



To
Mr Stone
Ofgem
9 Millbank
London SW1P 3GE
United Kingdom

BritNed Development Limited

P.O. Box 718
NL-6800 AS Arnhem
Utrechtseweg 310, Building M01
NL-6812 AR Arnhem
The Netherlands

Telephone: +31 26 202 01 30
Fax: +31 26 202 01 39
Website: www.britned.com

Date 31 March 2017
Your reference
Our reference BN 17-006
Enclosure(s)
Subject Response to the consultation on proposed approach to cost recovery of the CACM Regulation

Dear Mr Stone,

Ofgem has launched a consultation on the proposed approach to cost recovery in relation to CACM Regulations mechanisms for electricity interconnectors. BritNed welcomes the opportunity to provide Ofgem with our response to the proposed cost recovery arrangements.

BritNed is the owner and operator of the High Voltage Direct Current (HVDC) Interconnector between Great Britain (GB) and The Netherlands (NL). It is a 50:50 joint venture of National Grid International Limited (GB) and NLink International B.V. (NL), and is funded and operated on a commercial basis, independent of the regulated businesses.

Timing pilot projects and enduring arrangements

In the consultation document a different timing is used for the enduring cost recovery arrangements of intraday and day-ahead market coupling solutions. We believe that irrespectively of the progress or completion of these projects the same timing should be used. Therefore, we suggest that this should be from the 14 February 2017 for both projects, as that is the date specified in the "Request for amendment by all NRAs agreed at the energy regulators' forum on all NEMOs' proposal for the plan on joint performance of MCO functions (MCO Plan), 26.09.2016".



1. Development cost

CACM Pilot Projects

The development of the market coupling infrastructure is a fundamental part of the Internal Energy Market and we were encouraged and supported by the Regulators, ACER and the European Commission. The pilot projects were undertaken by the NWE Power Exchanges and NWE TSOs on a voluntary basis and financed by the NWE TSOs with support for cost recovery from Regulators.

We support Ofgem's minded position to recover the Power Exchanges development costs via TNUoS. We consider that this is in line with our understanding of the cost comfort letters that have been sent by NRAs for the pilot projects of XBID and NWE price coupling.

Enduring arrangements

Our view is that NEMOs should be responsible for the development costs of their systems. We also believe that the payment of costs must match the basis on which they were incurred. As the necessary systems, licences and service contracts for market coupling are all owned by the NEMOs, we believe that the costs resulting from this should be borne by NEMOs.

We consider that this principle is reflected in CACM:

- According to article 7.2(a) of CACM, NEMOs are responsible for "developing and maintaining the algorithms, systems and procedures for single day-ahead and intraday coupling".
- According to Article 76.1 NEMOs shall bear the costs of establishing, updating or further developing the algorithms for day-ahead and intra-day coupling.

With this principle in mind, we do not believe that the appropriate mechanism is congestion revenues to recover the development cost. Therefore, we are not minded to make a voluntary contribution to NEMOs costs under art. 76.2 of CACM. This is in congruence with the position of ACM whose opinion is that NEMOs shall bear their own cost.

2. Operational, clearing and settlement cost

We agree that the historic and future operating costs are Power Exchanges / NEMOs cost as these costs are related to activities of matching, clearing and settling energy market transactions. We support the minded position of Ofgem that these costs are to be borne by NEMOs and not to be paid by Interconnector TSOs.

We would like to highlight that BritNed has so far, under the existing contractual framework with the Power Exchanges, paid for the cost incurred by the Power Exchanges for the operation of the day-ahead market coupling solution. We believe that these historical costs are to be taken into account with the recovery route of TNUoS.

Date 31 March 2017
Reference BN 17-006
Page 3 of 3



Besides our response to the consultation, we would like to note that the consultation only relates to the development and operational cost of Power Exchanges / NEMOs. It does not cover the TSO cost for required TSOs systems in order to comply with CACM. Likewise, the TSOs cost related to the project management for the pilot projects and enduring arrangements are not part of this consultation. We look forward to the approach how to implement the related cost recovery articles of CACM for TSO cost.

This response is not confidential.

Yours faithfully,

BRITNED DEVELOPMENT LIMITED



Jan Hoogstraaten
Regulatory Manager