Date: 1 March 2021

Application by Aquind Limited for a Development Consent Order for the 'Aquind Interconnector' electricity line between Great Britain and France (PINS reference: EN020022)

Affected Party's Revised Version of Applicant's Funding Statement, Rev 004 (Deadline 8)

For the Examining Authority

On behalf of

Mr. Geoffrey Carpenter & Mr. Peter Carpenter, Little Denmead

Registration Identification Number: 20025030

Submitted in relation to Deadline 8 of the Examination Timetable

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Ref: 584927-6

SECTIONS

This Note is divided into the following Sections:

SECTION A – Introduction & Comments

SECTION B - BM version 003 of Applicant's Funding Statement 2, Rev 004

INTRODUCTION & COMMENTS

1. Section 122 of the Planning Act 2008 requires the Applicant to satisfy the conditions of that section.
2. The common law requires that the ExA and Secretary of State apply "most careful scrutiny" to the discharge of that obligation by the Applicant, that the Applicant exclusively bears the onus of evidentially demonstrating its case. See *Prest; Sainsburys*.
3. For the purposes of the discharge by the Applicant of its obligations under section 122, the Secretary of State has provided guidance in his "Planning Act 2008: Guidance related to procedures for the compulsory acquisition of land (September 2013)". That Guidance falls to be read as a whole and its terms include the following:

   1. The Planning Act 2008 ("the Planning Act") created a new development consent regime for major infrastructure projects1 in the fields of energy, transport, water, waste water, and waste.

4. The Affected Party notes in passing that the Secretary of State himself appreciates that the PA 2008 encompasses only the specified "fields" and that these fields do not expressly provide for a discrete field of commercial telecommunications nor for such a purpose.
5. The Guidance further includes: (Emphasis added)

   2. This guidance is designed to assist those intending to make an application for a development consent order… This guidance also advises on application of the correct procedures and statutory or administrative requirements, to help ensure that the process of dealing with such orders is as fair, straightforward and accurate for all parties as possible.

   3. Sections 122 to 134 of the Planning Act set out the main provisions relating to the authorisation of compulsory acquisition of land. These provisions specify the conditions which must be satisfied if a development consent order is to authorise compulsory acquisition, apply the provisions of the Compulsory Purchase Act 1965 (with appropriate modifications), restrict the provision which may be made about compensation in an order…

   6. Section 122 of the Planning Act provides that a development consent order may only authorise compulsory acquisition if the Secretary of State is satisfied that:

   • the land is required for the development to which the consent relates, or is required to facilitate, or is incidental to, the development, or is replacement land given in exchange under section 131 or 132, and

   • there is a compelling case in the public interest for the compulsory acquisition.

7. Applicants must therefore be prepared to justify their proposals for the compulsory acquisition of any land to the satisfaction of the Secretary of State. They will also need to be ready to defend such proposals throughout the examination of the application. Paragraphs 8-19 below set out some of the factors which the Secretary of State will have regard to in deciding whether or not to include a provision authorising the compulsory acquisition of land in a development consent order…

9. The applicant must have a clear idea of how they intend to use the land which it is proposed to acquire. They should also be able to demonstrate that there is a reasonable prospect of the requisite funds for acquisition becoming available. Otherwise, it will be difficult to show conclusively that the compulsory acquisition of land meets the two conditions in section 122 (see paragraphs 11-13 below)…

12. In addition to establishing the purpose for which compulsory acquisition is sought, section 122 requires the Secretary of State to be satisfied that there is a compelling case in the public interest for the land to be acquired compulsorily.

13. For this condition to be met, the Secretary of State will need to be persuaded that there is compelling evidence that the public benefits that would be derived from the compulsory acquisition will outweigh the private loss that would be suffered by those whose land is to be acquired. Parliament has always taken the view that land should only be taken compulsorily where there is clear evidence that the public benefit will outweigh the private loss…

15. In practice, there is likely to be some overlap between the factors that the Secretary of State must have regard to when considering whether to grant development consent, and the factors that must be taken into account when considering whether to authorise any proposed compulsory acquisition of land…

17. Any application for a consent order authorising compulsory acquisition <u>must</u> be accompanied by a statement explaining <u>how it will be funded</u>. This statement should provide <u>as much information as possible</u> about the resource implications of <u>both</u> acquiring the land <u>and</u> implementing the project for which the land is required. It may be that the project is <u>not intended to be independently</u> financially <u>viable</u>, or that the details cannot be finalised until there is certainty about the assembly of the necessary land. In such instances, the applicant should provide an indication of how any potential shortfalls are intended to be met. This should include the degree to which other bodies (public or private sector) have agreed to make financial contributions or to underwrite the scheme, and on what basis such contributions or underwriting is to be made.

18. The timing of the availability of the funding is also likely to be a relevant factor. Regulation 3(2) of the Infrastructure Planning (Miscellaneous Prescribed Provisions) Regulations 2010 allows for five years within which any notice to treat must be served, beginning on the date on which the order granting development consent is made, though the Secretary of State does have the discretion to make a different provision in an order granting development consent. Applicants should be able to demonstrate that adequate funding is likely to be available to enable the compulsory acquisition within the statutory period following the order being made, and that the resource implications of a possible acquisition resulting from a blight notice have been taken account of.

19. The high profile and potentially controversial nature of major infrastructure projects means that they can potentially generate significant opposition and may be subject to legal challenge. It would be helpful for applicants to be able to demonstrate that their application is firmly rooted in any relevant national policy statement. In addition, applicants will need to be able to demonstrate that:

• any potential risks or impediments to implementation of the scheme have been properly managed;

• they have taken account of any other physical and legal matters pertaining to the application, including the programming of any necessary infrastructure accommodation works and the need to obtain any operational and other consents which may apply to the type of development for which they seek development consent.

6. The Applicant made a Request for Exemption in August 2017 (the First Request) and also on 2nd June 2020 to Ofgem and CRE (the Second Request). The Applicant's evidence includes this (see Schedule 2 to the BM Note on TCA Exemption and ACER): (Emphasis added)

3.4.1 "*Without the flexibility provided by the exemptions requested in this Request for Exemption, AQUIND Interconnector will not be able to attract non-recourse debt finance or equity. Furthermore, if particularly onerous conditions are imposed as part of the exemption, the lender's margin, and therefore the cost of the project, will increase. This may make it non-viable for AQUIND to proceed. AQUIND is not in a position to finance the Project on "balance sheet" as national TSOs and utilities may be in a position to do." "*[1]

3.4.2 *"AQUIND's Request for Exemption on the Use of Revenues in France follows extensive regulatory engagement with CRE, as well as Ofgem and ACER to consider and test the viability of different investment and regulatory routes for AQUIND Interconnector. The conclusion of these regulatory tests, extensive analysis and formal regulatory decisions is that the only investment route available to AQUIND in France is through an exemption under Article 63. Without an exemption, the project cannot, and will not, progress and the significant benefits to France, GB and Europe, as demonstrated in the AQUIND revenue and social welfare analysis (Exhibit 1)* ***will not*** *be realised"*[2]

3.4.3 *""As discussed in Section 5 of this Request for Exemption, this investment* ***will not*** *take place* ***unless*** *this exemption is granted. AQUIND requests an exemption that is proportionate and related to the Use of Revenues in respect of the revenues generated by the Project, which corresponds to the Exempt Portion. Further AQUIND has incorporated a proposed condition into the Request for Exemption to ensure French network users benefit in scenarios where AQUIND's revenues exceed a certain threshold.*"[3]

7. The Applicant made an application for development consent in Autumn 2020. That Application included a (so-called) "Funding Statement" at **[APP-023]**.

8. Notwithstanding the express reference in the Request to "non-viable" and the use of the expression "viable" in paragraph 17 of the Guidance, the Application Funding Statement failed, and still fails, to address all of the paragraph 17 considerations at all.

9. That Funding Statement did not include, as required by paragraph 17 of the Guidance, any of the information in the Applicant's Request for Exemptions that related to its viability, or to funding of the acquisition costs or of the project as a whole. The Applicant was and remains in clear breach of Guidance paragraph 17.

10. Subsequently, the ExA requested before Christmas 2020 the Applicant to provide as much information as it could on funding. Nevertheless, the Applicant chose to not include its Request for Exemption evidence that related to funding by its of the acquisition and project. The Applicant was and remains in clear breach of Guidance paragraph 17. Instead, in further breach of paragraph 17, the Applicant provided Funding Statement 2 in **[REP6-021]** without any reference to:

    a) its own Request for Exemption documentation evidence on funding (a Request on which the Applicant relies on in this Examination Period as asserted justification to address paragraph 19 of the Guidance above);

    b) the absence of evidence (able to be examined during the Examination Period with "most careful scrutiny" *per Prest* and *Sainsbury's* cases) of any actual funds or evidence (similarly of ensured funds becoming available for a similar level of scrutiny) of ensured funds becoming available;

[1] Request for Exemption: Aquind Interconnector (Aquind, 2020) , para 4.5
[2] Request for Exemption: Aquind Interconnector (Aquind, 2020) , para 5.3.1
[3] Request for Exemption: Aquind Interconnector (Aquind, 2020) , para 6.1

c) an express statement of the absence of any funds by which to presently either fund requisite acquisition costs or indeed the whole project.

11. In **[REP5-034]**, the Applicant still did not provide the information in its Request for Exemptions and said:

5.8 Financing for the Project secured following any grant of the DCO will be used to fund the capital costs of the construction stage, which includes the costs associated with compulsory acquisition. Securing finance against the future revenues of the Project does not mean that financing would not be obtained until such time as the Project is generating revenues. Such financing is secured against the future revenues of the Project, taking into account the capital costs which are required to deliver the Project such that it may operate and generate those revenues which financing is secured against. This is a typical arrangement for infrastructure projects.

5.9 The requirement for such compulsory acquisition costs and their impact on the Project capital costs of construction has been fully taken into account in relevant regulatory submissions to both CRE and Ofgem.

12. The capital costs of construction were not provided to the Examination nor included in the Funding Statement. These were further breaches of paragraph 17 by the Applicant.

