STRICTLY PRIVATE AND CONFIDENTIAL

Mr Yves Sourdrille
Réseau de Transport d'Electricité
Immeuble WINDOW
7C, Place du Dôme
92073 Paris La défense Cedex

4 December 2019

Dear Mr Sourdrille,

RE: ElecLink Limited's response to RTE's public consultation in respect of the proposed amendment to the cross-border contributions for 2021 and 2022 within the French Capacity Market

ElecLink Limited ("ElecLink") is currently building a 1000 MW HVDC electricity interconnector between Great Britain and France. ElecLink has signed a participation agreement with Réseau de Transport d'Electricité ("RTE") to participate in the French Capacity Market from the 2021 delivery year onwards.

ElecLink welcomes the opportunity to respond to the consultation. Please treat our response as private and confidential, not for publication.

ElecLink understands that the main parameters of the capacity market may need to be amended due to the latest forecast assessment of electricity supply-demand balance made by RTE. The contribution of neighbouring power systems to the security of supply in France depends on the import capacities of interconnectors and the available operating margin of the interconnected power systems during times of system stress in France.

In respect of the France – Great Britain border, National Grid has updated its analysis on the peak consumption which will decrease in the future and has forecasted higher generation margins in Great Britain. Therefore, RTE is of the view that the contribution of the France – Great Britain border to the security of supply in France may be increased. RTE explains that, based on the above, the contribution of the France – Great Britain border is approximately equal to the available import capacity of such a border and intends to increase the contribution to 3000 MW and 3800 MW for the 2021 and 2022 delivery years respectively. ElecLink understands that the contribution of the border is lower in 2021 because the IFA2 interconnector will be fully operational during 2021 (and not from the beginning of the year), meaning that the amount of certified capacity will be lower for this interconnector for this delivery year.

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Although in agreement with the fact that the contribution of the France – Great Britain border needs to be increased, ElecLink considers that the level of contribution may not be appropriate. As a matter of fact, the proposed levels of contribution of the France – Great Britain border do not take into account any potential forced outages or trips on the interconnectors and assume almost 100% availability of all interconnectors during all of the PP2 days. As an example, in case of a force outage or trip on the ElecLink interconnector, the capacity will not go down to 927.3 MW or 950 MW (which are the proposed levels of certified capacity for ElecLink for the 2021 and 2022 delivery years respectively) but to 0 MW as this is a single monopole HVDC system. Likewise, a forced outage on one cable of the IFA interconnector will result in a decrease of capacity of 500 MW to reach a total capacity of 1500 MW. ElecLink is of the view that the approach taken by RTE may be very optimistic and that the current contribution levels are more realistic.

In addition, any increase in the contribution of a border will result in an increase of the amount of the bank guarantee that exempted interconnectors in the project/construction phase must provide. ElecLink understands such a principle but by retrospectively increasing the contribution of ElecLink by more than one third for the 2021 and 2022 delivery years, the amount of the bank guarantee becomes excessive and nearly impossible for ElecLink to commit to. In July 2020 following the certification process, the amount of the bank guarantee will reach either 24 941 100 euros in the event that ElecLink opts in for the 2025 delivery year or 23 141 100 euros if ElecLink opts out of the 2025 delivery year. Compared to the amount that ElecLink would have had to provide if the cross-border contributions had remained the same for the 2021 and 2022 delivery years (i.e. 18 958 800 or 17 158 800 euros in the event that ElecLink opts in for, or out of, the 2025 delivery year respectively), this represents a retrospective increase of 5 982 300 euros in both cases or an increase of 32% if ElecLink opts in for the 2025 delivery year or of 35% if ElecLink opts out of the 2025 delivery year. Needless to say, of course, that exempted interconnectors do not have infinite financial resources and cannot be expected to comply with such material and totally unexpected increases in the level of collateral requirements. By way of comparison, ElecLink had to post cash collateral to participate in the GB capacity market for an amount of approximately 7.1 million GBP despite the fact that its contribution is greater than the one under the French Capacity Market. Thus, ElecLink urges RTE to revise the modalities of the bank guarantee to be able to increase the contribution of a border without increasing the amount of the bank guarantee.

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