

Kate Kendall  
Commercial  
Ofgem  
9 Millbank, London SW1P 3GE  
Via email

Terry McCormick  
Head of Markets and Regulation  
National Grid Ventures

Email: [terry.mccormick@nationalgrid.com](mailto:terry.mccormick@nationalgrid.com)  
Mobile: +44 (0) 7768 045139  
[www.nationalgrid.com/ventures](http://www.nationalgrid.com/ventures)

20<sup>th</sup> February, 2018

Dear Kate,

### **Consultation on Income Adjusting Events policy in Offshore Transmission Licences**

National Grid Ventures (NGV) welcomes the opportunity to outline its thoughts on the issue of income adjusting events in Offshore Transmission (OFTO) licences.

NGV is a ring-fenced division of National Grid plc, responsible for developing and operating businesses in competitive energy markets across our UK and US territories. NGV's portfolio includes:

- Joint stakes in all the UK's existing electricity interconnectors to continental Europe — 3GW of capacity that provides consumer benefits by bolstering security of supply, facilitating the integration of renewables and enabling access to competitive supply;
- A pipeline of further interconnectors to Europe — including 3.4GW currently under construction and our Viking project which is in the later stages of development.

NGV is a leader in the development, design, construction, and operation of HVDC subsea cable systems. Having this holistic perspective on the challenges and risks involved with such systems puts NGV in an excellent position to review and comment on income adjusting events policy for OFTOs.

### **Interconnectors and OFTOs**

NGV is primarily an interconnector developer, and while this consultation is not explicitly related to interconnectors, there are parallels. The recent Ofgem review of Interest During Construction (IDC) for interconnectors and OFTOs sought to establish a common policy for IDC between asset classes. This is consistent with recent efforts from Ofgem to introduce common policies where possible.

In contrast, the income adjusting events policies do not follow a consistent framework. While some difference is necessary based on the different regimes, NGV requests clarity as to why a common policy on force majeure is not appropriate if a common policy is necessary on IDC and other issues.

### **OFTO build and OFTO buy**

Under the current offshore transmission regime, the generation developer has a choice over the delivery model for the transmission assets. Succinctly, they can choose between building the assets themselves (OFTO buy) or having the long-term operator also undertake construction (OFTO build).

To date, no developer has chosen the OFTO build route. This has an onward impact on the income adjusting events policy. OFTO build projects avoid the risks created by asset transfer, which limits consumer exposure to income adjusting events.

As wind projects move further offshore, the complexity increases and the technology may have to change. This increases the risks associated with asset transfer. Therefore, it is in the interests of consumers, developers, and Ofgem to increase the focus on OFTO build projects that lower the risk of income adjusting events.

NGV would be glad to discuss the views contained within this letter, should that be helpful. For further details, please contact Jonny Gallagher ([jonny.gallagher@nationalgrid.com](mailto:jonny.gallagher@nationalgrid.com)).

Kind regards,

Terry McCormick  
Head of Markets and Regulation  
National Grid Ventures