13. Without simultaneously stating the same in its Funding Statement 2 and instead burying the statement in an Appendix to its Deadline 6 Responses in **[REP7-075]** the Applicant for the very first time stated: (Emphasis added)

9.1 Paragraphs 12 to 22 Section E of the Note discuss publicly available information in relation the accounts of AQUIND Limited, with a view to determining whether the monies held in those accounts are sufficient to cover the cost of exercising the compulsory acquisition powers in the dDCO, and with the conclusion of the exercise at paragraph 22 being "Based on this, we can only conclude that the Applicant limited company must be looking to secure funding to cover the costs of its estimated compulsory acquisition costs from future financing".

9.2 <u>The Applicant</u> has already <u>confirm</u>ed in response to agenda item 5.2 of CAH1 that the monies secured to date from its current investors <u>do not include the costs associated with compulsory acquisition</u>, specifically at paragraph 5.8 of the Applicant's Transcript of Oral Submissions for Compulsory Acquisition Hearing 1 (REP5-034) which confirms "Financing for the Project secured following any grant of the DCO will be used to fund the capital costs of the construction stage, which includes the costs associated with compulsory acquisition". These paragraphs of the Note are therefore considered to be of no relevance to the examination of the Application.

14. The Applicant did not in fact expressly state until Deadline 6 nor has it to date expressly stated in its Funding Statement 2 that "monies secured to date [Deadline 6, and not Deadline 8] from current investors do <u>not</u> include the costs associated with compulsory acquisition"; nor did the Applicant expressly state that it currently has no funds by which to fund the project at all; nor did it state that funding of the project as a whole relies exclusively on a future grant of a DCO on the terms as applied for (including discrete development for the discrete purpose of commercial telecommunications).

15. Subsequently, therefore, the Affected Party has provided its own iteration of the Applicant's Funding Statement 2, updated with evidence from the Applicant "in the" Funding Statement and from the Applicant's Request for Exemption.

16. In particular, the Request includes evidence that was required to have been included in the Application Funding Statement because paragraph 17 could not be more imperative or clear: (Emphasis added)

17. Any application for a consent order authorising compulsory acquisition <u>must</u> be accompanied by a statement explaining <u>how it will be funded</u>. This statement should provide <u>as much information as</u>

> *possible about the resource implications of both acquiring the land and implementing the project for which the land is required…*

17. In breach of paragraph 17, the Applicant chose to not "provide as much information as possible" about the two categories of financial information or at all.

18. Further, paragraph 17 says this: (Emphasis added)

> 17. *Any application for a consent order authorising compulsory acquisition must be accompanied by a statement explaining how it will be funded. This statement should provide as much information as possible about the resource implications of both acquiring the land and implementing the project for which the land is required. It may be that the project is not intended to be independently financially viable, or that the details cannot be finalised until there is certainty about the assembly of the necessary land. In such instances, the applicant should provide an indication of how any potential shortfalls are intended to be met. This should include the degree to which other bodies (public or private sector) have agreed to make financial contributions or to underwrite the scheme, and on what basis such contributions or underwriting is to be made.*

19. In its Request for Exemption within the jurisdiction of the EU (that now excludes the United Kingdom as a Member State), the Applicant made and evidence in its Request the following important and relevant financial information (see Appendix 3 hereto of the Funding Statement Rev 004 and the Applicant's Request), for example (only):

> "*Without the flexibility provided by the exemptions requested in this Request for Exemption, AQUIND Interconnector will not be able to attract non-recourse debt finance or equity. Furthermore, if particularly onerous conditions are imposed as part of the exemption, the lender's margin, and therefore the cost of the project, will increase. This may make it non-viable for AQUIND to proceed. AQUIND is not in a position to finance the Project on "balance sheet" as national TSOs and utilities may be in a position to do.*" "[4]

20. To date of Deadline 8, the Applicant has not expressly stated that:

    a) The project is not intended to be independently financially viable in the absence of a grant of development consent under section 114 of the PA 2008 and could not otherwise proceed at all;

    b) There is no ensured funding at all for any shortfall in funding in the absence of an exemption being granted for the project by ACER or any other party;

    c) Without both a grant of a DCO (including commercial telecommunications) and a grant of exemption by ACER, then the project is not intended to be financially viable and could not be.

21. However, we remind the ExA and Secretary of State that a Funding Statement compliant, *from the Applicant,* with the Guidance remains not in fact before the Examination.

22. The Affected Party has included below a further revised example (albeit incomplete) of a Funding Statement, showing what it would have looked like if the **entirety of the Applicant's Exemption Request** was referenced.

SECTION B - BM version 003 of Applicant's Funding Statement 2, Rev 004

[4] Request for Exemption: Aquind Interconnector (Aquind, 2020) , para 4.5

AQUIND Limited

AQUIND INTERCONNECTOR

Funding Statement

The Planning Act 2008

INSERTIONS BY BLAKE MORGAN LLP AT DEADLINE 7C OF THE EXAMINATION
FURTHER SUPPLEMENTED BY BLAKE MORGAN LLP AT DEADLINE 8

Document Ref: 4.2

PINS Ref.: EN020022

AQUIND Limited

AQUIND INTERCONNECTOR

Funding Statement

INSERTIONS BY BLAKE MORGAN LLP AT DEADLINE 7C OF THE EXAMINATION
FURTHER SUPPLEMENTED BY BLAKE MORGAN LLP AT DEADLINE 8

PINS REF.: EN020022

DOCUMENT: 4.2

DATE: DECEMBER 2020WSP

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DOCUMENT

Document	**4.2 Funding Statement**
Revision	004
Document Owner	WSP UK Limited
Prepared By	HSF
Date	22 December 2020
Approved By	HSF
Date	22 December 2020

AQUIND Interconnector Order 202[X]

Funding Statement

Planning Act 2008

Document Ref: 4.2, Rev 002

PINS Reference: EN20022

Infrastructure Planning (Applications: Prescribed Forms and Procedure) Regulations 2009 (SI 2009/2264) (Regulation 5(2)(h))

Author: Herbert Smith Freehills LLP [SUPPLEMENTED BY INSERTIONS BY BLAKE MORGAN LLP AT DEADLINE 7C OF THE EXAMINATION FURTHER SUPPLEMENTED BY BLAKE MORGAN LLP AT DEADLINE 8]

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1. INTRODUCTION

1.1 This funding statement (Statement) relates to an application by AQUIND Limited (the 'Applicant') to the Secretary of State ('SoS') under the Planning Act 2008 (as amended) (the 'Act') for the AQUIND Interconnector Order (the 'Order') (the 'Application').

1.2 The Application is submitted to the Secretary of State pursuant to section 37 of the Act. This statement has been prepared in accordance with the requirements provided for by section 37(3)(d) of the Act and regulation 5(2)(h) of the Infrastructure Planning (Applications: Prescribed Forms and Procedures) Regulations 2009 (the '2009 Regulations'), and with relevant guidance issued by the Department for Communities and Local Government.

1.3 The Application seeks development consent for those elements of AQUIND Interconnector (the 'Project') located in the UK and the UK Marine Area (the 'Proposed Development').

2. PURPOSE OF THIS STATEMENT

2.1 This Statement has been submitted as it will be necessary to acquire land and rights over land in order to construct, operate and maintain the Proposed Development and therefore powers of compulsory acquisition have been sought in the Order. This Statement explains how the shareholders of the Applicant and their parent companies expect that the construction of the Proposed Development and, as necessary, the acquisition compulsorily of land and rights over land as are required in connection with the Proposed Development and authorised by the Order will be funded.

2.2 This Statement forms part of a suite of documents accompanying the Application, submitted in accordance with section 37 of the Act and regulation 5 of the 2009 Regulations, and should be read together with those documents, in particular the Statement of Reasons (Application Document Reference 4.1) which justifies the powers of compulsory acquisition that are sought.[Blake Morgan Insert: This statement should also be read in the context of the Applicant's Request for Exemption provided to the CRE and Ofgem]

3. THE PROPOSED DEVELOPMENT

3.1 The Project is a new 2,000 MW subsea and underground High Voltage Direct Current (‘HVDC’) bi-directional electric power transmission link between the South Coast of England and Normandy in France. By linking the British and French electric power grids it will make energy markets more efficient, improve security of supply and enable greater flexibility as power grids evolve to adapt to different sources of renewable energy and changes in demand trends such as the development of electric vehicles. The Project will have the capacity to transmit up to 16,000,000 MWh of electricity per annum, which equates to approximately 5% and 3% of the total consumption of the UK and France respectively.

3.2 The Application seeks development consent for those elements of the Project located in the UK and the UK Marine Area (the 'Proposed Development'). The Proposed Development includes:

3.2.1 HVDC marine cables from the boundary of the UK exclusive economic zone to the UK at Eastney in Portsmouth;

3.2.2 Jointing of the HVDC marine cables and HVDC onshore cables;

3.2.3 HVDC onshore cables;

3.2.4 A Converter Station and associated electrical and telecommunications infrastructure;

3.2.5 High Voltage Alternating Current (‘HVAC’) onshore cables and associated infrastructure connecting the Converter Station to the Great Britain electrical transmission network, the National Grid, at Lovedean Substation; and

3.2.6 Smaller diameter fibre optic cables (‘FOC’) to be installed together with the HVDC and HVAC cables and associated infrastructure.

3.3 Chapter 3 (Description of the Proposed Development) of the Environmental Statement (‘ES’) (Application Document Reference 6.1.3) contains a detailed description of the Proposed Development for which development consent is sought by the Applicant.

3.4 On 19 June 2018 the Applicant submitted a request to the SoS for a direction pursuant to section 35 of the PA 2008 that the Proposed Development is to be treated as development for which development consent is required.

3.5 The SoS, being satisfied that the relevant legal requirements were met and of the view that the Proposed Development is by itself nationally significant, issued a direction on 30 July 2018 directing that the Proposed Development, together with any development associated with it, is to be treated as development for which development consent is required.

4. CORPORATE STRUCTURE AND ASSETS

4.1 AQUIND Limited, the Applicant, is a company registered in England and created in accordance with the laws of England and Wales, with company number 06681477 and registered at OGN House, Hadrian Way, Wallsend, NE28 6HL.

4.2 The Applicant was incorporated with the sole purpose of promoting and developing AQUIND Interconnector, the Project, and will be the undertaker for the purposes of the Order.

