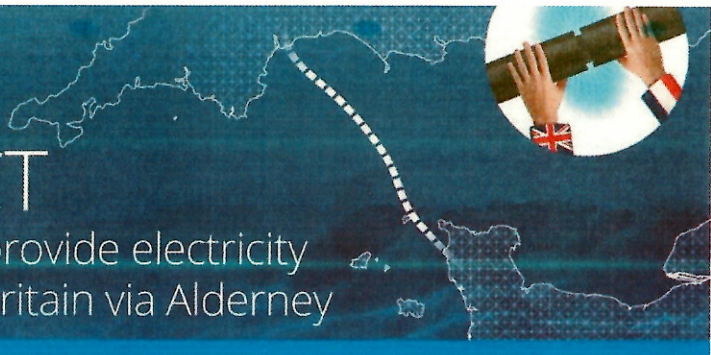




FAB PROJECT

An interconnector to provide electricity
between France and Britain via Alderney



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19th July 2018

Dear Stuart

FAB Link Limited FPA submittal under the Cap & Floor regime

The FAB project (the “*Project*”) is a proposed 1,400MW electrical interconnector between France and Britain via the channel island of Alderney. The project is being developed by Transmission Investment with Alderney Renewable Energy in the UK and RTE in France. The parts of the Project to be located outside of France and French territorial waters are to be owned by FAB Link Limited (FLL) and regulated by Ofgem under the Cap & Floor regulatory regime for GB interconnectors.

The Project has been a Project of Common Interest (PCI) since October 2013 and so is strongly supported with priority status at the UK and European level. It will directly contribute to the three pillars of UK energy policy – affordability, security and decarbonisation – by:

- Reducing prices for electricity consumers;
- Providing greater diversification amongst sources of UK energy supply; and
- Providing access to low carbon energy.

On 21st July 2015 Ofgem published its decision¹ to award a cap and floor regime in principle following analysis and a public consultation of the IPA for the Project². The result of the analysis was strongly positive and concluded that the Project would lead to a decrease in GB wholesale prices and would increase social welfare for GB consumers across all scenarios modelled by Ofgem.

Since then the Project has made significant progress however on the 16th November 2017 the Commission de Régulation de L'Énergie (CRE) formally notified the Project via a deliberation³ that it was adopting a position of not taking further decisions on GB-France interconnectors pending the

¹ https://www.ofgem.gov.uk/sites/default/files/docs/2015/07/ipa_decision_july_2015_0.pdf

² https://www.ofgem.gov.uk/sites/default/files/docs/2015/03/ipa_march_2015_consultation_-_final_0.pdf

³ Initiated by CRE through their Deliberation No 2017-253:

<http://www.cre.fr/en/documents/deliberations/orientation/interconnector-projects-with-the-united-kingdom>



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outcome of the UK's decision to leave the EU. CRE subsequently placed RTE's funding for the project on hold resulting in a significant and currently indeterminate delay to the progress of the Project.

This letter and associated documentation sets out information to ensure that FLL complies with its obligation under the Cap & Floor regime for the Final Project Assessment (FPA). The first submission of information to support the FPA will be supplemented in a phased manner as the project progresses.

This letter further requests that Ofgem considers the delay resulting from the position of the CRE to be a *force majeure* event and therefore to extend the regime duration end date beyond 31st December 2045 to take account of this delay.

Project Development

Project development is very well advanced with a final investment decision (FID) originally planned for Q2 2018 however this has been delayed due to the reasons set out above. If resolved in 2018 it can be expected that FID would be achieved in the third quarter of 2019 followed by a three-and-a-half-year construction period. The project is therefore within 60 months of commissioning subject to the aforementioned regulatory uncertainty outside the control of the project promoters.

