



FAB PROJECT

An interconnector to provide electricity between France and Britain via Alderney

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1st March 2018

Dear Okon

FAB Link Limited response to the “Statutory consultation on proposed changes to the electricity interconnector licence held by National Grid North Sea Link Limited to implement the cap and floor regime”

The FAB project is a proposed 1,400MW electrical interconnector between France and Britain via the channel island of Alderney. The project has been under development by FAB Link Limited (“FAB Link”) in the UK and Réseau de transport d’électricité (RTE) in France since 2013.

We welcome the opportunity to provide our views on the proposed changes to and new conditions in NGNSL’s licence. We have provided our detailed responses to the consultation questions using the response template in Annex 1 however, we would like to highlight some general comments:

- As the energy market evolves, there are significant possibilities for interconnectors to innovate and improve on the benefits they bring through new products or services. However, under the terms of the Special Conditions there is no route to recover additional development costs or, if revenues are already at the cap, to receive additional revenues as a result of business development. This could result in a risk adverse “*status quo*” approach to the operation of Cap and Floor interconnectors. Understandably in the recent ESO Incentive consultation this approach is being discouraged by Ofgem:

“We believe that well-designed financial incentives can encourage the ESO to innovate, take risks and drive continuous improvements to the benefits of consumers”¹

Well-designed financial incentives could also encourage interconnector owners to deliver greater benefits from their interconnectors.

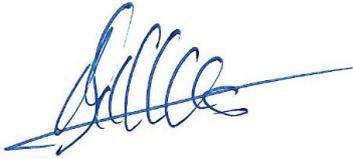
¹ The Electricity System Operator Regulatory and Incentives Framework from April 2018, Pg 18

- Detailed algebra throughout the Special Conditions would sit better within a financial model and referenced in the special conditions to provide the model legal status under the licence and to show how the formulae link together. We have referred to this further in Annex 1.

We would like to make clear that nothing in this response should be construed as acceptance that the NSL Special Conditions, or any part thereof, would be appropriate for FAB Link and we will continue to work with Ofgem to devise Special Conditions tailored for FAB Link. We also assume that the Standard Interconnector Licence conditions remain unchanged.

If you would like to discuss any aspect of the response please don't hesitate to contact me directly.

Yours sincerely,



Richard Sidley
Commercial and Regulatory Manager – FAB Link

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Licence/Document name	Condition/Section number	Condition/Section name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
Schedule 1A – New Special conditions for the electricity interconnector licence held by NGNSN	Special Condition 2	Cap Level and Floor Level			
			Pg 8, Para 7 and 8	Para 8(c) describes non-operation of the interconnector due to insufficient price differential. In this circumstance the interconnector would be in an operational situation however no power will be flowing. As the interconnector is in operation and is capable of achieving its Rated Capacity it does not make sense to discount these periods and they should rather be considered as contributing to the 60 day period.	<p>7 (b) ...that falls before the successful completion of 60 days of continuous operation (with licensee Interconnector technically available at the Rated Capacity) of the licensee's Interconnector provided that:</p> <p>i. the period of time in which the events or circumstances specified in paragraph 8(a) and to 8(b) of this condition shall be discounted subject to Authority direction in accordance with paragraph 10 of this condition; and</p> <p>ii. the period of time in which the events or circumstances specified in paragraph 8(c) of this condition shall be considered as technically available at Rated Capacity and therefore not discounted subject to Authority direction in accordance with paragraph 10 of this condition; and</p> <p>iii. should the licensee consider that any of the events or circumstances specified in paragraph 8(a) to 8(c) have occurred, the</p>

		licensee provides sufficient information to the Authority to demonstrate this.
Pg 8 Para 8(b)	<p>The definition of Exceptional Event requires the availability of the interconnector to fall below its Minimum Availability Target for the Relevant Year suggesting it is intended to pertain to the operational phase only and not to the Trial Operation Period.</p> <p>We suggest a separate and new defined term to cover this requirement during the Trial Operations period which is based on but omits paragraph (a) from the definition of Exceptional Event.</p> <p>Please note the we have not considered impacts beyond Para 8 (b) when suggesting this definition.</p>	<p>8(b) Trial Operation Exceptional Events</p> <p>Add new definition: <i>Trial Operation Exception Event</i> means:</p> <p>(a) an event or circumstance that results in or causes the Actual Availability of licensee's Interconnector to fall below the Minimum Availability Target in any Relevant Year; and</p> <p>(b) An event of circumstance that, in the Authority's opinion; the event or circumstance:</p> <ol style="list-style-type: none"> i. constitutes a Force Majeure event under the special conditions of this licence; ii. has been appropriately mitigated and managed by the licensee including responding to the event in line with Good Industry Practice; and iii. the Authority is satisfied that the licensee has met the requirements of Part A of special condition 4 of this licence
Pg 8 Para 7b	<p>There is no carve out for Allowed outages during the Trial Operations period. Whilst we have commented on the definition of Allowed Outage below we feel this should also apply during the Trial Operations period,</p>	<p>7(b) that falls before the successful completion of 60 days of continuous operation, after the deduction of Allowed Outages, (with licensee's Interconnector technically available at the Rated Capacity) of the licensee's Interconnector provided that....</p>