4.3 The sole shareholder (100%) of AQUIND Limited is AQUIND Energy Sarl, a company registered in Luxembourg with company number B 229924 and registered at 26, boulevard de Kockelscheuer, L-1821 Luxembourg.

[**BLAKE MORGAN INSERT: paragraph 4.4.1.1. on page 13 of the Exemption Request submitted by AQUIND LIMITED states:**

"*AQUIND Interconnector is promoted by:*

- *AQUIND SAS, société par actions simplifiée, created in accordance with the laws of France with registration R.C.S. number 808 503 940 and registered address at 72 rue de Lessard 76100 Rouen and;*
- *AQUIND Limited, a limited liability company under the laws of England and Wales with company number 06681477 and the registered address at OGN House, Hadrian Way, Wallsend, NE28 6HL; and*
- *AQUIND Energy Sarl, Société à responsabilité limitée, created in accordance with the laws of Luxembourg with registration number B229924 and registered address at 26 boulevard de Kockelscheuer, 1821 Luxembourg.*

Figure 4-6 AQUIND Interconnector ownership structure

No entities or people involved in the AQUIND company group structure have control over any energy generator, producer or supplier."

4.4 As at 30 June 2018 the total company assets of the Applicant were £13.3m according to the annual audited account, mainly consisting of the capitalised development costs £12.2m. [**BLAKE MORGAN INSERT**

Page 15 of section 4.5 of the Exemption Request states:

"*AQUIND is not in a position to finance the Project on "balance sheet" as national TSOs and utilities may be in a position to do.*"

4.5 A copy of the audited accounts for the year ended 30 June 2018 are contained at **Appendix 1** to this Statement.

4.6 The updated audited accounts for the year ended 30 June 2019 were submitted into the Examination at Deadline 1 (REP1-095).

4.7 As at 30 June 2019 the total company assets of the Applicant were £25m according to the annual audited account, mainly consisting of the capitalised development costs £23.3m.

[**BLAKE MORGAN INSERT:**

Page 15 of section 4.5 of the Exemption Request states:

"*AQUIND is not in a position to finance the Project on "balance sheet" as national TSOs and utilities may be in a position to do.*"

4.8 A copy of the audited accounts for the year ended 30 June 2019 are contained at **Appendix 2** to this Statement.

[**BLAKE MORGAN INSERT:**

Page 15 of section 4.5 of the Exemption Request states:

"*AQUIND is not in a position to finance the Project on "balance sheet" as national TSOs and utilities may be in a position to do.*"

Paragraph 9.2 of Appendix B to the Applicant's Responses to Deadline 6 Submissions (document reference [REP7-075]) states (our emphasis added):

"*The Applicant has … confirmed in response to agenda item 5.2 of CAH1 that the monies secured to date from its current investors <u>do not include the costs associated with compulsory acquisition,</u> specifically at paragraph 5.8 of the Applicant's Transcript of Oral Submissions for Compulsory Acquisition Hearing 1 (REP5-034) which confirms "<u>Financing for the Project secured following any grant of the DCO will be used to fund the capital costs of the construction stage, which includes the costs associated with compulsory</u> acquisition".*"

Paragraph 4.5 of the Applicant's Exemption Request states page 15 (our emphasis added):

"*Without the flexibility provided by the exemptions requested in this Request for Exemption, AQUIND Interconnector <u>will not be able to attract non-recourse debt finance or equity</u>. Furthermore, if particularly onerous conditions are imposed as part of the exemption, the lender's margin, and therefore the cost of the project, will increase. This may make it non-viable for AQUIND to proceed. <u>AQUIND is not in a position to finance the Project on "balance sheet" as national TSOs and utilities may be in a position to do</u>.*"

The Applicant also states on page 16 of Section 4.5 of the Exemption request that::

" As AQUIND is unable to operate an interconnector in France without an exemption,…[the exemption] would ensure that the project is able to address the following risks:…Actual terms and conditions of financing…market conditions…. Programme and costs risks…".

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5. ESTIMATED PROJECT COST

5.1 The Applicant continues to work with its delivery partners to understand the costs of implementing the Order, which includes costs associated with obtaining development consent, construction and land acquisition.

5.2 The current cost estimate for the Project is approximately €1.4bn (£1.24bn), with this estimate being undertaken at beginning of 2019 following two rounds of market engagement with potential contractors in respect of the design, engineering, supply and installation of converters and cables.

5.3 The cost estimate has been forecasted in both real and nominal terms, with the inflation for the future period taken at a rate of 2%, which is broadly considered a target inflation rate by the modern monetary policy[1]. Whilst this rate of inflation has been applied, the Applicant is confident that inflation rates will not significantly affect the feasibility of the Project, either in the case of lower inflation or higher inflation than the target inflation rate of 2%.

5.4 The current capital cost estimate for the Proposed Development, based on an equal split of the estimated cost of the Project between the elements in France and in the UK, is approximately £623m. For the purposes of the Application an equal split of capital costs between the French and UK parts of the Project is assumed. Whilst there may be some variance in practice, the elements of the Project and the costs associated with delivery of the Project in both countries are broadly similar.

5.5 A broad breakdown of the estimated costs is included in the table below.

Works/Costs	**Estimate**
Development costs (including professional and other fees)	£19m
Construction costs	£599m
Land acquisition costs	£4.97m
Estimated Total Capital Cost	**£623m**

5.6 With regard to estimated land acquisition costs, a breakdown of how these have been calculated is as follows:

Land Acquisition	£1,277,000.00
[BM INSERT: (Ian Judd & Partner's estimate for Land Acquisition Costs)]	**£2,592,310**
Acquisition of Rights and Restrictions	£1,973,775.21
Disturbance Compensation	£664,980.33
Injurious Affection	£645,000.00
Professional Fees	£410,000.00
Estimated Total	**£4,970,755.54**

1 https://www.bankofengland.co.uk/monetary-policy

5.7 The cost of interest and other debt servicing will be met from revenues generated by the Project. The Applicant's financial forecasts shows that the Project will generate sufficient operating profits to ensure that Debt Service Cover Ratio and Interest Cover Ratio are at an acceptable level. In addition, generally low interest rates have been a feature of the economic situation over the past decade[2], which creates favourable conditions for securing infrastructure financing. Other debt servicing costs, in addition to interest, typically include a commitment fee of around 2% of the respective debt facility and a reserve fee between 0.5% and 1%.

[Blake Morgan Insert: Para 4.5.1, Section 4, of the Applicant's Request for Exemption

"Without the flexibility provided by the exemption requested in this Request for Exemption, Aquind Interconnector will not be able to attract non-recourse debt finance or equity"]

6. **PROJECT FINANCING**

6.1 The Applicant has secured from its current investors financing sufficient to support the Project until the completion of the development stage, which includes obtaining all necessary permissions and authorisations, including the DCO. The Applicant has invested approximately £35m in the development of the Project as of 30 June 2020. The residual cost of completing the pre-construction stage of the Project is forecasted at £15m. This amount has been revised taking into account delays as a consequence of the Covid-19 pandemic extending the pre-consent stage, and the resultant changes in the processes to obtain the required consents.

[BLAKE MORGAN INSERT: Paragraph 9.2 of Appendix B to the Applicant's Responses to Deadline 6 Submissions (document reference [REP7-075]) states (our emphasis added):

"The Applicant has … confirmed in response to agenda item 5.2 of CAH1 that the monies secured to date from its current investors <u>do not include the costs associated with compulsory acquisition,</u> specifically at paragraph 5.8 of the Applicant's Transcript of Oral Submissions for Compulsory Acquisition Hearing 1 (REP5-034) which confirms "<u>Financing for the Project secured following any grant of the DCO will be used to fund the capital costs of the construction stage, which includes the costs associated with compulsory</u> acquisition".

6.2 Post the development stage the Proposed Development, and more broadly the Project, is to be funded through project finance secured against the operational profits (revenues) of the Project.

[Blake Morgan insert:
Paragraph 4.5 of the Applicant's Exemption Request states page 15 (our emphasis added):

"<u>Without</u> the flexibility provided by the exemptions requested in this Request for Exemption, AQUIND Interconnector <u>will not be able to attract non-recourse debt finance or equity</u>. Furthermore, if particularly onerous conditions are imposed as part of the exemption, the lender's margin, and therefore the cost of the project, will increase. This may make it non-viable

for AQUIND to proceed. AQUIND is not in a position to finance the Project on "balance sheet" as national TSOs and utilities may be in a position to do."

The Applicant also states on page 16 of Section 4.5 of the Exemption:

" As AQUIND is unable to operate an interconnector in France without an exemption,…[the exemption] would ensure that the project is able to address the following risks:…Actual terms and conditions of financing…market conditions…. Programme and costs risks…".

THE JOINT STATEMENT ON 28 JANUARY 2021 BY OFGEM AND THE CRE STATES:

"On 2nd June 2020, Aquind submitted to Ofgem and CRE (together, the "NRAs") a request for partial exemption from Articles 19(2) and 19(3) of Regulation (EU) 2019/943 (the "Regulation"), concerning Use of Revenues obligations, for a period of 25 years from the start of commercial operations (the "Exemption Request").On 18th December 2020, the NRAs published a joint consultation document outlining the scope and rationale of the Exemption Request, as well as the supporting evidence provided by Aquind. The consultation was originally planned to close on 29th January 2021. The NRAs issued this consultation in line with our obligations under the applicable legal framework at the time, and with uncertainty as to the future trade and cooperation arrangements between the UK and the EU beyond the end of the transition period. In light of the new Trade and Cooperation Agreement (the "TCA") agreed between the UK and the EU on 24th December 2020, following the UK's departure from the EU, the NRAs consider that the exemption request process defined under the Regulation is only available to interconnector projects developed between EU Member States. As the UK is no longer a Member State and the transition period has ended, Aquind can no longer access that process and the NRAs no longer have the necessary legal powers to assess, and decide upon, the Exemption Request. Consequently, the NRAs have decided to discontinue the ongoing consultation and assessment process. Ofgem and CRE will continue to cooperate closely in regards to the functioning and the development of interconnections between the UK and France and the implementation of the arrangements envisaged in the TCA."

.

6.3 Typically interconnectors have the following streams of revenues:

6.3.1 Congestion charges - up to 75% of total revenues: Congestion charges are charges collected by the interconnector operator for access to the interconnector's capacity from parties wishing to transmit electricity from one country to another[3].

