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Attention: Stuart Borland

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Your ref./Your date: **FPA North Sea Link**
Our ref.: **NSL/Halvorsen**
Our date: **15.11.2016**

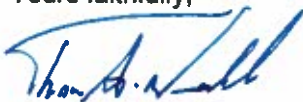
Ofgem Final Project Assessment – North Sea Link

Statnett is an equal partner to National Grid NSN Link Ltd in North Sea Link, the 1400 MW interconnector under construction between Blyth in England and Kviteseid in Norway, scheduled for commissioning by the end of 2021.

Statnett welcomes this opportunity to respond to the Final Project Assessment for the regulation of our partner with respect to North Sea Link. Our response addresses some of the questions, mainly where Statnett has concerns related to the incentives of our partner.

Should you have any questions, please do not hesitate to contact us.

Yours faithfully,



Thor Anders Nummedal
Project Director North Sea Link

Statnett Comments to Ofgem's Final Project Assessment of North Sea Link (NSL)

Question 1 – Cost Benchmarking

Cost Benchmarking

Statnett has no objection to cost benchmarking per se, but it should be pointed out that the number of comparable projects in this case is small, and we would suggest there are several projects which could be included to further illustrate the range of cost outcomes in complex projects like large interconnectors. This range will reflect that each such project is unique, but also developments in market conditions as well as project events. Essentially, benchmarking can only be applied in a meaningful manner if the different technologies and different risk profiles of the projects are properly understood and addressed.

CAPEX

Statnett is confident that the capex figure, including the contingencies, for this project is appropriate given the complexity and size of the project as well as the prevailing market conditions. The procurement process, estimating and uncertainty analysis have been conducted in a professional manner in accordance with internationally recognised best practice methodologies.

Question 6 – Availability Target and Related Incentives

Statnett welcomes incentives that deliver as high availability as possible, albeit allowing for scheduled and unscheduled downtime.

Statnett believes a key element in achieving high availability is an effective incident response and repair process.

Our main concern relate to the potential situation where an incident occur when NSL is operating above the Cap level. This provides no financial incentive for our partner to quickly respond and repair while consumers and the national welfare economics for both countries would obviously benefit from a rapid and effective response.

For this reason we would support incentives that lift the Cap. We would also prefer more continuous calculation methodologies than a firm cut-off every five years to avoid potential negative incentives around those points in time.