

# Decision

## Decision on the Post Construction Review of the Nemo Link interconnector to Belgium

**Publication date:** 17 December 2019

**Contact:** Ikbal Hussain and Gethin Morris

**Team:** Interconnectors

**Tel:** 020 7901 7049

**Email:** [Cap.Floor@Ofgem.gov.uk](mailto:Cap.Floor@Ofgem.gov.uk)

This decision document confirms our final position on the Post Construction Review of the Nemo Link interconnector project. In particular, it sets out our final determination of the values for the Post Construction Adjustment terms submitted by Nemo Link and the final cap and floor levels for the project.

Alongside this decision, we have also published licence modifications notices making changes to the special conditions of Nemo Link's licence and the standard conditions of the electricity interconnector licence. We have also published final versions of the Cap and Floor Regulatory Instructions and Guidance and the Nemo Link Cap and Floor Financial Models and associated handbooks.

© Crown copyright 2019

The text of this document may be reproduced (excluding logos) under and in accordance with the terms of the [Open Government Licence](#).

Without prejudice to the generality of the terms of the Open Government Licence the material that is reproduced must be acknowledged as Crown copyright and the document title of this document must be specified in that acknowledgement.

Any enquiries related to the text of this publication should be sent to Ofgem at:

10 South Colonnade, Canary Wharf, London, E14 4PU. Alternatively, please call Ofgem on 0207 901 7000.

## Contents

<b>Executive summary .....</b>	<b>4</b>
Scope of our decision.....	4
Overview of our decision .....	5
<b>1. Introduction .....</b>	<b>7</b>
Nemo Link project overview .....	7
Our cap and floor regime .....	8
What are we making a decision on? .....	10
Structure of this document .....	11
Related publications .....	12
Our decision making process .....	13
Your feedback.....	13
General feedback .....	13
<b>2. Summary of our Post Construction Review (PCR) decision .....</b>	<b>14</b>
Section summary .....	14
Final capex cost adjustments .....	17
Final opex cost adjustments .....	17
<b>3. Key issues raised in consultation responses .....</b>	<b>19</b>
Section summary .....	19
PCR cost allowances .....	19
Repex .....	19
Delay in Start-Up (DSU) insurance .....	21
Trading desk .....	22
Capacity Allocation and Congestion Management (CACM) related costs .....	23
Review of JPS and Siemens claims and variations.....	25
Changes to the Cap and Floor Financial Model (CFFM).....	27
Changes to the CFFM1 .....	27
Changes to the CFFM2 .....	27
Foreign exchange rate for costs during operations.....	28
Modifications to Standard Licence Condition (SLC) 25 and new RIGs.....	29
Proposed new Cap and Floor RIGs .....	29
<b>Appendices .....</b>	<b>31</b>
<b>Documents published alongside this decision .....</b>	<b>32</b>

## Executive summary

Nemo Link is a 1GW electricity interconnector between Zeebrugge in Belgium and Richborough, Kent in Great Britain (GB). Nemo Link is the first interconnector project to be developed under our cap and floor regime and commenced commercial operations on 31 January 2019.

We granted Nemo Link Limited (Nemo Link) a cap and floor regime in December 2014. Nemo Link's electricity interconnector licence sets out the preliminary cap and floor levels for the project. The licence also includes the process for setting the final cap and floor levels following our determination, at the Post Construction Review (PCR) stage, of the values of the Post Construction Adjustment (PCA) terms. These terms adjust the provisional cap and floor levels to take into account our final assessment of the project's costs.

In September 2019, we consulted on our minded-to position on Nemo Link's PCR, in particular our views on the proposed values for the PCA terms submitted by Nemo Link and the final cap and floor levels for the project. Alongside this, we also conducted a statutory consultation on consequential changes to the special conditions in Nemo Link's licence and Standard Licence Condition (SLC) 25: Cap and Floor Regulatory Instructions and Guidance.

The consultation closed on 11 October 2019. We received four consultation responses which have been published alongside this decision. We have taken these responses into account in reaching our decision.

### Scope of our decision

This decision provides our final view on Nemo Link's PCR, in particular our determination of the values of the PCA terms and the final cap and floor levels for the project. Alongside this decision, we have also published:

- a direction determining the values of the PCA terms and final cap and floor levels for Nemo Link;
- licence modification notices modifying:
  - the special conditions in Nemo Link's licence; and
  - SLC 25 of the electricity interconnector licence;

- final versions of our updated Cap and Floor Regulatory Instructions and Guidance (Cap and Floor RIGs); and
- final versions of the Nemo Link Cap and Floor Financial Models and associated handbooks.

### **Overview of our decision**

The cap and floor levels are set using a building blocks approach, based on the project's development costs, capital costs, operating and maintenance costs, replacement costs, decommissioning costs, tax and allowed return. The preliminary cap and floor levels for Nemo Link, as specified in its licence, are £83.8m and £48.8m each year (in 2013/14 prices). In December 2018, Nemo Link submitted its proposed values for the PCA terms for determination, together with supporting project cost and narrative information (the PCR Submission). These were subsequently updated in June 2019. Nemo Link proposed downward adjustments to the preliminary cap and floor levels of £5.0m and £3.5m (in 2013/14 prices) respectively.

In our September 2019 consultation (September 2019 Consultation), we indicated that our minded-to position was to determine that the proposed PCA values submitted by Nemo Link should be adjusted downwards and determined as £7.6m and £6.0m. We noted that this would generate a final cap level of £76.2m and a final floor level of £42.8m in 2013/14 prices.

We have now confirmed our final view on cost allowances and the financial parameters for the project. Based on our analysis, we have decided to set the:

- combined capital expenditure (capex) and development expenditure (devex) value at €598.0m,<sup>1</sup> maintaining our minded-position on these costs; and
- the operating expenditure (opex) value at €638.4m, an increase of €32.5m from our minded-position.

Accordingly, we have determined the final PCA values to be:

**Post Construction Adjustment At Cap (PCAC) as -£6.8m;** and  
**Post Construction Adjustment At Floor (PCAF) as -£4.9m.**

---

<sup>1</sup> Unless otherwise stated, all costs reported within this document are in real 2013/14 prices.

These PCA values generate a **final cap level of £77.0m and final floor level of £43.9m** in 2013/2014 prices.