6.3.2 Capacity market payments – up to 20% of total revenues: GB interconnectors have been able to participate in the GB capacity market since 2018. These are the payments for interconnectors providing a security of supply services at the time of high demand and/or low supply as a stand-by capacity[4].

6.3.3 Ancillary services – up to 5% of total revenues: These revenues arise from provision of various services to National Grid and RTE, which they require in order to ensure the stability of national transmission systems[5].

[Blake Morgan Insert (our emphasis):

Para 5.3.1, Section 5, Applicant's Request for Exemption

"AQUIND is applying for a partial exemption from Articles 19(2) and 19(3) of Regulation 2019/943. The exemption will apply to a fixed share of the revenues generated by AQUIND Interconnector that corresponds to the proportion of the project that will be situated in French territory (including onshore and in French territorial waters) (the "Exempt Portion"). ***This share is estimated to be 32%, based on AQUIND's cost analysis presented in Section 6.4 below****. The remaining share of the revenues generated by the project will not be exempt from the requirements of Articles 19(2) and 19(3).*

The revenues covered by the scope of the Exemption will include the fixed share of the sum of the following components:

- *Congestion revenues generated by AQUIND Interconnector*
- *Capacity Mechanism revenues, insofar as these revenues accrue to the interconnector owner*
- *Ancillary services revenues, insofar as these revenues accrue to the interconnector owner*
- *Netting-off component, which may include, for example, any costs that may apply to the project, such as trading tariffs, or penalties associated with non-performance of Capacity Mechanism and/or Ancillary services contracts that AQUIND Interconnector may, from time to time, enter into*
- *Such other revenues arising from AQUIND Interconnector performing its role as electricity interconnector within the period of duration of the requested exemption.*

*AQUIND's Request for Exemption on the Use of Revenues in France follows extensive regulatory engagement with CRE, as well as Ofgem and ACER to consider and test the viability of different investment and regulatory routes for AQUIND Interconnector****. The conclusion of these regulatory tests, extensive analysis and formal regulatory decisions is that the only investment route available to AQUIND in France is through an exemption under Article 63. Without an exemption, the project cannot, and will not, progress*** *and the significant benefits to France, GB and Europe, as demonstrated in the AQUIND revenue and social welfare analysis (Exhibit 1) will not be realised"*

AND paragraph 6.1, Section 6, of the Applicant's Request for Exemption

"As discussed in Section 5 of this Request for Exemption, this investment will not take place unless this exemption is granted. AQUIND requests an exemption that is proportionate and related to the Use of Revenues in respect of the revenues generated by the Project, which corresponds to the Exempt Portion. Further AQUIND has incorporated a proposed condition into the Request for Exemption to ensure French network users benefit in scenarios where AQUIND's revenues exceed a certain threshold."

6.4 In addition, the revenues from the commercial use of the FOC within the Project may contribute an additional 5% of total revenues.

6.5 The cost of regular operation and maintenance of the Project are very low comparing to most of other types of energy infrastructure and are expected to be at the level of around 1% of the capital costs, or nearly 2% of capital costs if business rates in England and local land-related taxes in France are included.

6.6 Accordingly, it is expected the revenues to be generated will leave sufficient cash flows available to repay project finance debt and provide adequate returns to investors.

6.7 The Applicant expects that the financing will be arranged on the basis of project finance debt with the tenure of 15 to 25 years constituting circa 70% of the total capital costs of the Project, with the remainder to be financed with equity.

6.8 It is anticipated that equity capital will be derived from leading international infrastructure funds, and that project debt financing will be secured from various

3 Baringa, February 2014, New electricity interconnection to GB – operation and revenues, for Department of Energy and Climate Change, available here https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/322005/new_electricity_interconnection_to_gb_operation_and_revenues_baringa.pdf

4 Ibid, also BEIS, Capacity Market, Five-year Review (2014-2019), available here https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/819760/cm-five-year-review-report.pdf

5 National Grid SO Submission to Cap and Floor, June 2017, available here https://www.ofgem.gov.uk/system/files/docs/2018/01/nget_report_to_ofgem_-_quantified_interconnector_impacts.pdf

banking sources and/or institutional investors. Possibilities of export financing by export agencies of the countries of origin of key components of the Project are also being considered as part of the public tender process.

[BLAKE MORGAN INSERT: Paragraph 9.2 of Appendix B to the Applicant's Responses to Deadline 6 Submissions (document reference [REP7-075]) states (our emphasis added):

"*The Applicant has … confirmed in response to agenda item 5.2 of CAH1 that the monies secured to date from its current investors <u>do not include the costs associated with compulsory acquisition,</u> specifically at paragraph 5.8 of the Applicant's Transcript of Oral Submissions for Compulsory Acquisition Hearing 1 (REP5-034) which confirms "<u>Financing for the Project secured following any grant of the DCO will be used to fund the capital costs of the construction stage, which includes the costs associated with compulsory</u> acquisition*".

[Blake Morgan Insert: Para 4.5.1, Section 4, of the Applicant's Request for Exemption

"Without the flexibility provided by the exemption requested in this Request for Exemption, Aquind Interconnector will not be able to attract non-recourse debt finance or equity"]

[Blake Morgan Insert:

The above paragraph should be read within the context of the Blake Morgan's inserts at 5.7 and 6.1]

6.9 The Applicant has been engaging with a number of potential investors since the start of the Project directly, including British and international investment funds and international energy companies. The engagement with a group of debt providers and equity investors completed for the Applicant by KPMG in 2019 showed that subject to obtaining necessary and appropriate consents, permissions and approvals, investors consider interconnectors to be an attractive type of future investment and therefore the Project is considered to be bankable.

6.10 Financing for the Project is therefore expected to be subject to grant of the development consent order and the settlement of regulatory status of the Project (see section 8 of this statement for further information in this regard':

[Blake Morgan Insert: Paragraph 6.3.1, Section 6 of the Applicant's Request for Exemption

" Aquind has thereby conclusively demonstrated that the partial exemption requested in this Request for exemption is the only route that will allow the development of AQUIND Interconnector to take place "

4.5.1 AQUIND Indicative financing plan

AQUIND Interconnector is the sole business of AQUIND. For these purposes, AQUIND can be considered a project entity.

AQUIND's financing strategy is to attract funds to invest in AQUIND Interconnector on a project-finance basis. Our analysis shows that AQUIND Interconnector can be an attractive business proposition for project-finance providers, subject to AQUIND being granted appropriate regulatory regimes, including an Exemption as requested in this Request for Exemption.

AQUIND is being financed at the development stage by private investments. This is the riskiest part of financing and it is very hard to attract outside investors. Up to the present moment, nearly [redacted] have been invested by AQUIND and its shareholders in the development stage of the Project.

AQUIND will seek further equity funding and non-recourse project financing from wider pools of potential investors for the construction stage of the Project. The target combination of debt and equity will be determined through the ongoing discussions around the most efficient investment approach with potential investors while the Exemption is assessed, but in any case project debt is unlikely to be less than 50%.

A summary of the indicative financing plan is set out in Table 4-4.

Table 4-4 Indicative financing plan

Source of financing	Financial contribution
AQUIND's own resources	▸ [redacted]m to date; plus ▸ [redacted] until FID
Project finance	▸ [redacted] ▸ Expected [redacted]% of capex
Other sources (equity investors)	▸ Expected [redacted]% of capex

The final approach to the financing strategy depends on the details of the regulatory arrangement with the NRAs, including the form and duration of the Exemption.

The combination of investors may include:

- Equity providers:
  - [redacted]

[4] Directive 2009/72/EC, Article 9.

[redacted]

- Non-recourse finance providers:

[redacted]

AQUIND is engaging with various types of the potential investors, at this stage primarily equity providers, including specialised investment funds, corporate investors, EPCI contractors and high net worth individuals. These discussions are covered by mutual confidentiality requirements.

Taking into account that a typical ticket size for banks in such project finance deals is around €[redacted] million, AQUIND expects there would be a syndicate of lenders. While there are not many examples of fully private interconnectors, recent offshore wind transactions suggest that AQUIND should expect that term loans would be for at least [redacted] years.[5] AQUIND may opt for a share of shorter- or longer-term loans subject to future refinancing after a certain period of time. A precise loan strategy will be determined through further engagement with debt providers and equity investors, based on the final regulatory regime applicable in the UK and in France, including the form and the duration of the Exemption.

Recent transactions involving offshore wind farms also show that if it is possible to confirm a business case for a project, then it is also possible to attract investors such as infrastructure funds, pension funds and sovereign funds who have a longer investment horizon than private investors. In offshore wind it has been achieved through a direct tariff support by Government.

Without the flexibility provided by the exemptions requested in this Request for Exemption, AQUIND Interconnector will not be able to attract non-recourse debt finance or equity. Furthermore, if particularly onerous conditions are imposed as part of the exemption, the lender's margin, and therefore the cost of the project, will increase. This may make it non-viable for AQUIND to proceed. AQUIND is not in a position to finance the Project on "balance sheet" as national TSOs and utilities may be in a position to do.

AQUIND, with its advisors, has prepared a financial model to simulate the expected cash-flows based on a set of economic assumptions outlined in Exhibit 1. The financial model is provided in Exhibit 3. [redacted]

As AQUIND is unable to operate an interconnector in France without an exemption, the exemption length will be linked to the expected debt repayment period, incorporating at least 5 years additional

[5] Page 30 of "Where's the money coming from? Financing offshore wind farms" European Wind Energy Association, November 2013.

headroom. The exemption is therefore required for a period of time that exceeds the term of the non-recourse debt by a safe margin. It would ensure that the project is able to address the following risks:

- Actual terms and conditions of financing – given uncertainties affecting exchange and interest rates, which stem from Brexit and other political and macro-economic factors, AQUIND will be able to finalise its financing package at the point of Final Investment Decision. At this stage, AQUIND requires an appropriate amount of flexibility to make prospective investors comfortable.
- Market conditions as discussed in this Request for Exemption.
- Programme and cost risks of the project as discussed in this Request for Exemption.