Special Condition 4	Interconnector Availability Incentive	Pg 24, Para 18	Maximum Possible Availability is calculated in a single direction. However, outages can be directional (such as issues related to congestion in the connected AC networks or issues with the Interconnector apparatus related to a flow direction) - an issue with the converter station that affects GB-No flows may not affect the market availability in the prevailing No-GB direction. The Interconnector outage (in MWh's) only becomes relevant to availability of it affects capacity in the required flow direction. This could be solved by either considering Interconnector Outages only if flows/capacity sales are impacted or more simply by considering Maximum Possible Availability in both directions simultaneously. All subsequent calculations would require change to consider this.	"Interconnector Outage" means any reduction in MWh of Maximum Possible Availability of the licensee's Interconnector in either direction if scheduled flows or the planned availability of capacity for auction is affected
		Pg 27, Para 32	The definition of "Allowed Outage". This only considers disconnection or curtailment by the GB or Norwegian SO's. The current drafting of the Network Codes makes possible disconnection or curtailment of cross border capability by any EU SO as well as the Regional Security Coordinator (CORESO or TSCNET). Taking the principle that external impacts on availability should be Allowed Outages this definition needs expanding to take account of the provisions of the Network Codes. It is also worth noting that these externally requested reductions in capability may not result in a curtailment but could prevent the interconnector making capacity available. (A capacity reduction prevents the interconnector from making capacity	Allowed Outage means an Interconnector Outage (in MWh) that: (a) was caused by the de-energisation (whether partial or whole), disconnection or curtailment of the licensee's Interconnector by any TSO or RSC (as defined by ENTSO-E) the GB System Operator or the Norwegian System Operator ; and (b) is specified in writing by the Authority as being an Allowed Outage

			available to the market; a Curtailment reduces the already sold capacity). Curtailment is not defined but it may be worth expanding this to ensure capacity reductions by TSOs (or RSCs) are covered.	
Special Condition 6	Within Period Adjustment	Pg 41, para 17 (b)	The current drafting appears to stipulate that an income adjusting event should only be triggered if a single event results in an impact of at least 5% of the floor. Given the principle is to ensure significant impacts, out of the control of the IC owner, are adjusted in the regime this should consider the cumulative effect of multiple potential events.as a consequence of which there are costs and/or expenses incurred by the licensee which cumulatively exceed 5 per cent of the Floor Level for Relevant Year t calculated in accordance with paragraph 4(b) of special condition 2 of this licence with the.....
		Pg 41, para 17(b)	The principle of this paragraph appears to say that the 5% consequence is based on an unadjusted Floor value due to availability. The wording is not clear and can be interpreted as an additional requirement that the Minimum Availability Target must be met to justify an Income Adjusting Event.	...with the additional requirement that the Availability Incentive at Floor (AIFt) term set to 1.00. be treated as if the Minimum Availability Target has been met.
Special Condition 8	Process for determining the value of the Post Construction Adjustment Terms	Pg 49, Para 17	It states that the PCR must be completed within the First Year of Operation or the Authority has the right to disallow Within Period Adjustments (WPA) until the PCR is completed. Given the licensee would be taking a considerable risk in submitting the PCR documentation significantly in advance of the Full Commissioning Date and that the Authority has 12 months to review the eligible costs (para 12) plus 3 months to consider the completeness of the information (para 9) it seems that a WPA in the first year would not be possible	If the Post Construction Review is not completed within the First Year of Operation, we reserve the right to disallow NSL any Within Period Adjustments will be subject to a reconciliation until once the Post Construction Review is completed and final Cap Level and Floor Level are established

				<p>leaving risks in place that the WPA concept seeks to mitigate.</p> <p>A Within Period Adjustment in the first year followed by a reconciliation in the second year would be a more certain process to manage the uncertainty of not having completed the PCR.</p>	
	Special Condition 11	NSL Cap and Floor Financial Model Governance	Pg 55, Part A	<p>This paragraph states that the NSL Cap and Floor financial model (NSLCFFM) does not have a legal status under the licence. In order for investors to rely on the outputs of the CFFM this should have legal status under the IC licence.</p>	<p>2. The NSLCFFM is a stand-alone document and does not form part of this licence.</p> <p>3. In the event of any conflict between the provisions of this licence and the NSLCFFM, the provisions of this licence shall prevail.</p> <p>34. If the licensee becomes aware of any conflict between the provisions of this licence and the NSLCFFM, the licensee shall give written notice of such conflict to the Authority as soon as reasonably practicable.</p>