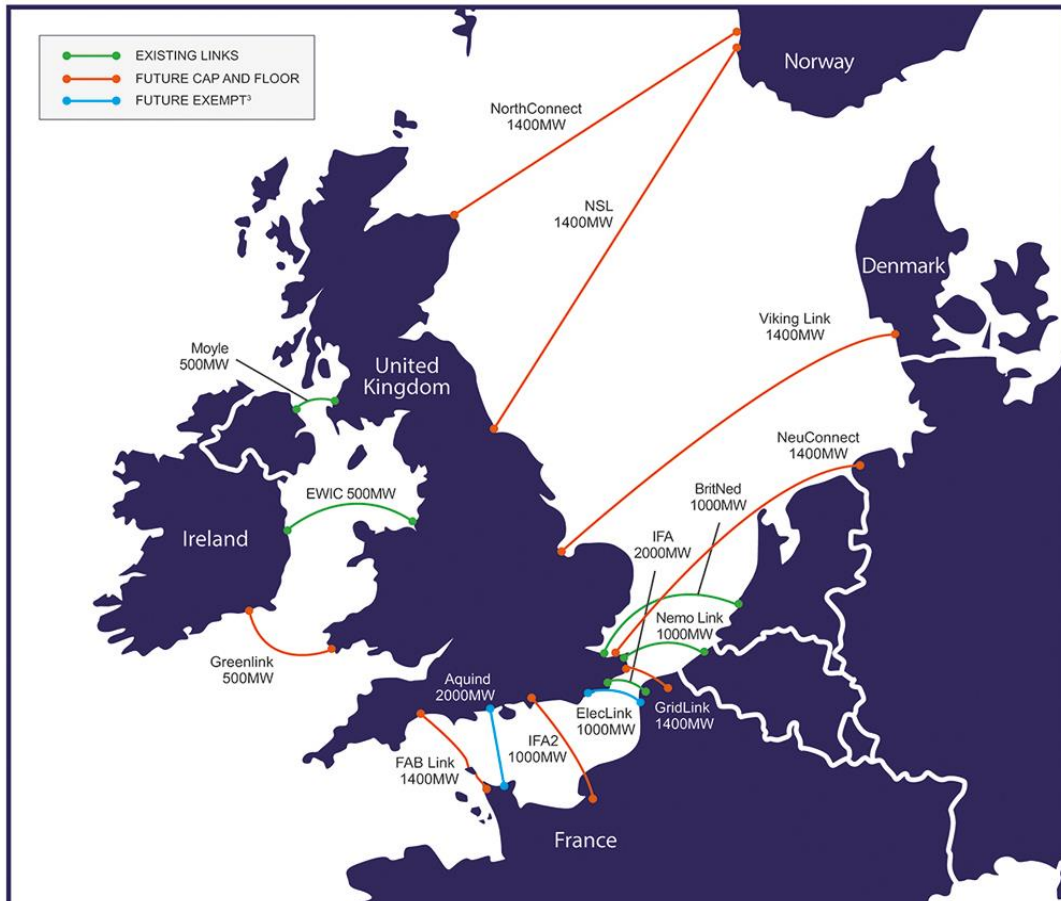
## 1. Introduction

### Nemo Link project overview

1.1. The Nemo Link project is a 1,000 MW electricity interconnector between GB and Belgium. On the GB side the cable landfall is at Pegwell Bay, Kent, followed by approximately 2km of onshore cable to a converter station located in Richborough. The Belgian end of the cable lands at the port of Zeebrugge crossing through UK, French and Belgian territorial waters, followed by 9km of onshore cable to a converter station at Herdersbrug (near Bruges).

1.2. The project developers are National Grid Interconnector Holdings Limited and Elia System Operator NV/SA (Elia), the Belgian transmission system operator. Each owns 50% of the shares in Nemo Link. Figure 1 below shows the Nemo Link interconnector alongside other operational and proposed electricity interconnector projects.

Figure 1 - Map of existing and proposed GB electricity interconnectors

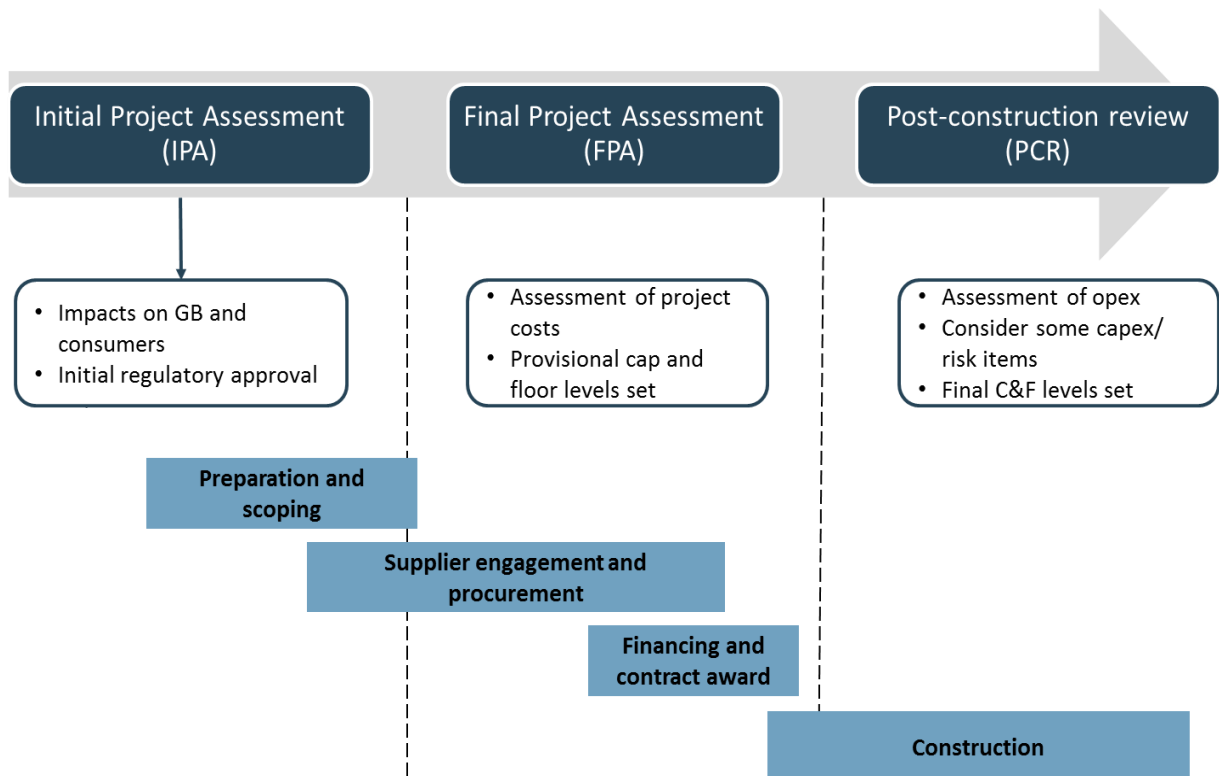


1.3. The Nemo Link interconnector started commercial operations on 31 January 2019 and is the first project to be regulated under our cap and floor regime. We developed the cap and floor regime for Nemo Link jointly with the Belgian energy regulator, the Commission de Regulation de l'Electricite et du Gaz (CREG).

## Our cap and floor regime

1.4. The cap and floor regime is the regulated route for interconnector development in GB. It sets a minimum and maximum return that interconnector developers can earn. We developed the cap and floor regulatory model for Nemo Link jointly with CREG. We then extended the cap and floor regime to other interconnectors in August 2014.<sup>2</sup> There are three main stages to our cap and floor assessment framework, shown in Figure 2 below.

Figure 2 – Cap and floor assessment framework



<sup>2</sup> We extended the cap and floor regime to near-term projects in August 2014, and then confirmed this as our enduring approach to interconnector regulation in March 2015 as part of our Integrated Transmission Planning and Regulation project conclusions.



- The **Initial Project Assessment** (IPA) stage is when we assess the needs case for new interconnector projects. This is predominately an economic assessment, taking into account the total costs and benefits of new interconnectors and assessing the likely impacts on consumers.
- At the **Final Project Assessment** (FPA) stage we confirm the grant of a cap and floor regime and set the provisional cap and floor levels. We assess the economic and efficient costs associated with developing, constructing, operating, maintaining and decommissioning of the licensee’s interconnector. We also set the project’s financial parameters, develop a project-specific financial model, and set the values for incentives.
- The cap and floor levels are then confirmed at the **Post Construction Review** (PCR) stage, when we revisit aspects of our cost assessment that were not fixed at the FPA stage, and assess the efficiency of costs incurred during construction. For Nemo Link, we also assessed operating, maintenance, replacement and decommissioning costs for the first time at the PCR stage.

