

Forward Work Programme 2018-19  
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16 February, 2018

Dear Sir/Madam,

**Forward Work Programme 2018-19 – consultation**

National Grid Ventures (NGV) welcomes the opportunity to engage with Ofgem on its forward work plan at this critical point in the transition to a smarter and more flexible GB energy system.

NGV, a ring-fenced division of National Grid plc, develops, operates and invests in energy projects, technologies, and partnerships to help accelerate the development of a clean energy future for consumers in the UK and US. Our operational portfolio includes:

- 3GW of existing interconnector capacity to France and the Netherlands that enables the transport of secure, affordable and sustainable electricity to consumers on both sides of the link;
- 3.4GW of interconnector capacity under construction to Belgium, France and Norway, with another 1.4GW link to Denmark in an advanced stage of development;
- Europe's largest LNG import terminal with enough storage capacity to meet 20% of UK daily gas demand, and;
- Over 11 million industrial, commercial, and domestic meters in the UK, including a smart metering business to support GB energy suppliers meet their smart meter roll-out obligations.

In addition, NGV is developing opportunities in new and evolving technologies in the US. Our businesses activities give us an insight into how the energy sector is evolving, particularly with regard to the changing needs of customers.

As always, we welcome Ofgem's publication of its draft work programme for the next year. We are encouraged by the continued implementation of its future regulatory strategy and the framework for a smart, flexible future energy system set out jointly with government. Of particular interest to NGV are two topics, the 2018-19 agenda for 'Driving competition where suitable' and 'Brexit preparedness'.

We support Ofgem conducting a review of the cap and floor regulatory regime to build upon the substantial progress made so far, and to ensure consumer benefits of interconnection are fully realised. We also encourage Ofgem to publish its plan for the delivery of the next generation of interconnectors.

In addition, we welcome the support from Ofgem and government for continued interconnection with EU member states and efficient cross-border electricity trading. We also encourage them to continue to work with all stakeholders to ensure that the regulatory framework supports the outcome of the UK-EU Brexit negotiations.

Please find attached to this letter a more detailed response to your FWP on these topics.

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

Kind regards,

Terry McCormick

A handwritten signature in black ink, appearing to read 'Terry McCormick', with a stylized flourish at the end.

Head of Markets and Regulation  
National Grid Ventures

## **Driving competition where suitable – review of the cap and floor regime and the future of interconnection**

As a leading commercial developer of electricity interconnectors in the UK, we continue to support the cap and floor regulatory regime. The regime's hybrid approach strikes an appropriate balance to manage risk for both consumers and developers; this has been vital to unlocking investment, and in providing confidence to European TSO joint venture partners and the National Regulatory Authorities in other jurisdictions.

We welcome the commitment by Ofgem to conduct a review of the regime in 2018. We believe it would be helpful for the review to be conducted alongside the learning-by-doing of the cap and floor in practice as it exists now. Lessons from consumers, developers, the regulator and other key stakeholders should play a vital role in the review and in delivering the next generation of interconnectors.

In its Clean Growth Strategy, the government identified a pipeline of a further 9.5GW of capacity. It is widely recognised that delivering this next generation of interconnectors will have substantial benefits for the UK. The societal benefits of further interconnection accrue across socio-economic, environmental and supply security dimensions

It is our view that further long-term certainty is required to ensure the right level of investment and full value to consumers is delivered. As an experienced developer we recognise the challenges and complexities of cross-border and cross-regulatory infrastructure development. We therefore encourage the regulator and government, together with feedback from industry, to build a credible plan for delivery, including:

- contingency planning for any near term development shortfalls or delays;
- ensuring the best projects are delivered as fast as possible, and;
- providing the opportunity for developers to put forward new projects for a cap and floor deal on an ongoing basis, assessed on their own merit.

## **Brexit preparedness**

We welcome and strongly echo Ofgem and government's support for continued interconnection with European partners and the efficient exchange of electricity across borders. Interconnection delivers lower costs for consumers, boosts security of supply and facilitates the integration of increasing volumes of renewables.

As Brexit negotiations progress, we would further encourage Ofgem, alongside BEIS, to liaise with stakeholders to identify and implement any necessary changes to the regulation of cross-border trade. This would include during any implementation period and under the terms of any enduring free trade agreement between the EU and UK as these terms become known. We also note that while it is the intention of both the UK and EU to agree a Withdrawal Agreement and Implementation Period. Until there is legal certainty, it is prudent to also examine what changes may be needed to the regulatory framework in the case of a "No Deal" Brexit outcome. In this regard, we welcome Ofgem's recent consultation on its preparations for Brexit impacts on licences and industry codes launched 8<sup>th</sup> February.

Going forward, interconnectors will be a critical tool in the development of a smarter and more flexible energy system, underpinned by continued cross-border cooperation. We look forward to discussing the future arrangements required to continue to reap the benefits of a UK electricity market building a deep and special partnership with the competitive, secure and sustainable EU electricity market that the United Kingdom helped to create.