The following table is a high-level target timeline of the key project phases⁴:

Phase	Start Date	End Date
Consideration phase	28/02/2012	30/07/2014
Planning approval	24/11/2012	30/11/2013
Preliminary design studies	14/08/2014	27/07/2016
Public consultation of Art9(4) of 347/2013	10/01/2015	05/09/2016
Permit granting: Pre-application procedure	30/07/2014	31/12/2016
Permit granting: Statutory procedure	30/06/2016	
Environmental Impact Assessment request and approval	30/06/2016	21/09/2016
Application for specific incentives		
Final Investment Decision		
Detailed engineering design		
Tendering for construction	29/07/2016	
Construction		
Commissioning		

⁴ Square brackets denote subject to change pending regulatory certainty.

Information for the FPA

Whilst addressing the delay as a result of the position of the CRE is critical to the continued regulatory development of the Project, it is still necessary for FLL to progress the Cap & Floor GB regulatory process to be applied to the FLL part of the Project if it is to maintain this regulatory treatment. The next requirement of this process is submission of information for the FPA due on or before 21st July 2018 as set out in Ofgem's letter of 19th June 2017⁵.

In order to fulfil this requirement and following discussions with Ofgem, we are sending this letter setting out the latest position of the project in addition to the previously provided First Information Submission in a separate document to support the FPA.

Ofgem may decide to proceed with an Initial Review of the information we have submitted for completeness and feedback any comments. However, given key cost information will be amended once the EPC procurement processes restart, Ofgem may decide to defer its Full Information Review until the receipt of the subsequent updates. This would allow Ofgem to form a more meaningful view on the efficiency of the presented costs.

Project Cost Expectations

The table below shows the high-level summary of the latest total Project and FLL costs from each stage of the Project:

	FAB Project Total <i>FY17/18 Prices</i>	FAB Link Cost <i>FY17/18 Prices</i>
Development Costs		
Construction Costs		
Construction Contingency		
Operational Costs		
Decommissioning Costs		

Breakdowns of the costs shown above, including supporting explanations can be found in our First Information Submission for the FPA. These costs are based on the latest information available to the project from the Engineering, Procurement and Construction (EPC) ongoing procurement process as well as best estimates of EPC related contingencies together with estimates of non-EPC deliverables.

The EPC based CAPEX and related construction contingency will be updated at key points once the procurement process is restarted and procurement documentation shall be made available to Ofgem, if required, for review. A FLL determined rounded EPC-CAPEX (rather than absolute maximum) is included in the submitted information as well as in this letter to help form a view whilst avoiding any potential confidentiality conflict with the procurement process. In addition and in parallel, where pertinent to the FPA, updated information on the financial structuring for the project would be provided.

⁵ <https://www.ofgem.gov.uk/ofgem-publications/117512>

Treatment of the delay caused by the CRE


We understand that the Cap & Floor regime to be applied to the FLL part of the Project has a duration of 25-years beginning on 1st January 2021 and concluding on 31st December 2045. In the absence of mitigating circumstances, a delay to the Project's operational date would reduce the 25-year regime period, with the regime end date staying the same. In your letter dated 19th June 2017 you explained that the end date may be changed in the case of delays caused by *force majeure* events, building on the license conditions put in place for Nemo Link. The current and indeterminate delay, detailed in our letter to you dated 28th September 2017⁷ and formally notified by the CRE on 16th November 2017, is clearly beyond the reasonable control of FLL and so constitutes consideration for a later regime end date. You will be aware that FLL had prepared and submitted information for the FPA in August 2017⁸, however this was in draft form due to the regulatory uncertainty becoming apparent at that time. In due course and as part of the Cap & Floor regulatory approval process, FLL would welcome confirmation that this is a *force majeure* event and a discussion on both the impact of the delay caused by the CRE and how it may be reflected within our license.

⁶ Threshold for materiality is defined on page 3 of:

https://www.ofgem.gov.uk/sites/default/files/docs/2015/07/ipa_decision_july_2015_0.pdf

⁷ Letter addressed to Akshay Kaul, "FAB Project – Impact of Regulatory delays due to Brexit" dated 28th September 2017

⁸ A draft version of the FPA documentation as sent by email to Ofgem on the 16th August 2017



I wish to thank you for your continued support of the project and look forward to your confirmation that the information requirements for the FPA at this time have been fulfilled.

Yours sincerely,



James Dickson
FAB Link Project Director