1.5. In December 2014, we granted Nemo Link a cap and floor regime. In November 2016, we made licence changes to give practical effect to that decision. The licence specified preliminary cap and floor levels of £83.8m and £48.8m (in 2013/14 prices), which apply to the Nemo Link project as a whole. The licence provides for the final cap and floor levels for Nemo Link to be set following our determination of the PCA terms at the PCR stage.<sup>3</sup>

1.6. The determined PCA terms adjust the preliminary cap and floor levels (whether upwards or downwards) to account for the difference between:

- a) our estimate, assumed in the preliminary cap and floor levels for Nemo Link, of the costs associated with developing, constructing, operating, maintaining and decommissioning Nemo Link; and

---

<sup>3</sup> Relevant provisions are included in Special Condition 8: Process for determining the value of the Post Construction Adjustment terms and Special Condition 2: Cap Level and Floor Level. The PCA terms consist of two terms – the Post Construction Adjustment At Cap term (PCAC) and the Post Construction Adjustment At Floor term (PCAF).

b) our assessment of these costs at the PCR stage (when the majority of the development and construction costs have been incurred).

1.7. The determined PCA values are used to calculate the final cap and floor levels for Nemo Link. The final cap and floor levels then remain fixed for the duration of Nemo Link's cap and floor regime, subject to any specific adjustments.<sup>4</sup>

1.8. In December 2018, we received Nemo Link's PCR submission which included Nemo Link's proposed values for the PCA terms. In our September 2019 Consultation, we provided our minded-to position on the PCA and the proposed final cap and floor levels.

## **What are we making a decision on?**

1.9. This decision sets out:

- our final view on Nemo Link's PCR, in particular our determination of the values for the PCA terms and the final cap and floor levels for the project. The determined PCA values and final cap and floor levels are specified in the direction attached at Appendix 2;
- consequential changes to the special conditions in Nemo Link's licence to reflect our proposed changes to the governance arrangements for the Nemo Link cap and floor financial models (NLCFFMs) and to correct some cross-referencing errors. The relevant licence modification notice is attached at Appendix 3; and
- changes to SLC 25: Cap and Floor Regulatory Instructions and Guidance of the electricity interconnector licence to allow for interconnector-specific variations to the Cap and Floor RIGs. The relevant licence modification notice is attached at Appendix 4.

1.10. We have also published:

---

<sup>4</sup> The regime allows for a discretionary revision of the final cap and floor levels after no less than 10 years from the start of the regime to re-assess and benchmark the opex forecast submitted at the PCR stage and, if required, for multiple revisions to re-assess the decommissioning costs forecast submitted at the PCR stage.

- new Cap and Floor RIGs, to be used by relevant interconnector licensees to report costs and revenue during the development, construction, operation, maintenance and decommissioning of their interconnector – see Appendix 5; and
- the NLCFFM (1 & 2) and associated handbooks, at Appendix 6 and 7 respectively.

## **Structure of this document**

1.11. The rest of this document is structured as follows:

### **Section 2 – Summary of our PCR decision**

1.12. This section provides a summary of our final review of Nemo Link’s costs and our determination of the values of the PCA terms and final cap and floor levels, including an overview of the relevant cost variations.

### **Section 3 – Main points raised during consultation**

1.13. This section addresses the key issues raised by respondents to the September 2019 Consultation concerning the following areas:

- our proposed cost allowances at consultation stage;
- proposed changes to Nemo Link’s new cap and floor financial model; and
- our proposed new Cap and Floor Regulatory Instructions and Guidance.

## Related publications

[Post Construction Review of the Nemo Link interconnector to Belgium](#)

Published: September 2019

[Statutory consultation on changes to the standard conditions of the electricity interconnector licence, the electricity interconnector licences held by Nemo Link and NGIL and the electricity transmission licence held by NGET](#)

Published: November 2016

[Decision on the cap and floor regime for the GB-Belgium interconnector project Nemo](#)

Published: December 2014

[Decision to roll out a cap and floor regime to near-term electricity interconnectors](#)

Published: August 2014

[The regulation of future electricity interconnection: Proposal to roll out a cap and floor regime to near-term projects](#)

Published: May 2014

[Cost assessment consultation for the proposed GB-Belgium interconnector, Nemo](#)

Published: April 2014

[Cap and Floor Regime for application to project Nemo: Impact Assessment](#)

Published: December 2013

[Offshore electricity transmission and interconnector policy: minded-to position on interest during construction \(IDC\)](#)

Published: October 2013

[Cap and Floor Regime for Regulated Electricity Interconnector Investment for application to project Nemo](#)

Published: March 2013

[Preliminary conclusions on the regulatory regime for project Nemo and future subsea electricity interconnector investment](#)

Published: December 2011

[Cap and floor regime for regulation of project Nemo and future subsea interconnectors](#)

Published: June 2011

## Our decision making process

1.14. The consultation on Nemo Link’s PCR and related documents closed on 11 October 2019. We have reviewed the responses received, which can be found published alongside this decision. We are now publishing our final decision on all of the elements outlined above.

**Figure 3 - Decision-making stages**



## Your feedback

1.15. We value the feedback of our stakeholders on the quality of our work, and we encourage them to provide some using the template provided below.

### General feedback

1.16. We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this report. We’d also like to get your answers to these questions:

1. Do you have any comments about the overall quality of this document?
2. Do you have any comments about its tone and content?
3. Was it easy to read and understand? Or could it have been better written?
4. Are its conclusions balanced?
5. Did it make reasoned recommendations?
6. Any further comments?

Please send any general feedback comments to [stakeholders@ofgem.gov.uk](mailto:stakeholders@ofgem.gov.uk)

## 2. Summary of our Post Construction Review (PCR) decision

### Section summary

This section outlines the key changes between our minded-to position (as described in our September 2019 Consultation) and our final decision, following consideration of responses.

It also provides a summary of our cost assessment process and final position on project costs, the determined values for the PCA terms and final cap and floor levels for Nemo Link.

### Key changes between our minded-to position and final decision

2.1. We have reviewed and updated our minded-to position with respect to certain elements of the PCR to take into account consultation responses and further information received from Nemo Link. The table below outlines the aspects of our minded-to position that have been revised to reflect our updated and final position.

**Table 1 – Summary of revised minded-to positions**

Element	Minded-to position	Final position
<b>Replacement Expenditure (Repex)</b>	We proposed an allowance of €5.9m for Nemo Link’s repex, based on the information available to us at the time.	Following receipt and consideration of additional information from Nemo Link we have set Nemo Link’s repex allowance at €40.9m, a reduction of €8.7m from Nemo Link’s PCR submission of €49.6m.
<b>Trading desk</b>	We disallowed €0.4m of service costs associated with Nemo Link’s use of a trading desk for imbalance management during the pre-operations phase.	We have considered further and deem this €0.4m to be more appropriately considered as market related costs (MRCs).
<b>Capacity Allocation and Congestion Management (CACM) related costs</b>	We asked Nemo Link to submit updated CACM related costs taking into account our decision on approach to CACM related costs. <sup>5</sup>	We have allowed €3.6m of CACM related costs based on updated costs submitted by Nemo Link that takes into account our recent decision.