7. FUNDING CLAIMS FOR COMPENSATION

[BLAKE MORGAN INSERT: Paragraph 9.2 of Appendix B to the Applicant's Responses to Deadline 6 Submissions (document reference [REP7-075]) states (our emphasis added):

"The Applicant has already confirmed in response to agenda item 5.2 of CAH1 that the monies secured to date from its current investors <u>do not include the costs associated with compulsory acquisition,</u> specifically at paragraph 5.8 of the Applicant's Transcript of Oral Submissions for Compulsory Acquisition Hearing 1 (REP5-034) which confirms "<u>Financing for the Project secured following any grant of the DCO will be used to fund the capital costs of the construction stage, which includes the costs associated with compulsory</u> acquisition".

7.1 Compulsory acquisition

7.2 The Order contains powers to enable the acquisition of land, new rights over land and the imposition of restrictions that are necessary in connection with the construction, operation and maintenance of the Proposed Development. Such powers will be necessary to be used where the necessary land or rights over land cannot be acquired by voluntary agreement.

7.3 In summary, the following land and rights over land are sought for the purposes of the Proposed Development:

7.3.1 Acquisition of all freehold and leasehold interests over land required for the construction of a Converter Station at Lovedean;

7.3.2 Rights to plant and maintain landscaping, including maintaining existing hedgerows, on parcels of land necessary to mitigate the visual and ecological impact of the Proposed Development;

7.3.3 Easements authorising the laying, operation and maintenance of the HVAC onshore cables between the converter station and the existing National Grid substation at Lovedean;

7.3.4 Easements authorising the laying, operation and maintenance of the HVDC onshore cables between the Converter Station at Lovedean and the landfall site at Eastney;

7.3.5 Temporary use of land in connection with the construction and maintenance of the Proposed Development;

7.3.6 Easements of access necessary to construct and maintain the Proposed Development;

7.3.7 Acquisition of all freehold and leasehold interests over land required for construction of two optical regeneration stations near to the landfall at Eastney.

7.4 Further details of the rights and interests over land sought for the purpose of the Proposed Development are set out in section 6 of the Statement of Reasons (Application Document Reference 4.2).

7.5 Professional advice and landowner negotiations

7.6 The total estimated maximum costs to acquire the land and rights required in connection with the Proposed Development and for which powers of acquisition in the Order are sought in relation to are approximately £5m. It should be noted that this is an estimated valuation of the worst case land and rights required for the Project, and excludes the valuation of the Crown Estate's seabed interest (discussed below at paragraph 7.8) and professional fees and stamp duty land tax. The Applicant considers that the actual cost of acquiring land and rights required will be less than the above sum.

7.7 The current position regarding negotiations with landowners and those with interest in land affected by the Proposed Development is summarised in the Statement or reasons (Application Document Reference 4.1).

7.8 The Applicant has signed an option agreement with the Crown Estate for the licencing of a corridor of the seabed being 1,000 metres in width and lying inside the territorial limit. Within this seabed area, the Applicant may carry out site investigations and / or install temporary works during the option period. The Applicant may elect to exercise the option to draw down the licence within the option period (being six years) and once granted, the licence grants the Applicant rights to lay, bury, protect and use the section of the cable system for the Proposed Development within a certain designated area for a period of 49 years. The Applicant is negotiating a further option agreement with the Crown Estate for the leasing of a corridor of the foreshore and bed of the river at Eastney, Portsmouth. This lease contains similar rights to the aforementioned seabed licence.

7.9 **Blight**

7.10 The current cost estimate (see section 5 of this Statement) includes an amount to cover the total costs of the payment of compensation for the compulsory acquisition of land and rights included in the Order and required in connection with the Proposed Development.

7.11 It is not anticipated that any claims for blight will arise. Should any claims for blight arise as a consequence of the Application the cost of meeting such claims will be met from the sources of funding described above at section 6 to this Statement

8. **REGULATORY STATUS**

[BLAKE MORGAN INSERT: THIS SECTION NEEDS TO BE READ IN LIGHT OF THE DEPARTURE OF THE UK FROM THE EU AT THE END OF 2020 AND THUS THE GATEWAY FOR EXEMPTION UNDER THE REGULATIONS IS NOW CLOSED AS ON THE 31ST DECEMBER 2020]

8.1 The Applicant continues to work to secure regulatory arrangements for the Project which would enable it to operate in the UK and France. In this regard, the Applicant presently has two separate ongoing applications for an "exemption" from certain regulations which are being considered by the relevant authorities.

8.2 An application for an exemption under the Electricity Regulation needs to meet six criteria set out in the Electricity Regulation. In its decision of 2018, the Agency for the Cooperation of Energy Regulators ('ACER') assessed the Applicant's exemption request against all six criteria and confirmed that the Applicant passed five of the six tests set out in the Electricity Regulation. In relation to the element that ACER deemed the Applicant not to have passed, the General Court of the European Union has ruled that ACER acted unlawfully as it wrongly created a hierarchy between two EU regulations and wrongly sought to create a further conditionality for the exemption for which the Applicant had applied. On the basis that this approach by ACER was held to be unlawful and given that the Applicant had met all other criteria for the exemption, the Applicant has a pathway to an exemption in 2021.

8.3 In respect of the ongoing exemption applications:

8.3.1 the first application relates to an exemption for the entire Project. This application was submitted in December 2017 and was rejected by the Agency for the Cooperation of Energy Regulators ('ACER'). Following an unsuccessful appeal to the Board of Appeal of ACER, the Applicant brought an appeal before the General Court of the European Court of Justice. On 18 November 2020, the General Court annulled the decision of the Board of Appeal and this exemption application has therefore been remitted to the Board of Appeal to reconsider in light of the judgment; and

8.3.2 the second application relates to a partial exemption, which was submitted to the national regulatory authorities for the UK and France (Ofgem and CRE) in June 2020. This application only seeks an exemption for the portion of the project in French territory. The application is progressing and a public consultation on the application was launched by the regulators on 18 December 2020[6] and which will continue until 29 January 2021.

8.4 The grant of either of these exemption applications would allow the Project to operate in France. If the second 'partial' exemption is granted, further regulatory arrangements would be required for the UK portion of the Project. In this regard, the Applicant intends to apply for a cap and floor regime, or its equivalent/replacement, as soon as applications are invited following the conclusion of Ofgem's present interconnector policy review and the Applicant has advised Ofgem of this intention.

8.5 In this regard the Energy White Paper: Powering our net zero future published by the Department for Business, Energy and Industrial Strategy on 14 December 2020[7] identifies that Ofgem will work with developers and the UK's European partners to realise at least 18GW of interconnector capacity by 2030[8], and it is

[6] https://www.ofgem.gov.uk/publications-and-updates/joint-consultation-aquind-s-exemption-request

[7] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/945899/201216_BEIS_EWP_Command_Paper_Accessible.pdf

anticipated an appropriate policy mechanism will be introduced to ensure the realisation of this increase at least cost to consumers.

[Blake Morgan Insert: Paragraph 6.3.1, Section 6 of the Applicant's Request for Exemption

" Aquind has thereby conclusively demonstrated that the partial exemption requested in this Request for exemption is the only route that will allow the development of AQUIND Interconnector to take place "

9. **CONCLUSION**

9.1 Whist the Project does not have the benefit of full funding at this stage, this is not unusual for a project where the securing of funding is dependent on the securing of a development consent order. It is not anticipated that there will be any funding shortfalls for the Project in terms of its principal project cost, financing or land acquisition at the time of when such finance is required.

BM INSERT:

Paragraph 9.2 of REP7-075 states:

"*The Applicant has … confirmed in response to agenda item 5.2 of CAH1 that the monies secured to date from its current investors do not include the costs associated with compulsory acquisition…*"

Section 4.5 of the Applicant's Exemption Request states (at pages 14 to 17):

- **"*AQUIND is not in a position to finance the Project on "balance sheet" as national TSOs and utilities may be in a position to do.*"**
- ***'Without the flexibility provided by the exemptions requested in this Request for Exemption, AQUIND Interconnector will not be able to attract non-recourse debt finance or equity.*"**
- **"*…AQUIND Interconnector can be an attractive business proposition to project-finance providers, subject to AQUIND being granted appropriate regulatory regimes, including an Exemption as requested in this Request for Exemption…*"**
- **"*…AQUIND is unable to operate an interconnector in France without an exemption…"***

Section 5.3.1 of the Applicant's Request for Exemption states:

"AQUIND's Request for Exemption on the Use of Revenues in France follows extensive regulatory engagement with CRE, as well as Ofgem and ACER to consider and test the viability of different investment and regulatory routes for AQUIND Interconnector. The conclusion of these regulatory tests, extensive analysis and formal regulatory decisions is that the only investment route available to AQUIND in France is through an exemption under Article 63. Without an exemption, the project cannot, and will not, progress"

Section 6.1 of the Applicant's Request for Exemption states:

"this investment will not take place unless this exemption is granted"

Section 6.3.1, of the Applicant's Request for Exemption states:

"AQUIND has thereby conclusively demonstrated that the partial exemption requested in this Request for Exemption is the only toute that will allow the development of Aquind interconnector to take place"

ON 28 January 2021, Ofgem and the CRE issued the following joint statement:

"*On 2nd June 2020, Aquind submitted to Ofgem and CRE (together, the "NRAs") a request for partial exemption from Articles 19(2) and 19(3) of Regulation (EU) 2019/943 (the "Regulation"), concerning Use of Revenues obligations, for a period of 25 years from the start of commercial operations (the "Exemption Request").On 18th December 2020, the NRAs published a joint consultation document outlining the scope and rationale of the Exemption Request, as well as the supporting evidence provided by Aquind. The consultation was originally planned to close on 29th January 2021. The NRAs issued this consultation in line with our obligations under the applicable legal framework at the time, and with uncertainty as to the future trade and cooperation arrangements between the UK and the EU beyond the end of the transition period. In light of the new Trade and Cooperation Agreement (the "TCA") agreed between the UK and the EU on 24th December 2020, following the UK's departure from the EU, the NRAs consider that the exemption request process defined under the Regulation is only available to interconnector projects developed between EU Member States. As the UK is no longer a Member State and the transition period has ended, Aquind can no longer access that process and the NRAs no longer have the necessary legal powers to assess, and decide upon, the Exemption Request. Consequently, the NRAs have decided to discontinue the ongoing consultation and assessment process. Ofgem and CRE will continue to cooperate closely in regards to the functioning and the development of interconnections between the UK and France and the implementation of the arrangements envisaged in the TCA*."

