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## CONSULTATION RESPONSE - CAP AND FLOOR REGIME FOR INTERCONNECTORS: INITIAL PROJECT ASSESSMENT

### Introduction:

Statkraft UK welcomes the opportunity to respond to the consultation on Initial Project Assessment of new interconnection projects and the proposal to grant these projects a cap and floor regime. We have at this occasion limited our response to a general response and have not provided responses to each individual question in the consultation.

Statkraft is a large hydro power generator and the leading power company in Norway. The company is also Europe's largest generator of renewable energy with an installed capacity of 19 GW and annual power production of 66 TWh from which 97% is renewables. Statkraft is established in more than 20 countries.

Statkraft UK has been operating since 2003. In this period we have played an active role in developing onshore and offshore wind power. The company also operates the Rheidol hydro power plant in Wales. Statkraft UK is a leading PPA provider and through this facilitate routes to market for other independent generators. Statkraft UK has recently also stepped up activities in the supply business including storage.

Our ambition is to continue our effort to contribute to the delivery of a secure and sustainable low-carbon energy future, whilst creating growth, jobs and value for UK consumers.

### Our view of interconnectors in the UK:

Statkraft is strongly supportive of increased cross-border capacity as a means to increasing the efficiency of the UK and European power markets. Our general view is that far too little cross-border capacity has been developed, and the need for and value of cross-border capacity will increase as more renewable generation capacity comes online over the coming years. Interconnection will help provide greater security of supply and enable greater penetration of intermittent renewables at a lower cost to consumers.

In particular, we see strong potential benefits from greater interconnection between Norway and the UK. These benefits would include:

- Increased flexibility of supply
- Access to large reservoir capacity in the Norwegian hydropower system, including the expected power surplus in Norwegian and Nordic power market.
- Lower energy prices for British consumers resulting from access to an alternative supply of flexible power.
- The ability to export excess power from the UK during peak generation (and low consumption) windows helping to reduce curtailment. This will be particularly relevant with a market such as Norway, where weather and consumption patterns are less aligned, and where imported power can easily be stored when necessary
- An additional source of capacity for the Capacity Market
- An efficient provider of ancillary services as frequency response and black start.

In a future British energy market, with substantially more intermittent renewable power, greater interconnection with other energy markets will be key to achieving an affordable and secure power supply.

We do agree with Ofgem's overall conclusion that the interconnectors will provide large benefits for UK consumers. We are less familiar with GridLink and NeuConnect than the North Connect project, but in line with our general view the finding that all 3 projects are highly positive for UK consumers seem very plausible. We also agree that there are additional benefits that are hard to quantify. For NorthConnect which is backed by flexible hydropower with large reservoir capacity the security of supply benefit is very evident.

We do have a slight worry about the timeline and process around the approvals of the regime for these projects and that these could lead to project delays. Nonetheless, we hope that the cap and floor approval process and wider regulatory regime will not delay the projects.

Yours sincerely,  
for Statkraft UK Ltd

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