<sup>5</sup> Decision on approach to cost sharing and cost recovery under the Capacity Allocation and Congestion Management (CACM) Regulation: <https://www.ofgem.gov.uk/publications-and-updates/decision-approach-cost-sharing-and-cost-recovery-under-capacity-allocation-and-congestion-management-cacm-regulation>

<p><b>Exchange rate for currency conversion of opex</b></p>	<p>When we calculated the cap and floor levels ahead of publishing our consultation, we retained the exchange rate used in Nemo Link’s December 2018 PCR submission, i.e. a single monthly XUMAERS<sup>6</sup> from November 2018.</p>	<p>We have decided to use 5-month average XUMAERS, centred on the month when operations started. We therefore requested Nemo Link to provide a revised profile for their operational cost estimates to account for the change. This revised profile resulted in a total increase of €0.5m to Nemo Link’s operational costs.</p>
---	--	---

2.2. The remainder of this section provides more detail on the factors that we have taken into account in reaching a final view on the above changes. It also provides an overview of the cost assessment process and final position on the project costs, the determined values for the PCA terms and final cap and floor levels for Nemo Link.

**Cost assessment summary**

2.3. In its PCR submission, Nemo Link proposed downward adjustments to the preliminary cap and floor levels of £5.0m and £3.5m (in 2013/14 prices)<sup>7</sup>, respectively.

2.4. In our September 2019 Consultation we proposed to:

- set the combined capital expenditure (capex) and development expenditure (devex) value at €598.0m, a decrease of €4.1m from Nemo Link’s PCR submission;
- set the operational cost value at €605.9m, a reduction of €58.8m from Nemo Link’s PCR submission; and consequently to
- revise and adjust the PCA values submitted by Nemo Link downwards to £7.6m and £6.0m respectively.

2.5. Following consideration of responses to the September 2019 Consultation, we have decided to:

- maintain our allowance for Nemo Link’s devex at €18.5m;
- maintain our allowance for Nemo Link’s capex at €579.5m;
- increase our allowance for Nemo Link’s opex to €638.4m; and
- increase our PCA values to:

<sup>6</sup> XUMAERS is the monthly exchange rate for Euro to Sterling conversion as identified by the Bank of England.

<sup>7</sup> Costs submitted by Nemo Link are in euros (EUR), whilst the cap and floor levels are set in pounds sterling (GBP).

- Post Construction Adjustment at Cap (PCAC) as -£6.8m; and
- Post Construction Adjustment at Floor (PCAF) as -£4.9m.

2.6. Table 2 below shows a summary of these costs:

**Table 2 – Summary of project costs<sup>8</sup>**

€m, 2013/14 prices

Item	2014 Nemo Link submission	2014 Ofgem position	Nemo Link PCR submission	Ofgem minded-to position	Ofgem final position
<b>Devex</b>	17.0	17.3	18.5	18.5	18.5
<b>Capex</b>	<i>Firm costs</i>	591.8	577.9	583.6	579.5
	<i>Risks</i>	31.9	31.9	0.0	0.0
<b>Opex<sup>9</sup></b>	645.7	610.9	664.7	605.9	638.4

2.7. Table 3 below sets out the preliminary cap and floor levels, the adjustments to these levels proposed by Nemo Link, our provisional and final determination of these adjustments and the corresponding impacts on the final cap and floor levels.

**Table 3 – Summary of proposed cap and floor levels**

£m, 2013/14 prices

	Cap	Floor
<b>Nemo Link’s preliminary cap and floor levels</b>	<b>83.8</b>	<b>48.8</b>
Nemo Link’s proposed PCA values	-5.0	-3.5
Cap and floor levels using Nemo Link’s proposed PCA values	78.8	45.3
Ofgem provisional determination of the PCA values	-7.6	-6.0
Cap and floor levels using our provisionally determined PCA values	76.2	42.8
<b>Ofgem final determination of the PCA values</b>	<b>-6.8</b>	<b>-4.9</b>

<sup>8</sup> For all tables in this document, due to rounding the figures in the table may not add up precisely to the totals indicated.

<sup>9</sup> Includes market related costs.



<b>Final cap and floor levels</b>	<b>77.0</b>	<b>43.9</b>
-----------------------------------	-------------	-------------

### **Final capex cost adjustments**

2.8. The value of capex submitted by Nemo Link at the 2014 assessment was €591.8m whereas the submitted PCR value was €583.6m, a decrease of €8.2m. In our September 2019 Consultation we proposed to make reductions totalling €4.1m to this submitted PCR value. This included the disallowance of €0.4m in trading desk costs, which we have determined to be market related costs (MRCs) and therefore not eligible as capex, as described in section 3 of this document.

2.9. After consideration of consultation responses and further information received from Nemo Link, we are confirming our minded-to position, setting the final capex allowance at €579.5m.

### **Final opex cost adjustments**

2.10. In the September 2019 Consultation, we proposed to reduce Nemo Link’s opex submission of €512.3m by €58.8m, resulting in a provisional opex allowance for the 25-year cap and floor regime period of €453.5m.

2.11. This figure included an allowance for CACM related costs of €6.6m, as included in Nemo Link’s PCR submission.<sup>10</sup> In the September 2019 Consultation we noted that this allowance was calculated prior to our recently published decision on CACM cost sharing and cost recovery, and we requested Nemo Link submit an updated CACM cost allowance that takes our CACM decision into account.

2.12. Nemo Link submitted an updated CACM related cost allowance of €4.3m. After further analysis, we have revised this updated submission and decided to set a CACM allowance of €3.6m, as described in more detail in section 3 of this document.

2.13. Following consideration of consultation responses and further information received from Nemo Link, we have revised our proposed adjustment for costs related to repex. We have set the final value for repex at €40.9m, reducing Nemo Link’s submitted costs at the PCR stage by €8.7m,

---

<sup>10</sup> This value was incorrectly stated as €7.4m in our consultation.

as detailed in Table 4 below. Further information on this decision is provided in section 3 of this document.

**Table 4 - Final proposed operational cost adjustments**

€m, 2013/14 prices

Category	Description	PCR submitted cost	Proposed adjustment	Final adjustment <sup>11</sup>	Final adjusted cost
Controllable opex	All of the main operating costs	408.3	-8.8	-11.5	396.8
Non-controllable opex	Costs relating to leases and statutory fees	41.0	-6.3	-6.2	34.8
Repex	Costs for periodic asset replacement	49.6	-43.7	-8.7	40.9
Decommissioning	Funds provisioned for decommissioning costs	13.4	0.0	0.0	13.4
<b>Total</b>		<b>512.3</b>	<b>-58.8</b>	<b>-26.4</b>	<b>485.9</b>

<sup>11</sup> These final adjustments take into account all Ofgem disallowances, as well as updates from Nemo Link, including the €0.5m increase to opex following the exchange rate change mentioned in Table 1.

### 3. Key issues raised in consultation responses

#### Section summary

This section addresses the key points raised by respondents to the September 2019 Consultation.

3.1. This chapter sets out views on the key issues raised in response to the September 2019 Consultation, specifically:

- the treatment of repex;
- the disallowance of the Delay in Start-Up (DSU) insurance;
- the treatment of costs related to Nemo Link's trading desk;
- the reviewed CACM-related costs;
- our assessment of the claims and variations related to construction contracts;
- conversion rates to calculate costs during construction; and
- final changes to the RIGs reporting template.

3.2. A summary of consultation responses providing our views on other issues raised in response to the September 2019 Consultation, including those not listed above, can be found in Appendix 1.

#### PCR cost allowances

3.3. We note the most questioned aspect of the cost assessment was the proposed allowance for the repex. This represents the costs associated with the replacement of assets to ensure continued functionality of the interconnector over the 25-year period. Significant comments were also made in regards to the disallowance of the Delay in Start-Up (DSU) insurance and the treatment of costs related to Nemo Link's trading desk.