9.2 The explanation set out in this Statement provides a basis for concluding that the compensation arising from the potential exercise of compulsory acquisition powers under the Order will be met, and that the necessary funding for the development of the Project will be secured.

[BM INSERT: SEE ABOVE RELATING TO THE UK'S EXIT FROM THE EU ON 24 DECEMBER 2020]

APPENDIX 1

AUDITED ACCOUNTS FOR AQUIND LIMITED FOR THE YEAR ENDED 30 JUNE 2018

COMPANY REGISTRATION NUMBER: 06681477

Aquind Limited

Financial Statements

For the year ended 30 June 2018

THURSDAY

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LD8 28/03/2019 #107

COMPANIES HOUSE

The directors present their report and the audited financial statements of the company for the year ended 30 June 2018.

Principal activities

The principal activity of the company during the year was the development of the Aquind Interconnector - a 2000MW high voltage direct current power transmission line between the UK and France.

On June 23, 2016, the United Kingdom (UK) held a referendum in which voters approved an exit from the European Union (EU) referred to as "Brexit"). As a result of the referendum, it was expected that the UK would leave the EU by 29 March 2019 althOugh at the time of this report the terms and timing of any final Brexit negotiations remain unknown. The Directors anticipate that Brexit could cause disruption and uncertainties around AQUIND's business and relationships with both future users of the Interconnector and create a short term uncertainty in respect of the regulatory treatment of AQUIND Interconnector by the UK, French and EU electricity market regulators. Brexit is unlikely to have a direct impact on environmental, planning and consenting activities, which are being currently undertaken by the company. Nevertheless, since construction of the interconnector is not planned earlier than. 2020 and its commissioning planned for after 2022, we consider that the interconnector's business model will remain viable. Any short-term immediate disruptions arising from Brexit are unlikely to undermine the fundamental, long-term conditions of energy markets in the UK and France, which suggest significant economic benefits of the transmission of electricity between the two markets.

Subsequent events

Subsequent to the year end, on 15 February 2019 100% shares of the Company were sold to Aquind Energy SARL, a company registered in Luxemburg and the transaction has been registered with the UK tax authorities.

Directors

The directors who served the company during the year; and up to the date of signing were as follows:
Mr R D Glasspool
Mr. K Glukhovskoy
Mr A Temerko

The Company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006: Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Donations

£34,000 was paid to the Conservative party for attendance at various events and conferences during the year. A proportion of the cost of these events are treated as donations by the recipient. It has not been possible to split this out. Further purchases of £8,000 were also made from the Conservative party during the year. •

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Small company provisions

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

This report was approved by the board of directors on 27 March 2019 and signed on behalf of the board by:

Mr R D Glasspool
Director

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with *the* Companies Act 2006. They *are* also responsible for safeguarding *the* assets of *the* company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are respons ble for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of Aquind Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 30 June 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted. Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 12.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion
We conducted our audit in accordance with international Standards on Auditing (UK) (iSAs (UK)) and applicable law. Our resdonsibilities under those standards are further described in the auditors responsibilitiei for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRG's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We *are required by* ISAs (UK) to report *in respect of the* following *matters where:*

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors·.have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue. • . •

We have nothing to report in respect of these matters.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditors report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with *our audit of the financial statements, our responsibility* is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have. performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. •

We have nothing to report in respect of these matters.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements *and for being* satisfied that they give a true and *fair view,* and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In. preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from Material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion: Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. .

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.orq.ukiauditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

. ,

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

the information given in the directors' report for the financial year.for which the financial statements are prepared is consistent with the financial statements; and

the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and •ekplanations we require for our audit.; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to *prepare a* strategic report.

We have nothing to report in respect of these matters.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume • responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the o'.inions we have formed.

27 March 2019

Aquind Limited

Statement of Comprehensive Income

For the year ended 30 June 2018

	Note	2018	2017
Administrative expenses		(1,023,130)	(579,725)
Operating loss		(1,023,130)	(579,725)
Interest payable and similar expenses		(363,565).	(87,060)
Loss before taxation		(1,386,695)	(666,785)
Tax on loss			
Loss for the financial year and total comprehensive income		(1,386,695)	(666,785)

All the activities of the company are from continuing operations.

The notes *on* pages 8 *to* 10 *form part of these financial statements.*

Aquind **Limited**

Statement of Financial Position

As at 30 June 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	.6	12,169,613	3,225,247
Tangible assets	7	8,109	
		12,177,722	3,225,247'
Current **assets**			
Debtors	8	1,014,452	254,383
Cash at bank and in hand		50,666	420,064
		1,065,118	674,447
Creditors: **amounts falling due within one year**	9	(15,092,991)	(4,363,150)
Net current liabilities		**(15,092,991)**	**(3,688,703)**
Total assets less current liabilities		**(1,850,151)**	**(463,456)**
Net liabilities		**(1,850,151)**	**(463,456)**
Capital and reserves			
Called up share capital		**330,001**	**330,001**
Profit and loss account		(2,180,152)	(793,457)
Shareholders deficit		(1,850,151)	'(463,456)

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small
• companies' regime and in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

These financial statements were approved by the board of directors and authorised for issue on 27 March 2019 and are signed on behalf of the board by:

[redacted]

Mr R D Glasspool
Director

Company registration number: 06681477

The notes on pages 8 to 10 form part of these financial statements.

Aquind Limited

Statement of Changes in Equity

For the year ended 30 June 2018

	Called up share capital	Profit and loss account	**Total**
At 1 July 2016	330,001	(126,672)	203,329
Loss for the year		(666,785)	(666,785)
Total comprehensive loss for the year	—	(666,785)	(666,785)
At 30 June 2017	330,001	(793,457)	(463,456)
Loss for the year		(1,386,695)	(1,386,695)
Total comprehensive loss for the year	—	(1,386,695)	(1,386,695)
At 30 June 2018	330,001	(2,180,152)	(1,850,151)

The notes on pages 8 to 10 form part of these financial statements.

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is OGN House: Hadrian Way, Wallsend, NE28 6HL.

2. Statement of compliance

These financial statements have been prepared in compliance with Section 1A of FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation
The financial statements have *been* prepared on the historical cost basis and in sterling, which is the functional currency of the entity.

Going concern .
The company has been and is dependent upon the shareholder in providing funding to cover the initial project development costs. A number of shareholder loans have been provided to the company which are for a fixed term of one year. The shareholder has agreed to roll-over each loan and to extend for one further year. A budget has been prepared covering one years required project development and overhead costs to 31 March 2020. The shareholder has provided a letter of comfort to the company that the budget will be funded by additional shareholder loans and that all individual loans made to date to the company will be extended for one further year. The shareholder.is therefore committed to provide continued funding to the company for the current project development phase. The directors are•also investigating alternative sources of finance, including commercial banks, other financial institutions and strategic partners to fund subsequent project stages.

Taking into account the above and the ongoing financial support demonstrated by the shareholder, the directors continue to adopt the going concern basis in preparing the financial statements.

Development costs
Expenditure to establish the Project is recognised in the Profit and Loss Account on an accruals basis. Expenditure on-the development of the Project is capitalised when its future recoverability can be reasonably assured and both its technical feasibility and commercial viability can be demonstrated. Costs capitalised include costs incurred in bringing the Project to the consented stage, including costs associated with obtaining all material permits, authorisations and financing. At the point where the future economic benefit from its use or disposal does not exceed the carrying value of the Project it is impaired. At the point that the Project reaches the consent stage and is approved for construction by the Board the carrying value will be transferred to property, plant and equipment as assets under construction.

Foreign currencies
Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate 'ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

Intangible assets
Intang ble assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Amortisation will be charged once the related asset is available for use.

Tangible assets
Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any.subsequent accumulated depreciation and subsequent accumulated impairment losses.

0. Auditor's remuneration

	2018	2017
	£	£
Fees payable for the audit of the financial statements	7,550	7,550

5. Employee numbers

The average number of persons (baSed on the monthly average number in line with Companies Act requirements) employed by the company during the year amounted to 7 (2017: 7).

6. Intangible assets

	Development costs £	Intellectual property rights £	Other intangibles £	Total £
Cost				
At 1 July 2017	3,195,998	5,850	23,399	3,225,247
Additions	8,944,366		—	8,944,366
At 30 June 2018	12,140,364	5,850	23,399	12,169,613
Amortisation				
At 1 July 2017 and 30 June 2018				
Carrying amount				
At 30 June 2018	12,140,364	5,850	23,399	12,169,613
At 30 June 2017	3,195,998	5,850	23,399	3,225,247

7. Tangible assets

	Fixtures and fittings £	Total
Cost		
At 1 July 2017		
Additions	9,018	9,018
At 30 June 2018	9,018	9,018
Depreciation		
At 1 July 2017 and 30 June 2018	909	909
Carrying amount		
At 30 June 2018	8,109	8,109
At 30 June 2017		

8. Debtors

	2018	2017
Prepayments and accrued income	16,028	20,480
Other debtors	795,184	114,814
VAT	203,240	119,089
	1,014,452	254,383

9. Creditors: amounts falling due within one year

	2018	2017
	£	£
Trade creditors	1,542,026	530,401
Amounts owed to group undertakings	12,596,004	3,517,404
Accruals and deferred income	921,426	307,532
Social security and other taxes	32,063	—
Other creditors	1,472	7,813
	15,092,991	4,363,150

Amounts owed to group undertakings have been advanced at an interest rate of 4.5% above the Barclays bank base rate.

10. Related party transactions

During the year, the Company received marketing services from a relative of the company director in the amount of £6,300 (2017: £Nil). The services were provided under the normal market conditions. During the year the costs of these services were included in administrative expenses.
The outstanding amount at the reporting date was £Nil (2017: £Nil).

11. Controlling party

The company's immediate parent undertaking was OGN Enterprises Limited, a company registered in the British Virgin Islands. The directors regarded the ultimate controlling party to be TMF (BVI) Limited, a company registered in the British Virgin Islands.

12. Subsequent events

Subsequent to the year end, on 15 February 2019 100% shares of the Company were sold to Aquind Energy SARL, a company registered in Luxemburg and the transaction has been registered with the UK tax authorities.

