB" project). FAB Link Ltd was granted an Initial Project Assessment (IPA) in July 2015. We have provided our responses to the consultation in Annex 1, but we would also highlight the following:

The Nemo Link vs FAB Link Cap & Floor regimes

Further to the Ofgem Window 1 policy documents and the Ofgem open letter dated 16th December 2015 regarding enabling a range of financing solutions under the cap and floor regime, there are a number of significant issues in the NEMO Link interconnector licence special conditions which we believe will need to be different in order to facilitate non-recourse project financing in general and the FAB project in particular.

It is clear that the entirety of the Standard Conditions will apply to all interconnectors and we submit all our comments on these here that we believe will be relevant for the FAB project.

Our comments on the Special Conditions are restricted to aspects that we consider would be worth changing in the interests of the Nemo Link cap & floor for good order.

However, nothing in this response should be construed as acceptance that the NEMO Special Conditions, or any part thereof, would be appropriate for FAB Link Limited and we will continue to work with Ofgem to devise suitable Special Conditions for FAB Link Ltd.

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Additional minor point

Included in our review but not strictly speaking included within the documents to be consulted upon is the following referencing item in the standard conditions which should be amended to accommodate the introduction of Section G.

Licence/ Document name: interconnector licence **Standard Conditions**

Condition /Section number: Section A: Std Cond. 1

Condition /Section name: Definitions and Interpretation

Comments: Section G should be added to the reference to other sections in paragraph 11, paragraph 11a and paragraph 11b.

Suggested alternative drafting: "in Sections A, B, C, D, E, ~~or~~ F, or G..."

As always we would be happy to talk through any of the points we make in our consultation response.

Yours sincerely,



James Dickson

Project Director

For and on behalf of FAB Link Limited

ANNEX 1: Respondent: FAB Link Ltd

Licence/ Document name	Condition /Section number	Condition /Section name	Page/ Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
Proposed modifications to the electricity interconnector licence Standard Conditions	Section G: Std Cond. 24 & 26	Definitions	1 - page 4	The definition of Relevant Year (in the Proposed new special conditions for Nemo Licence) and for provision of information to the GB System Operator (in the Proposed modification to the electricity interconnector licence standard conditions) is the same in name but different in meaning to the rest of the Licence. Ofgem should consider introducing a new title to remove the potential misunderstanding.	Suggest replace "Relevant Year" with "TNUoS Reporting Relevant Year" or similar where appropriate
Proposed new Special Conditions for Nemo Licence	2	Cap Level & Floor Level	Part A: 7 - page 8	The test as set requires 60 days of continuous operation at <i>Rated Capacity</i> , necessary to set the Floor Start Date. (i) The test should be based upon available capacity (whether or not utilised) to ensure market conditions do not prevent a successful completion of the test; (ii) Industry standard is for EPC contractors to demonstrate the Availability Target level in their contracts rather than 100%. Therefore the test should be based upon achieving the Availability Target level over a period of 60 days rather than using <i>Rated Capacity</i> as the measure to trigger the Floor Start Date.	7. (b) that falls before the successful completion of 60 days of continuous operation at <i>the Availability Target level</i>
Proposed new Special Conditions for Nemo Licence	7	Non- Controllable Costs	15 - page 40	Include a definition of (b) Property Rates & Property Taxes	
Proposed new Special Conditions for Nemo Licence	5. Part C	Assessed Revenue : Market- related costs	10 – page 31	All costs associated with the derivation of revenues, including but not limited to, market operations of the link (such as capacity market penalties) should be included in the <i>Market Related Costs</i> and netted in the calculation of the <i>Assessed Revenue</i>	Add a term in equation Part C.8 and definition in Part C.10 introducing all costs associated with the market operations of the link (such as capacity market penalties).

Proposed new Special Conditions for Nemo Licence	7	Non-Controllable Costs	15 - page 40	In the event that new regulation dictates that interconnectors incur specific unavoidable costs to conduct its business (operation, maintenance, access to energy markets etc.), this should be considered a Non-Controllable Operational Cost	Should new EU or UK regulation be introduced after FPA that has a direct impact on the <i>Assessed Revenue</i> , this should be added to the <i>Non-Controllable Costs</i> that will feed into the revenue adjustment.
RIGS (Word)	1	Introduction	1.3	The period during which the interconnector owner has to complete data from the RIGS is not clear: "during the C+F period". But this paragraph also tells that the RIGS will allow Ofgem to "monitor the expenditure during development and construction", which is before commissioning, so before the start of the Cap & Floor regime.	Ofgem will start and end collecting data on the ... (starting/ending event or date)
RIGS (Excel)	5	Assessed Revenue	Income Adjusting Event (IATt) - Cell F27	Special Condition 7 – Part B sets out the criteria and treatment of Income Adjustment Events, the IATt term. In the Assessed Revenue table under the RIGS, the Income Adjustment calculated to be equal to the Market Related Costs: $IATt = MRCT$ if $MRCT > 0$ which does not seem correct as this will be a fixed value to be determined at the time, and independent of the Market Related Costs term.	IATt line should be shaded in yellow as an input without a formula
RIGS (Excel)	2	CAPEX worksheets	Commissioning	In the 2.2 <i>Subsea cable technical</i> and 2.3 <i>Underground cable costs</i> , there is a line <i>Commissioning</i> for commissioning costs, but which is not detailed	It would be useful to have the confirmation that all commissioning costs, including power commissioning (market spreads for commissioning tests) are included in the CAPEX assessment and adjustments