



*National Grid Ventures (NGV), part of National Grid plc, is a distinct commercial unit that owns and operates energy businesses in competitive markets in the UK and US. NGV's UK portfolio includes National Grid Interconnector Holdings Limited, Grain LNG, and National Grid Metering.*

## Introduction

National Grid Ventures Interconnectors (NGV<sup>1</sup>) welcomes this opportunity to engage with Ofgem's priorities for the period 2021-22.

We are responding to discussion in the draft 2021-22 Forward Work Programme of Ofgem's interconnectors policy review and more broadly the development of coordinate offshore grid development.

As the leading developer and operator of electricity interconnectors in the UK, we welcome Ofgem and UK government deepening commitment to interconnection, and in particular the Interconnector Policy Review. The significant consumer benefits from interconnection, through facilitating decarbonisation of the UK energy mix while contributing to security of supply and lowering energy prices, can only grow further still through multi-purpose interconnection.

There is particular urgency for Ofgem to build on the legacy of the ITPR project and open up the potential for multi-purpose interconnectors by 2030. Cross-border offshore renewable resources are at the heart of the UK government's commitment to net zero carbon emissions by 2050, but this can only be realised if the policy-regulatory landscapes allow it. This is true both for UK decision-making and the future trading relationship with the EU, wherein efficient cross-border electricity trading and common marine renewables development are essential.

The Cap and Floor regulatory regime continues to provide benefit to consumers and developers, as well as a regulatory model aligned to EU internal energy market methodologies, but there is no route open for future projects to carry on the momentum. In our three prior FWP consultation responses we called on Ofgem to open its proposed review into Cap and Floor and future interconnection – we welcome the opportunity to support this policy-regulatory development, alongside the BEIS offshore transmission network review.

As we have seen through interconnectors, however, there are significant lead times and multiple challenges to make such projects a reality, and there will be more challenges for any first of a kind multi-

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<sup>1</sup> NGV manages National Grid's GB interconnector business interests including its share of IFA, IFA2, BritNed, Nemo Link, NSL, Viking Link and any future interconnector developments.

purpose interconnector. Setting out the commercial-regulatory frameworks must be timely, and there is already plentiful learning and precedent to draw on. Embodied by regimes like Cap and Floor, Ofgem has previously set out the founding principles to strike a level playing field and balance risk and rewards between consumers and developers. Decision makers and industry should use this momentum.

We would therefore urge Ofgem to prioritise Workstream 4 of the Interconnector Policy Review on multi-purpose interconnectors. We recommend that Ofgem expands the cap and floor mechanism to encompass multi-purpose interconnectors and establishes a mechanism whereby developers of point to point interconnectors and multi-purpose interconnectors can submit an application for their project to receive cap and floor regulatory coverage.

Of particular relevance as this response is submitted is the development of the UK-EU trading arrangements now that the UK is out of the EU Internal Energy Market. The Trade and Cooperation Agreement establishes roles for regulators and TSOs in developing any revised arrangements. We look forward to working closely with Ofgem to ensure that cross-border trading is as efficient as possible to ensure that UK consumers can continue to enjoy the benefits that it brings. In order to ensure that this work can proceed in the most unfettered way, we would urge Ofgem to provide the earliest possible clarity on cost sharing and recovery arrangements for TSOs.

We are happy to discuss the views contained within this response, should that be helpful. For further details, please contact Miles Ten Brinke ([miles.tenbrinke@nationalgrid.com](mailto:miles.tenbrinke@nationalgrid.com)).