#### Repex

3.4. Three respondents argued that the proposed repex allowance was too low to cover all the replacement activities over the duration of the regime, and was insufficiently justified. One respondent suggested we consider a provision in the cap and floor regime, similar to the Opex

Reassessment Adjustment (ORA), allowing for adjustments to the repex allowance when replacement costs are more certain.

3.5. In our 2014 decision, we set a repex allowance of €5.9m based on Nemo Link's 2013 submission of €16.1m to cover replacements during the regulatory regime for control and protection, and auxiliary power systems. This decision was supported by cost analysis undertaken by British Power International (BPI) consultants, who disagreed that the assets, being constructed to a 40-year lifetime specification, will need replacing at the mid-operational period. We did recognise, however, the likely need to replace the IT systems.

3.6. At the PCR stage, Nemo submitted an estimated cost of €49.6m over the 25-year operational period. This represented a significant increase from our 2014 decision. We did not consider that the supporting information provided by Nemo Link was sufficient for us to justify such an increase at consultation stage, thus leaving us unable to make a determination of an economic and efficient allowance for repex.

3.7. Considering that the repex allowance is needed to calculate the cap and floor levels for the project, we used the figure of €5.9m as set out in our December 2014 decision as a placeholder value during the PCR consultation. In the September 2019 Consultation, we noted that we would review this minded-to position if further justification was provided by Nemo Link during the consultation period.

3.8. During the consultation period we continued our engagement with Nemo Link on the subject of repex, and we received further information to better inform our understanding of Nemo Link's proposals. This additional information included a review of Nemo Link's proposed converter station repex costs and works undertaken by DNV GL consultants.

3.9. Based on our review of the information provided to us, including the DNV GL report, we believe that some of the cost estimates for the replacement works provided by Nemo Link are higher than we would anticipate. For instance, by the time these replacements are required, we would expect to see new entrants in the HVDC converter station market contribute to overall lower costs. We do not believe that this has been reflected in Nemo Link's estimates. We also consider that some of the assets listed by Nemo Link may not need replacing as early as they have indicated. These points are also noted in the aforementioned DNV GL report.

3.10. Taking these points into consideration, we have decided to reduce Nemo Link's submitted costs for the converter station repex by 20%. The cost estimate provided to us by Nemo Link for the converter station repex came with a cost uncertainty range of  $\pm 20\%$ . Based on the points raised above, we have decided that applying the lower end of this tolerance,  $-20\%$ , to the cost estimate would provide an economic and efficient allowance for the converter station repex. This has resulted in a €8.7m reduction to Nemo Link's converter station repex.

3.11. Nemo Link were able to provide justification for the repex associated with their dispatch system, regional nomination platform, IS systems and cable accessories. Therefore, we have decided to provide a total allowance of €40.9m for Nemo Link's repex.

3.12. In summary, we believe that the majority of the works deemed necessary by Nemo Link were justified. However, we do not believe it will be in consumers' interests to provide Nemo Link with the entire €49.6m for the reasons described above.

3.13. We note that one respondent has suggested that we introduce a mechanism in the regime to adjust the repex allowance in the future. Whilst we anticipate taking this and other factors into consideration when we review the cap and floor regulatory framework for potential future projects, we do not consider this decision to be the right place to address such a request.

### **Delay in Start-Up (DSU) insurance**

3.14. All four respondents consider DSU insurance to be an important risk mitigation tool, in particular in relation to projects funded via project finance, as it provides a payment in the event of construction issues affecting the operational start date.

3.15. Two respondents disagreed with our minded-to position to disallow DSU insurance costs for Nemo Link, as we did in our FPA of the IFA2 interconnector. One respondent mentioned that, in the context of projects funded via project finance, DSU insurance may reduce premiums on the cost of capital which in turn strengthens a project's business case and benefits consumers.

3.16. After reviewing the consultation responses, we have not seen any further evidence that has not already been considered as part of our assessment of Nemo Link's costs during the PCR. We are therefore maintaining our view from the consultation, and €3.0m will be removed from Nemo Link's allowed costs for the procurement of DSU insurance.

3.17. We acknowledge the importance that an interconnector developer, Nemo Link in this instance, may place on DSU insurance. However, whilst taking into account the other types of insurance cover procured by Nemo Link, we believe that this insurance provides no tangible additional benefit to consumers. In fact, the final cap and floor levels are based on a notional, rather than actual, cost of debt. Hence, consumers would not enjoy the benefits described above.

3.18. We also note respondents have suggested that consumers would benefit from any insurance proceeds resulting from a successful claim under the DSU insurance. Additionally, whilst a respondent recognised that our approach is consistent with other balance sheet-funded projects for which DSU costs were disallowed, another respondent noted this should not be the case for projects funded via project finance solutions for the reasons mentioned above.

3.19. Whilst we acknowledge these two points, we believe they are beyond the scope of this document and will not be addressed here. We will continue to assess a project's procured insurance on a case-by-case basis, taking into consideration any evidence that is presented to us.

### **Trading desk**

3.20. Respondents asked that we further clarify our minded-to position to disallow the €0.4m of service costs that Nemo Link has incurred using the National Grid Ventures trading desk service for imbalance management. In its consultation response, Nemo Link sought clarification as to whether these costs should be considered as MRCs (and therefore net off against revenues) or as part of the controllable opex allowance.

3.21. Market related costs include:

- firmness costs, or the cost of compensating parties who have purchased interconnector capacity that cannot be provided;
- error accounting costs, or the cost incurred in settling any energy imbalance due to any difference in metered volume between the physical flow on the interconnector and the aggregate position of all interconnector users; and
- trip contract costs, or the cost of providing for energy trade to manage trip events.

3.22. Based on the information provided by Nemo Link in December 2018 as well as during the consultation period, we believe that the entirety of the cost related to the trading desk falls within

the category of MRC, i.e. trip contract costs. As such, these costs are considered to be neither capex nor opex, but will be subject to a partial pass-through.<sup>12</sup>

### **Capacity Allocation and Congestion Management (CACM) related costs**

3.23. Nemo Link submitted a total allowance over the 25-year period of €6.6m for CACM related costs.<sup>13</sup> In our PCR consultation document we stated that whilst we intended to provisionally accept the submitted allowance, we noted that it was submitted ahead of our recent decision on cost sharing and cost recovery under the CACM Regulation, and therefore requested Nemo Link to submit updated CACM related costs that takes into account our recent CACM decision.

3.24. Our recently published decision on approach to cost sharing and cost recovery under the CACM Regulation<sup>14</sup> specifies, among other things, that enduring arrangements for cost sharing and cost recovery for efficiently incurred, reasonable and proportionate development and operational CACM related costs shall apply to new interconnectors from the date they commence commercial operations. The decision makes clear that these costs are subject to a cost assessment<sup>15</sup> and also specifies an Intra-TSO sharing key for how the total share of relevant costs attributable to interconnectors should be split between them.

3.25. Following this decision, Nemo Link provided an updated CACM costs submission of €4.3m, a reduction of €2.3m from the initial PCR cost submission. After assessing this updated figure, we decided to set the final CACM cost allowance at €3.6m, as detailed in Table 5 further below.

