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Andrew Bullimore
Systems and Networks
Ofgem
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NEMO-NLL-CO-LTR-1021

Dear Andrew,

Statutory Consultation on proposed changes to the electricity interconnector licence held by National Grid IFA2 Limited to implement the cap and floor regime

Nemo Link welcomes the opportunity to comment on the proposals outlined by Ofgem regarding National Grid IFA2 (NGIFA2) licence conditions to implement the cap and floor regime.

In principle, Nemo Link has no objections to the proposals raised to better enable development of new interconnectors for the benefit of all consumers. However, our main concerns centre on the application of any changes to the cap and floor licences to some interconnectors, but not to others.

On 28th June 2011, Ofgem and CREG jointly consulted on the “Cap and Floor regime for regulation of project NEMO and future subsea interconnectors”. In this document, there are two firm principles that we believe should be upheld in any future arrangements.

Firstly, we support the principle, also promoted by Ofgem that the cap and floor regime is designed to ensure unbiased and non-discriminatory treatment between existing interconnector owners and future developers, so that there is no advantage for certain developers. This is an essential principle with which we entirely agree. Maintaining a level playing field is clear in the intent ensuring that certain developers are not discriminated against or commercially disadvantaged compared to other developers. Therefore, Nemo Link would advocate a set of standard licence conditions for all interconnectors under the cap and floor regime which would deliver this essential principle. Presently, each new interconnector in the cap and floor regime stands to receive different licence conditions which undermines the principle of a level playing field.

One example of the above divergence is the amendment of the Trip Contract Cost definition potentially allowing, subject to regulatory approval, the recovery of costs for other energy imbalances for NGIFA2, and is something that Nemo Link would also wish to benefit from.

Nemo Link urges Ofgem to consider how it will continue to promote consistency of licence conditions across all cap and floor interconnectors.

Yours sincerely,

Bart Goethals
Chief Commercial Officer
For and on behalf of Nemo Link Limited