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Stuart Borland
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Thursday, November 28th 2019
NEMO-NLL-RE-LTR-1011

Dear Stuart,

Consultation on proposed changes to our electricity interconnector cap and floor regime to enable project finance solutions

Nemo Link welcomes the opportunity to comment on the proposals outlined by Ofgem regarding changes to electricity interconnector cap and floor regime.

In principle, Nemo Link has no objections to the proposals raised to better enable development of new interconnectors for the benefit of all consumers. However, our main concerns centre on the application of any changes to the cap and floor licences to some interconnectors, but not to others, and the equity of the proposals between different sets of consumers.

On 28th June 2011, Ofgem and CREG jointly consulted on the “Cap and Floor regime for regulation of project NEMO and future subsea interconnectors”. In this document, there are two firm principles that we believe should be upheld in any future arrangements.

Firstly, the principle that “*regulatory treatment should allow third party developers and should be impartial and unbiased between TSOs and non-TSO developers, existing and future developers.*” Paragraph 3.7 of the joint consultation goes on to state; “*The [cap and floor] regime will be designed to ensure unbiased and non-discriminatory treatment between existing interconnector owners and future developers, so that there is no advantage for certain developers.*” This is an essential principle with which we entirely agree. Maintaining a level playing field is clear in the intent ensuring that certain developers are not discriminated against or commercially disadvantaged compared to other developers. Therefore, Nemo Link respectfully requests that any changes conferring advantage to new developers, such as changes to the definition of *force majeure*, should also be applied to Nemo Link’s licence conditions if Nemo Link considers this desirable.

Secondly, the principle that “*regulatory treatment of developers should be coordinated between NRAs at either end of the shared asset*”. In establishing and agreeing the Cap and Floor regime with CREG a position will have been adopted on the consumer-developer risk-reward balance which focuses on balancing the cost of the cap with the value of the floor for developers. This could be viewed as part of the level playing field ensuring a consistent risk-reward balance across different developers and sets of consumers. Clearly, any changes to that balance across interconnectors under the same regime would presumably also require the consent of all relevant NRAs.

Yours sincerely,

Bart Goethals
Chief Commercial Officer
For and on behalf of Nemo Link Limited