3.26. We recognise that it is difficult to make a firm assessment of CACM related costs at this stage, bearing in mind:

- (a) that the costs are still subject to a cost assessment process to determine whether they are reasonable, efficient and proportionate; and

---

<sup>12</sup> These costs will be netted off Nemo Link's gross congestion revenues on an annual basis. Net congestion revenues will then be assessed against the cap and floor levels every five years. Where net congestion revenue is between the cap and floor levels, market related costs are borne by Nemo Link. If, however, net congestion revenues are below the floor, then Nemo Link would be eligible for a floor payment.

<sup>13</sup> This value was incorrectly stated as €7.4m in our consultation document.

<sup>14</sup> Decision on approach to cost sharing and cost recovery under the Capacity Allocation and Congestion Management (CACM) Regulation: <https://www.ofgem.gov.uk/publications-and-updates/decision-approach-cost-sharing-and-cost-recovery-under-capacity-allocation-and-congestion-management-cacm-regulation>

<sup>15</sup> Article 75 of the CACM Regulation requires costs to be assessed as reasonable, efficient and proportionate by the competent regulatory authority before being recovered.

(b) there are a number of interconnector projects that are currently at various stages of development and it is not possible to definitively predict, at this time, which of these projects will progress to commercial operations by their respective anticipated start dates over the 25-year period of Nemo Link's cap and floor regime.

3.27. Whilst the number of future interconnectors that should be taken into account and included in the sharing key calculation can be predicted with a reasonable degree of certainty for those projects that are currently under construction, there is a lesser degree of certainty around those projects that are currently under development and yet to start construction.

3.28. On balance, we therefore consider it appropriate for Nemo Link's share of these CACM related costs to accommodate the following assumptions concerning potential future interconnector capacity:

- the full capacities of all interconnectors currently under construction;
- 57% of the total capacity of the projects currently under development<sup>16</sup>;
- 33% of the total capacity of future projects, beyond those currently under development, that are included in the Ten-Year Network Development Plan (TYNDP) 2018 project list that have already obtained the Project of Common Interest (PCI) status from the European Commission<sup>17</sup>; and
- 33% of 1 GW of future interconnector capacity, to account for those interconnectors that are listed in the TYNDP 2018 project list, but have not yet obtained PCI status.

3.29. These factors have been applied to the updated costs submitted by Nemo Link. The results of these calculations are shown in Table 5.

---

<sup>16</sup> Projects that we have considered as 'currently under development' for the purposes of this analysis are those shown in Figure 1 (p6) which are not yet under construction – Aquind, GridLink and FAB Link (France); Greenlink (Ireland); NeuConnect (Germany) and NorthConnect (Norway).

<sup>17</sup> Namely, Nautilus and EuroLink, as listed in the TYNDP 2018 project list:  
<https://tyndp.entsoe.eu/tyndp2018/projects/projects>



**Table 5 – Revised CACM-related costs**

€m, 2013/14 prices

Cost item	PCR submitted cost	Updated costs from Nemo Link	Ofgem final position	Adjustment from PCR
Day Ahead – Joint Allocation Office (JAO)	2.9	0.7	0.6	-1.3
Day Ahead – Project Management Office (PMO) of NEMOs		0.3	0.2	
Day Ahead – GB national costs		1.0	0.8	
Intra Day –JAO	3.6	2.3	1.9	-1.7
<b>Total</b>	<b>6.6</b>	<b>4.3</b>	<b>3.6</b>	<b>-3.0</b>

## Review of JPS and Siemens claims and variations

3.30. One respondent asked for further clarity on the process that we had followed to come to our decision to allow €5.8m and €0.8m for claims in relation to the JPS and Siemens contracts, respectively.<sup>18</sup>

3.31. All individual claims were reviewed and assessed on a case-by-case basis.

<sup>18</sup> J-Power Systems (JPS) was the main cable contractor for Nemo Link. Siemens was the main contractor for the converter stations in GB and Belgium.

3.32. The JPS claims generally related to more difficult working conditions than had previously been anticipated (both weather and ground condition related) and the resulting additional costs in response to these factors.

3.33. We assessed the claims and decided that Nemo Link had taken the necessary actions prior to the commencement of the work to identify and mitigate any potential issues and that the issues which they encountered were outside of their control. As an example, the highest value claim was for cable burial issues within the UK nearshore; the ground conditions were more challenging and included chalk with flint and also mixed clay with cobbles, the latter of which can stall the mechanical trencher used during cable installation. The area where most of the remedial work was required had particularly challenging topography with steep sided sandbanks and shifting sands, which would cause issues with identification during surveys. Multiple burial attempts were carried out in locations where it was possible to have another attempt at attaining the required burial depth and in areas where this was not possible, concrete mattresses were used. The issues that were encountered, such as the above, were dealt with and mitigated efficiently.

3.34. We assessed the evidence submitted by Nemo and came to the view that the claims by contractors had been robustly challenged by Nemo Link and that the final outcome was economic and efficient.

3.35. The majority of the €0.8m of Siemens variations related to the costs associated with the reprogramming of works due to a delay in the connection between the converter station and the National Grid Electricity Transmission (NGET) substation. Additional costs were incurred by Siemens due to this reprogramming. The delay itself was caused by the Development Consent Order (DCO) for NGET's Richborough to Canterbury overhead line being delayed due to purdah conditions relating to the UK's referendum on its membership of the European Union.

3.36. This was outside of Nemo Link's control and as a result, the project missed its planned connection date. The costs of accepting the delay and reprogramming the works were assessed and showed that reprogramming would not only avoid any project delays but was also the lowest cost option.

3.37. The issues associated with the JPS settlement and the Siemens variations were identified by Nemo Link as risks in previous submissions to us and were included within the placeholder value for potential risk-related expenditure. Prior to the PCR submission, these risks were realised and resulted in additional costs being incurred. As a result, the JPS settlement amount and the

costs associated with the Siemens variations were submitted to us as part of the project's capex value within the PCR submission.

3.38. As we had expected, the project's anticipated risk-related expenditure as part of the PCR submission was €0. This is because, by this time, all of the project's risks had either been retired or they had been realised (and included within the PCR submission as capex).

## **Changes to the Cap and Floor Financial Model (CFFM)**

3.39. Respondents were generally supportive of the proposed changes to Nemo Link's CFFM (NLCFFM) and of the consequential changes to Nemo Link's licence.

3.40. The new approach of splitting the original CFFM into two separate models, one to be used to determine the final cap and floor levels at PCR stage (NLCFFM1) and one to be used during the operational period to adjust the cap and floor levels when required and to assess revenue against these levels (NLCFFM2), will become the default approach for all cap and floor interconnectors going forward. Our minded-to positions on this and on the proposed changes to the governance arrangements of the model were well received by respondents.

### **Changes to the CFFM1**

3.41. In order to generate the cap and floor levels published in our September 2019 Consultation, we converted the capital costs occurred in the financial year 2019 into 2013/14 prices using average UK Retail Price Index (RPI), Belgium Consumer Price Index (CPI) and XUMAERS exchange rate values based on the data available at the time (January to July).

3.42. We have now updated these three averages to reflect additional data that has become available since then, covering the ten months from January to October 2019.

### **Changes to the CFFM2**

3.43. The CFFM2 published alongside Nemo Link's PCR consultation reflected important feedback from the audit performed by the Government Actuary's Department (GAD), including the relevant changes required to address all high-priority issues and a number of key medium-priority areas identified by GAD for improvement.

3.44. In our September 2019 Consultation, we noted that some minor areas for improvements to the models were yet to be addressed. Since then, the CFFM2 has been subject to a further revision to address all remaining areas identified by the GAD. The updated version of the CFFM2 published alongside Nemo Link's PCR decision reflects the GAD's feedback in full and will be used to assess Nemo Link's revenue against its cap and floor levels throughout the operational period.