APPENDIX 2

AUDITED ACCOUNTS FOR AQUIND LIMITED FOR THE YEAR ENDED 30 JUNE 2019

COMPANY REGISTRATION NUMBER: 06681477

Aquind Limited

Financial Statements

For the year ended 30 June 2019

The directors present their report and the financial statements of the company for the year ended 30 June 2019.

Principal activities

The principal activity of the company during the year was the development of the Aquind Interconnector - a 2000MW high voltage direct current power transmission line between the UK and France.

On 23 June, 2016, the United Kingdom (UK) held a referendum in which voters approved an exit from the European Union (EU) (referred to as "Brexit"). Following a general election held on 12 December 2019, the elected government moved forward with seeking Parliamentary approval of a new Withdrawal Agreement which was considered and agreed by the European Council on 17 October 2019. The Withdrawal Agreement was approved in January 2020. The new Withdrawal Agreement sets out the terms of the UK's exit from the EU. In addition, the UK and EU also agreed upon a new Political Declaration which sets out the framework for the future relationship between the EU and the UK, and reflects the Government's ambition to conclude an ambitious, broad, deep and flexible partnership across trade and economic co-operation across a number of sectors, including energy, with a free trade agreement with the EU at its core. As the outcome, the UK left the EU on 31 January 2020. There is currently a transition period during which the UK and the EU should agree on post-Brexit trading arrangements. The transition period is currently due to expire on 31 December 2020, but might be extended in order to complete negotiations.

Accordingly, uncertainty still remains over the future nature and timing over agreement on the future economic and trading relationship *between the UK and EU.* This may lead to ongoing disruptions and uncertainties around AQUIND's business and relationships with both future users of the interconnector and in respect of the regulatory treatment of AQUIND Interconnector by the UK, French and EU electricity market regulators.

However, Brexit is unl kely to have a direct impact on environmental, planning and consenting activities, which are being currently undertaken by the company. Nevertheless, since construction of the interconnector is not planned earlier than 2021 and its commissioning planned for after 2023, we consider that the interconnector's business model will remain viable. Any short-term immediate disruptions arising from Brexit are unlikely to undermine the fundamental, long-term conditions of energy markets in the UK and France, which suggest significant economic benefits of the transmission of electricity between the two markets.

The Directors have considered the current economic uncertainty reflecting the Covid 19 outbreak and the associated economic uncertainties and implications for delays to ongoing political dialogue associated with Brexit and the operation of the power markets for the future. Whilst short term delays are expected the underlying economic requirements supporting the need for greater interconnector capacity and the value of this project specifically are considered to remain strong.

Directors

The directors who served the company during the year were as follows:

Mr R D Glasspool
Mr K Glukhovskoy
Mr A Temerko

The company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

£13,000 (2018: £34,000) was paid to the Conservative party for attendance at various events and conferences during the year. A proportion of the cost of these events are treated as donations by the recipient. It has not been poss ble to split this out. Further political donations of £70,600 (2019: £8,000) were also made to the Conservative party during the year.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Small company provisions

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

This report was approved by the board of directors on 20 May 2020 and signed on behalf of the board by:

Mr R D Glasspool
Director

Registered office:
OGN House
Hadrian Way
Wallsend
NE28 6HL

Directors' Responsibilities Statement

Year ended 30 June 2019

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent.

The directors are respons ble for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of Aquind Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and the Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our respons bilities *under those standards are* further descr bed *in* the auditor's *responsibilities* for *the audit* of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of *assurance* conclusion thereon.

In connection with our audit of *the* financial statements, our respons bility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are respons ble for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our respons bilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsrespons bilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year, for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

Use **of our report**
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our work, for this report, or for the opinions we have formed.

Anthony Matthews (Senior Statutory Auditor)

For and on behalf of
Deloitte LLP
Statutory Auditor

20 May 2020

Aquind Limited

Statement of Comprehensive Income

Year ended 30 June 2019

	Note	2019 £	2018 £
Administrative expenses		(1,390,077)	(1,023,130)
Operating **loss**		(1,390,077)	(1,023,130)
Interest receivable and similar income		753	
Interest payable and similar expenses		(929,732)	(363,565)
Loss before taxation	**6**	(2,319,056)	(1,386,695)
Tax on loss			
Loss for the financial year and total comprehensive income		(2,319,056)	(1,386,695)

All the activities of the company are from continuing operations.

The notes on pages 9 to 11 form part of these financial statements.

Aquind Limited

Statement of Financial Position

30 June 2019

	Note	2019 £	2018 £
Fixed **assets**			
Investments	7	894	
Intang ble assets	**8**	23,355,679	12,169,613
Tangible assets	**9**	5,591	8,109
		23,362,164	12,177,722
Current assets			
Debtors	10	651,710	1,014,452
Cash at bank and in hand		1,049,684	50,666
		1,701,394	1,065,118
Creditors: amounts falling due within one year	**11**	(3,796,950)	(15,092,991)
Net current liabilities		(2,095,556)	(14,027,873)
Total assets less current liabilities		21,266,608	(1,850,151)
Creditors: amounts falling due after more than one year	**11**	(25,435,815)	
Net liabilities		(4,169,207)	(1,850,151)
Capital and reserves			
Called up share capital		330,001	330,001
Profit and loss account		(4,499,208)	(2,180,152)
Shareholders deficit		(4,169,207)	(1,850,151)

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

These financial statements were approved by the board of directors and authorised for issue on 20 May 2020, and are signed on behalf of the board by:

Mr R D Glasspool
Director

Company registration number: 06681477

The notes on pages 9 to 11 form part of these financial statements.

Aquind Limited

Statement of Changes in Equity

Year ended 30 June 2019

	Called up share capital	Profit and loss account	Total
	£	£	£
At 1 July 2018	330,001	(2,180,152)	(1,850,151)
Loss for the year		(2,319,056)	(2,319,056)
Total comprehensive income for the year		(2,319,056)	(2,319,056)
At 30 June 2019	330,001	(4,499,208)	(4,169,207)
Profit for the year			
At 30 June 2019	330,001	(4,499,208)	(4,169,207)

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is OGN House, Hadrian Way, Wallsend, NE28 6HL.

2. Statement of compliance

These financial statements have been prepared in compliance with Section 1A of FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of **preparation**
The financial statements have been prepared on the historical cost basis and in sterling, *which* is the functional currency of the entity.

Going concern
OGN Enterprises Limited has provided a number of shareholder loans to the company over the years. OGN Enterprises Limited has confirmed its commitment to provide funding to cover the initial project development costs irrespectively of the sale of 100% of shares of the company to Aquind Energy S.a.r.l.. OGN Enterprises Limited has agreed to roll-over each loan and to extend them until 1 June 2021. OGN Enterprises Limited has provided a letter of comfort to the company that the budget will be funded by additional loans and that all individual loans made to date to the company is extended to 1 June 2021. OGN Enterprises Limited is therefore committed to provide continued funding to the company for the current project development phase. The directors are also investigating alternative sources of finance, including commercial banks, other financial institutions and strategic partners to fund subsequent project stages.

In addition to the above the Directors have also considered the current economic uncertainty reflecting the Covid 19 outbreak as set out in the Directors' Report. Reflecting that the company is not currently reliant on revenues, and has secured funding to manage its spending plans for the next 12 months which has been reconfirmed as available in the light of the Covid 19 developments. Whilst there could be some delays to the progress of the plans for the project this is not considered to have a significant impact on the going concern assumption.

Taking into account the above and the ongoing financial support demonstrated by OGN Enterprises Limited, the directors continue to adopt the going concern basis in preparing the financial statements.

Investments
Fixed assets investments are shown at cost less provision for impairment in value.

Development costs
Expenditure to establish the Project is recognised in the Profit & Loss Account on an accruals basis. Expenditure on the development of the Project is capitalised when its future recoverability can be reasonably assured and both its technical feasibility and commercial viability can be demonstrated. Costs capitalised include costs incurred in bringing the Project to the consented stage, including costs associated with obtaining all material permits, authorisations and financing. At the point where the future economic benefit from its use or disposal does not exceed the carrying value of the Project it is impaired. At the point that the Project reaches the consent stage and is approved for construction by the Board the carrying value will be transferred to property, plant and equipment as assets under construction.

Foreign currencies
Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

Intangible assets
Intang ble assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation *and* impairment losses. Amortisation will be charged once the related asset is available for use.

Tangible assets
Tang ble assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

4. **Auditor's remuneration**

	2019	2018
	£	£
Fees payable for the audit of the financial statements	11,750	7,550

5. Employee numbers

The average number of persons employed by the company during the year amounted to 7 (2018: 7).

6. Profit before taxation

Profit before taxation is stated after charging:

	2019	2018
	£	£
Depreciation of tang ble assets	3,145	909

7. Investments

	Subsidiary undertakings	Total
	£	£
Cost		
Additions	894	894
At 30 June 2019	894	894

Aquind SAS (France) is **a** 100% subsidiary of the company **and was registered on 31 May 2019 for the** purposes of developing the Aquind interconnector in France. It is currently operating under the control of the company and was dormant as at 30 June 2019. The investment in the subsidiary company is carried at cost of £894 (2018: £nil).

1. Intangible assets

	Development costs	Intellectual property rights	Other intangibles	Total
	£	£	£	£
Cost				
At 1 July 2018	12,140,364	5,850	23,399	12,169,613
Additions	11,176,066	10,000	-	11,186,066
At 30 June 2019	23,316,430	15,850	23.399	23,355,679
Amortisation				
At 1 July 2018 and 30 June 2019				
Carrying amount				
At 30 June 2019	23,316,4a0	15,850	23,399	23,355,679
At 30 June 2018	12,140,364	5,850	23,399	12,169,613

2. Tangible assets

	Fixtures and fittings	Total
	£	£
Cost		
At 1 July 2018	9,018	9,018
Additions	627	627
At 30 June 2019	9.645	9,645
Depreciation		
At 1 July 2018	909	909
Charge for the year	3,145	3,145
At 30 June 2019	4,054	4,054
Carrying amount		
At 30 June 2019	5,591	5,591
At 30 June 2018	8,109	8,109

10. Debtors

	2019	2018
	£	£
Prepayments and accrued income	13,205	16,028
VAT	228,055	203,240
Other debtors	410,450	795,184
	651,710	1,014,452

11. Creditors

	2019	2018
	£	£
Amounts falling due within one year:		
Trade creditors	2,463,860	1.542,026
Amounts owed to group undertakings		12,596,004
Accruals and deferred income	1,200,962	921,426
Social security and other taxes	79,219	32,063
Other creditors	52,909	1,472
	3.796,950	15,092,991

	2019	2018
	£	£
Amounts falling due more than one year:		
Amounts owed to group undertakings	25,435,815	

Amounts owed to group undertakings represent loans made by OGN Enterprises Limited and have been advanced at an interest rate of 4.5% above the Barclays bank base rate. OGN Enterprises Limited has agreed to roll-over each loan and to extend them until 1 June 2021.

