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Mertcan Agir
Ofgem
10 South Colonnade
Canary Wharf
London
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Monday, December 21st 2020
NEMO-NLL-CO-LTR-1041

Dear Mertcan,

Response to Ofgem Consultation on CACM Cost Recovery Submissions

Nemo Link welcomes the opportunity to comment on this consultation and provide our thoughts to the three questions posed below.

Do you agree with how we have assessed the costs as being efficient, proportionate and reasonably incurred?

Yes. Nemo Link has provided invoices to back all incurred expenditures and has also responded to follow-up questions from Ofgem.

Do you agree with our proposed cost allowances, including our approach to use Retail Price Index + Cost of Debt (RPI + CoD approach) to adjust the historical costs submitted by IFA, BritNed and Nemo Link to reflect inflation and time value of money (TVM)?

Although Nemo Link did not include a time value of money component as part of its submission, the expectation is that there would be consistency in approach for the cost of capital with the Cap and Floor regime. It is not entirely clear how the marginal cost of finance for Nemo Link can retrospectively be considered to be below the regulatory allowed return.

If Ofgem decide to implement their proposal unamended, Nemo Link would recommend that Ofgem justify up-front what assumptions are to be used in cost recovery processes to avoid uncertainty in future. This would help with transparency and financial planning for those entities making the relevant investment.

Do you agree with our proposed approach to use the value of GBP currency for the cost recovery claims, irrespective of the currency in which these costs were incurred, including our approach to adjust BritNed's costs based on the average annual currency exchange rates for each year of its claim?

Nemo Link does not object to using GBP as this is aligned with the current cap and floor licence conditions of Nemo Link.

Yours sincerely,

Bart Goethals
Chief Commercial Officer
Nemo Link Limited