### **Foreign exchange rate for costs during operations**

3.45. Nemo Link requested further clarity over the exchange rate for currency conversion of costs incurred during operations (which are needed to finalise the PCA terms and the final cap and floor levels) and how this is reflected in the CFFM.

3.46. When we calculated the cap and floor levels ahead of publishing our consultation, we retained the exchange rate used in Nemo Link's December 2018 PCR submission (monthly XUMAERS in November 2018), with a view to reviewing our approach before publishing our decision on the final PCA terms and cap and floor levels.<sup>19</sup>

3.47. Following this review, we have decided that for Nemo Link as well as any future cap and floor projects:

- an average is more appropriate than a single monthly figure, as it allows to smoothen month-on-month volatility;
- five months (two before and two after the reference month) are an appropriate averaging period and a reasonable compromise between the need to address volatility and the need to ensure that the data required to calculate the average are available at the time of publication of the PCR decision; and
- the relevant reference month to be used as the central point of the averaging period should be the month when operations start (rather than referring to any particular stage within the PCR process).

---

<sup>19</sup> Our proposed approach to determining the value of exchange rates used in assessing costs during operations for the Nemo Link's project can be found in 'Appendix 1 - Technical appendix on price base and currency conversion' of the September 2019 Consultation document:  
[https://www.ofgem.gov.uk/system/files/docs/2019/09/pcr\\_consultation\\_-\\_final.pdf](https://www.ofgem.gov.uk/system/files/docs/2019/09/pcr_consultation_-_final.pdf)

3.48. Therefore, in calculating PCA terms and final cap and floor levels for Nemo Link, which started operating in January 2019, we used the 5-month average XUMAERS between November 2018 and March 2019.

3.49. As a result, we requested Nemo Link to provide a revised profile for their operational cost estimates (expressed in €2018 prices) to account for the change in the exchange rate assumption. These changes have been reflected in the handbook for the CFFM1.

## **Modifications to Standard Licence Condition (SLC) 25 and new RIGs**

3.50. We note that the proposed changes to SLC 25 and proposed new Cap and Floor RIGs guidance and cost assessment template were generally welcomed by the respondents. Only one respondent raised specific points on reporting and definition, discussed below.

### **Proposed new Cap and Floor RIGs**

3.51. Following a detailed internal review of our standard cost assessment template, as well as further comments from stakeholders, we have made some minor amendments to the standard cost assessment template. The main function of the template remains the same, and we have not made any significant changes. The changes we have made are to ensure that the template provides the Interconnector Owners (IOs) the most efficient method of sharing the relevant information with us, and that we have the most efficient tool to collate and review this information.

3.52. We have also made two minor amendments to the Cap and Floor RIGs, based on comments from stakeholders.

3.53. We have summarised the changes we have made to the template and the guidance document in the table below.

**Table 6 – Summary of changes to the Cap and Floor RIGs**

<b>Document</b>	<b>Change category</b>	<b>Description</b>
Template	Formula updates	We have updated some formulas across the template to ensure that they capture information from the relevant cells.
	Cost reporting	In the 'cost summary' tab, we have split table 2 into two tables. This is to reflect the fact that IOs may not necessarily be able to provide the post

		construction costs (opex, repex and decommissioning cost) in nominal terms until the Post Construction Review. We have added a comment to the relevant cells noting that IOs should engage with Ofgem to agree a price base for the submission of these costs prior to the submission.
	Activity breakdown	We have updated some of the activity breakdowns (column D) in the devex/capex cost reporting tabs, so that there is a clear activity breakdown available for the IO for each key activity they have undertaken. This covers both devex and capex cost reporting.
	Column titles	We have ensured that all column titles accurately reflect the data that should be input into that specific column e.g. column G in the devex/capex cost reporting tabs now reads as 'GB share (m, nominal)'.
	GB share – risks	We have added column M in the 'risks' tab so that IOs can input the relevant GB share multiplier for when the GB share of the risk is not equal to 50%.
	Cost changes	We have added column AE in each of the devex/capex cost reporting tabs. This is to enable us to monitor cost changes between the IO's previous submission, such as between each annual submission.
	Formatting	Cells have been amended to ensure that they reflect the colour key in the 'cover' tab. The header in each tab has also been updated.
Guidance	Accounting policies	We have updated the wording in the 'accounting policies' section of the document following comments from stakeholders.
	Audit requirements	We have updated the wording in paragraph 2.13 of the document following comments from stakeholders.

3.54. If you require any further details on these amendments, please get in touch with us using the contact details on the cover page of this document.

3.55. For full transparency, we have published the updated template alongside this decision. We will continue to engage with individual interconnector owners prior to, and during, their assessments to ensure that the template remains fit for purpose.

## Appendices

### Index

Appendix	Name of Appendix	Page no.
1	Summary of responses to our Nemo Link PCR consultation	33

## Documents published alongside this decision

Appendix	Description
<b>Appendix 2</b>	Direction to determine Post Construction Adjustment (PCA) terms
<b>Appendix 3</b>	Direction to modify special conditions of the electricity interconnector licence held by Nemo Link Limited  <b>Schedule 3</b> - Modifications to the special conditions of the electricity interconnector licence held by Nemo Link Limited
<b>Appendix 4</b>	Direction to modify standard condition 25 of the electricity interconnector licence  <b>Schedule 4</b> - Modifications to standard condition 25 of the electricity interconnector licence
<b>Appendix 5</b>	Direction to issue new Cap and Floor Regulatory Instructions and Guidance ("Cap and Floor RIGs")  <b>Schedule 5A</b> – Updated Cap and Floor RIGs guidance  <b>Schedule 5B</b> – Updated Cap and Floor RIGs reporting template
<b>Appendix 6</b>	NLCFFM1  <b>Schedule 6</b> - Cap and Floor Financial Model 1 Handbook (CFFM1H)
<b>Appendix 7</b>	NLCFFM2  <b>Schedule 7</b> - Cap and Floor Financial Model 2 Handbook (CFFM2H)



## Appendix 1 – Summary of responses to our Nemo Link PCR consultation

Table 7 - List of all responses received

Respondent	Item ref	Comments	Our view	Change
NGV/FAB Link/Nemo Link	Repex	Respondents note that repex placeholder value is too low to cover 25 years of replacement activities.	<p>At the PCR stage, Nemo submitted an estimated cost of €49.6m over the 25-year operational period. We did not believe that the information provided at that time was sufficient for us to justify such allowance and we decided to use the latest available figure we had previously consulted on (€5.9m) as a placeholder value, noting that we would review this minded-to position if further information was provided during consultation.</p> <p>After reviewing the additional information shared by Nemo, we believe that some of the cost estimates for the repex works provided by Nemo Link appear to be higher than we would anticipate, in particular costs associated with the converter stations. Hence, we have decided to reduce Nemo Link's submitted costs for the converter station repex by 20%. This corresponds to the lower end of the cost uncertainty associated with the repex cost for this piece of equipment</p>	As described in paragraph. 3.11 of this document.

