

Cap and floor regime: Initial Project Assessment of the GridLink, NeuConnect and NorthConnect Interconnectors

National Grid's Response

National Grid supports Ofgem's minded-to position on the Initial Project Assessment of Gridlink, Neuconnect and North Connect. This is a very detailed assessment of the interconnectors which has included a wide range of potential impacts of the further interconnection. It is understandable that Ofgem must make a decision based on the welfare benefit to GB consumers, however, one may argue that there should be a regulatory regime in place for the projects which generate a net increase in Total Welfare across Europe and GB, however disbenefit to GB consumers. This regime would reallocate the welfare from the consumers who benefit to provide an equal level of welfare between the interconnected countries and facilitate the construction of projects which create overall positive welfare.

Question 2: Is there any additional information that you think we should take into account when reaching our decision on the IPA of the projects?

- European welfare - the NOA for Interconnectors is based on impact of the interconnection on the welfare across Europe and the UK. At times when the interconnectors flow from GB to Europe, there is also a net benefit (and therefore an increase in Total Welfare across all parties however this has not been considered in the analysis. This would make the interconnectors appear more beneficial. For projects which create net benefit, however a disbenefit to GB consumers, a mechanism for reallocation of welfare could be created.

Question 3: What are your views on the approach Pöyry has taken to modelling the impact of cross-border interconnector flows?

- There is a wide range of scenarios considered in the analysis showing the impact when flexing various assumptions providing a wide range of results. It is clear how the assumptions from each scenario impact on the flow on the interconnector.

Question 7: Have we appropriately assessed the hard-to-monetise impacts of the interconnectors?

- The factors in this section are useful to provide more indication of the wider impacts of the interconnectors. It would be insightful to read how the outcome of this section will be factored into the overall decision.

Question 9: Do you have any views on the information presented in this chapter?

- The information in this chapter aligns with that of NGET.