NeuConnect		Respondent proposes the introduction of a mechanism allowing for adjustments to the repex allowance in the future similar to the Opex Reassessment Adjustment.	Whilst we will take it into consideration when we review the cap and floor regulatory framework for potential future projects, we believe this document is not the right place to address such request.	No change.
NGV	Real wage growth	Respondent notes that the proposed real wage growth rate of 1% is too low, and encourage Ofgem to consider a wider historical series.	We maintain our decision to use a 1% real wage growth rate. We note that no evidence supporting these statements was provided in the responses received which could be used to reassess our minded-to position on this issue.  If future misalignment between forecasted and actual wage costs arises, the cap and floor regime allows for the reassessment of such costs at the opex reassessment stage, which would take effect for the remainder of the regime duration if approved.	No change.
Nemo Link		Respondent argues that the propose 1.5% real wage growth rate is reasonable and not at the high end of possible estimates. It also notes that the proposed 1.5% rate is based on long term historic data and that the current rate is above 2.0%.		

FAB Link/Nemo Link	Delay Start-Up (DSU) insurance	in	Respondents disagreed with our decision to disallow this cost, based on the fact that it does not provide consumers with additional benefits. They noted the DSU insurance can reduce premiums on the cost of capital which in turns strengthen the project business case.	Whilst taking into account the other types of insurance cover procured by Nemo Link, and noting that no additional evidence or arguments that have not already been considered have been provided, we maintain our position that this insurance provides no tangible benefit to consumers.	No change.
NGV/Nemo Link			Respondents suggest that consumers would benefit from any insurance proceed resulting from a successful claim, and ask for clarification in this regard.		
NeuConnect/FAB Link			Respondents recognise that our approach is consistent with other balance sheet-funded projects where DSU costs were disallowed, but also noted this should not be the case for projects funded via project finance solutions.		
NeuConnect	Unexploded Ordnance (UXO) campaigns		Respondent notes that we are minded to accept an increased cost allowance than originally estimated and asks us to share learning points on how to approach this cost item.	We believe that this PCR decision document is not the correct place to address such request. Nevertheless, we are open to discuss this and other cost items with developers in preparation of their FPA submissions.	No change.
NeuConnect/FAB Link	Trading Desk		Respondents disagree with our minded-to position to disallow the cost related to the trading desk.	After reviewing the extensive information provided by Nemo at PCR and during consultation, we maintain our position that	No change.

Nemo Link		Respondent asks for clarification of treatment of costs related to the trading desk.	the entirety of costs associated with the trading desk are market related costs, and, therefore, subject only to partial pass-through.	
NeuConnect	PM costs during construction	Respondent notes that we are minded-to position to allow €23.8m of project management costs incurred during construction, a figure closer to Nemo Link's 2013 estimate of €15m than to the allowance of €10.5m we set in our 2014 decision under suggestion of our consultants at the time. The respondent noted that this might suggest there is little confidence or validity of the cost assessment process deployed at the FPA stage by Ofgem. It is argued that this could lead to serious consequences for financial investment decisions.	<p>We understand that the respondent points out a potential shortfall in the cap &amp; floor regime assessment framework. As such, we believe this point can be better addressed as part of the more general review of the regime.</p> <p>Nevertheless, we note that at the time of the cost assessment for Nemo, our position was informed by benchmarking against similar transmission projects and public studies. This was confirmed by the independent cost assessment conducted by BPI consultants.</p> <p>Finally, we also note that Nemo, being the first pilot project developed alongside the regime, did not go through two separate cost assessments stages (IPA and FPA) as subsequent projects did.</p>	No change.
FAB Link	EPC contracts	Respondent asks to further clarify our assessment of a total of €6.6m in increased EPC costs as economically and efficiently occurred.	We assessed the claims and decided that Nemo Link had taken the necessary actions prior to the commencement of the work to identify and mitigate any potential issues and that the issues which they encountered were outside of their control.	No change.

Nemo Link	CACM costs	The respondent notes the publication on Ofgem decisions on treatment of CACM related costs and confirm submission of the revised values.	<p>In light of our recent decision on approach to cost sharing and cost recovery under the CACM Regulation, we asked Nemo Link to resubmit CACM related costs.</p> <p>On balance, we consider it appropriate for Nemo Link's share of these CACM related costs should accommodate the following assumptions concerning potential future interconnector capacity:</p> <ul style="list-style-type: none"> <li>• the full capacities of all interconnectors currently under construction;</li> <li>• 57% of the total capacity of the projects currently under development;</li> <li>• 33% of the total capacity of future projects, beyond those currently under development, that are included in the Ten-Year Network Development Plan (TYNDP) 2018 project list that have already obtained the Project of Common Interest (PCI) status from the European Commission<sup>20</sup>; and</li> <li>• 33% of 1 GW of future interconnector capacity, to account for those interconnectors that are listed in the</li> </ul>	As described in Table 5 of this document.
-----------	------------	--	---	---

<sup>20</sup> Namely, Nautilus and Euro Link, as listed in the TYNDP 2018 project list: <https://tyndp.entsoe.eu/tyndp2018/projects/projects>

			TYNDP 2018 project list, but have not yet obtained PCI status.	
NGV	Consumer payment calculation methodology	The respondent encourages Ofgem to consider standardising the methodology needed to calculate the final payments to consumer at the end of each assessment period in the regime.	We acknowledge that there may be some merits in standardising the methodology used to calculate final consumer payments but consider this to be beyond the scope of this document	No change.
Nemo Link	Exchange rates to calculate costs during operations	The respondent asks for further clarification over the GBP:EUR foreign exchange rate to use for conversion to and from EUR to GBP for the costs during operations needed to finalise the PCR adjustments.	When we calculated these levels ahead of publishing our consultation, we retained the exchange rate used in Nemo Link's December 2018 PCR submission (monthly XUMAERS in November 2018), with a view to review our approach. Following this review, we have decided to use a 5-month average XUMARES centred on the month of starting operation. We believe this approach to be a reasonable compromise between the need to address volatility and the need to ensure that the data required to calculate the average are available in time for the publication of the PCR decision	As described in paragraph 3.48 of this document.
FAB Link/Nemo Link	Alignment to NSL licence	Respondents suggest we make additional modifications to achieve greater alignment with the published NSL license.	Whilst we acknowledge and agree with the underlying intent of trying, as far as possible, to ensure consistency between different licences, we would also note that	No change.

NGV	Additional changes to Nemo Link's licence	<p>The respondent proposes to align the definitions of 'Allowed Outage' in the Nemo Link licence and of 'Trial Operation Exceptional Events' (in future licences) to the definition included in NSL licence. The respondent also asks to include the final cap and floor values for Nemo Link in its licence.</p>	<p>each licence is amended following bilateral discussions with the relevant licensee and takes into account responses to the relevant statutory consultation.</p> <p>We do not consider it appropriate to continually make incremental changes to a licence in order to align it with changes made to subsequent licence(s) that relate to a different project(s); that were subject to separate bilateral discussions and entirely separate statutory consultation(s).</p> <p>We would also note that continually making incremental licence changes would conflict with licensees' general desire for certainty.</p> <p>On the specific point raised concerning the inclusion of Nemo Link's final cap and floor levels in its licence, we note that these levels will be specified in writing via a direction issued under Nemo Link's licence. We do not therefore consider there to be any meaningful additional benefit in conducting a further statutory consultation in order to specify these values in the licence.</p>	
-----	---	---	--	--

N/A	Other changes to the RIGs	During the consultation period, a further internal quality assurance (QA) of the standard cost assessment template was undertaken, highlighting some minor areas to address. We also received suggestions and comments on the template from respondents addressing, among other things, some definitions and accounting policies previously used.	Following our internal review, we have made some minor amendments to the standard cost assessment template and guidance.	As described in Table 6 of this document.
-----	---------------------------	---	--	---