12. Related party transactions

During the year, the company received loans from OGN Enterprises Limited £11,910,079 (2018: £8,678,425). The outstanding amount at the reporting date was £24,105,908 (2018: £12,195,829). Interest was charged on the loans from OGN Enterprises Limited at 4.5% above the Barclays bank base rate and amounted to £929,732 (2018: £563,007). Interest of £1,329,907 was outstanding at 30 June 2019 (2018: £400,175). OGN Enterprises Limited has agreed to roll-over each loan and to extend them until 1 June 2021.

During the year, the company received marketing services from a relative of the company director in the amount of £38,850 (2018: £6,300). The services were provided under the normal market conditions. During the year the costs of these services were included in administrative expenses. The outstanding amount at the reporting date was £Nil (2018: ENil).

13. Controlling party

The parent of the company is Aquind Energy S.a.r.l., whose registered office is at 26, boulevard de Kockelscheuer, L-1821, Luxembourg. The Directors have the power to govern the financial and operating policies of the company.

14. Subsequent events

The Directors have considered the current economic uncertainty reflecting the Covid 19 outbreak and the associated economic uncertainties and implications for delays to ongoing political dialogue associated with Brexit and the operation of the power markets for the future. Whilst short term delays are expected the underlying economic requirements supporting the need for greater interconnector capacity and the value of this project specifically are considered to remain strong.

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APPENDIX 3

FULL COPY AQUIND LIMITED EXEMPTION REQUEST RELATING TO EU REGULATION 2019/943

Request for Exemption: AQUIND Interconnector

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1 Executive Summary

AQUIND Interconnector is a proposed 2000MW electricity interconnector promoted by AQUIND SAS and AQUIND Limited[1] ("AQUIND") that will connect the GB and French electricity markets. Pursuant to Article 63 of Regulation 2019/943 ("the Regulation"), AQUIND seeks a partial exemption for AQUIND Interconnector in France from Articles 19(2) and 19(3) of the Regulation. Without an exemption the AQUIND Interconnector cannot and will not progress through construction and to commercial operation. This Request for Exemption explains the benefits of the project, the rationale for the exemption, and the specifics of the exemption requested under the Regulation.

Demand for interconnector capacity

Existing interconnector capacity on the GB-France border is currently limited to Interconnexion France-Angleterre (IFA) – although other projects are under construction, including IFA2 and ElecLink. Structural differences in the wholesale electricity prices between the electricity markets in GB and France clearly demonstrate the need for more capacity. Our analysis shows that there is a need for additional capacity between France and GB over and above the three projects listed above.

AQUIND is a private investment that can be delivered without relying on network tariffs in France

AQUIND is developing a privately funded 2000MW interconnector between GB and France. The exempt portion will be wholly funded by investors who are independent from RTE. The full project benefits will therefore be delivered without any funding from French network users and represents further private sector investment in essential infrastructure. This sets AQUIND apart from other possible RTE-led GB-French interconnector projects.

We have already invested nearly €40m in developing the project to the current stage which represents our commitment to this Project and delivering the benefits of AQUIND Interconnector.

AQUIND project benefits

AQUIND will significantly increase the cross-border capacity between GB and France. AQUIND's welfare analysis shows a **total benefit to Europe of over €1.3bn** in the central scenario, including a total benefit to France of approximately €1bn[2].

The structural difference between the GB and French wholesale electricity prices means that AQUIND is projected to flow predominantly from the lower priced French market to GB. In France, **power producers gain** from the export of power to the higher priced GB market. In total, the net welfare benefit of France is positive with the introduction of AQUIND.

All of AQUIND's capacity will be allocated through competitive auctions. Interconnector users will be charged based on the results of the auctions, in line with the prevailing regulations. AQUIND will increase the opportunity for market participants to access the GB and French markets, increasing **competitive pressure** on incumbent market participants.

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[1] AQUIND SAS is a company created under the laws of France, R.C.S 808 503 940, registered at: 72 rue de Lessard 76100 Rouen.
AQUIND Limited is a limited liability company under the laws of England and Wales with company number 06681477 and the registered address at OGN House, Hadrian Way, Wallsend, NE28 6HL.

[2] Excluding any benefit from AQUIND

In addition to these benefits, AQUIND is expected to improve the overall **efficiency of generation dispatch** across GB and France, increase security and diversity of supply for both countries, and contribute to a **reduction in overall carbon emissions**.

AQUIND will be developed using HVDC Voltage Source Converter (VSC) technology. Working with the national TSOs, AQUIND will be in a position to offer **system services** to the benefit of both networks.

As an exempt project developer, AQUIND will deliver these benefits without any financial underpinning from French network users for the Exempt Portion. This means that **no French consumer money** will be used to pay for the Exempt Portion of the interconnector.

AQUIND needs an exemption to deliver these benefits

AQUIND is developing the interconnector independently, without partnering with the national TSO, RTE, in France.

AQUIND's Request for Exemption on the Use of Revenues in France follows extensive regulatory engagement with CRE, as well as Ofgem and ACER to consider and test the viability of different investment and regulatory routes for AQUIND Interconnector. The conclusion of these regulatory tests, extensive analysis and formal regulatory decisions is that the only investment route available to AQUIND in France is through an exemption under Article 63.

In particular, we emphasise that there is no other regulated regime for non-RTE interconnection in France. AQUIND has thoroughly examined and tested the option to apply for a regulated regime as defined in the TEN-E Regulation, but this investment route is no longer available to AQUIND. Therefore, the only investment route that will permit AQUIND to continue to develop to project is through an exemption in France.

This means that a regulated regime with financial underpinning is not available to AQUIND in France. The exempt investment route is therefore the only way to deliver the project, and deliver the benefits identified in our analysis and set out in this Request for Exemption.

AQUIND's Request for Exemption is proportionate

AQUIND is requesting an exemption for the portion of the Project that is located in the French territory. This is proportionate, given that the rationale for this Request for Exemption is driven by the inability to progress the Project in France without an exemption.

However, AQUIND Interconnector faces a number of risks associated with the inherent ex-ante uncertainty of future congestion (and other) revenues that the Project will earn over its lifetime. The revenue uncertainty is a common feature of any investment of this type and is a largely unavoidable risk. We recognise that this is a risk that can result in revenues being higher or lower than currently anticipated. In some instances, project risks could result in upside opportunities for AQUIND. AQUIND's proposed profit sharing mechanism will ensure that any additional welfare attributable to the Exempt Portion is appropriately distributed between investors and French consumers.

The project risk justifies an exemption

With no access to financial underpinning in France, AQUIND has to fully manage its own project risk related to the Exempt Portion of the interconnector. AQUIND has demonstrated that the project risks justify an exemption under Article 63 of the Regulation. The key risk to AQUIND is that there is no alternative regulatory arrangement available in France and accordingly the investment will not take place without an exemption. AQUIND has demonstrated this extensively through testing the viability of potential investment routes with CRE, ACER and Ofgem.

In addition, AQUIND faces specific risks in earning revenues (and incurring costs) that would adequately compensate finance providers for the risk they take on in financing the Project. AQUIND therefore requires, for the Exempt Portion, to have the flexibility to compensate finance providers commensurately, which in turn requires that AQUIND is exempted from the Use of Revenues provisions of Regulation 943/2019. The key revenue and cost risks include: revenue risk, the risk of a reduced or uncertain demand for capacity, GB network curtailment risks, construction and operating risks and policy and macroeconomic risks.

Formal Request for Exemption

AQUIND therefore requests a partial exemption, pursuant to Article 63 of the Regulation, from Articles 19(2) and 19(3) of Regulation 2019/943 (regarding the Use of Revenues) for a period of 25 years from the start of commercial operations. The partial exemption would apply to a fixed share of AQUIND's revenues that corresponds to the proportion of AQUIND Interconnector capital and operational costs related to French territory (onshore and French territorial waters).

In accordance with French national law, an exemption granted under Article 63 of Regulation 2019/943 would also have the effect of permitting AQUIND to operate AQUIND Interconnector in France.

For the avoidance of doubt, AQUIND does not seek an exemption for Unbundling (Article 43, Directive 2019/944), Third Party Access (Article 6, Directive 2019/944) or the approval of charging and access rules (Article 59(7) and 60(1) of Directive 2019/944).

We set out in this document how we meet all of the criteria required for an exemption.

2 Document overview

The details of the exemption are set out in this document, the "Request for Exemption: AQUIND Interconnector".

- **Section 3** sets out the benefits of AQUIND Interconnector
- **Section 4** provides a description of AQUIND Interconnector
- **Section 5** explains the Request for Exemption and rationale
- **Section 6** explains how AQUIND fulfils the relevant exemption criteria set out in Article 63
- **Appendix A** includes a list of definitions

Further detail to support the AQUIND exemption application is provided in the following separate Exhibits:

- **Exhibit 1**: AQUIND revenue and social welfare analysis
- **Exhibit 2**: AQUIND competition analysis
- **Exhibit 3:** AQUIND financial model and sensitivities data file
- **Exhibit 4**: AQUIND CBA data file
- **Exhibit 5**: The Connection and Use of System Code Bilateral Connection Agreement for an interconnector owner at Lovedean 400kV substation Ref: A/AQUIND/15/6306-EN(0) dated 01 June 2016 (the "UK Connection Agreement")
- **Exhibit 6**: CION and CION information note
- **Exhibit 7**: Proposition Technique et Financière (PTF) No 2016-075 Pour Le Raccordement au Reseau Public de Transport D'Electricite de la Nouvelle Interconnexion Derogatoire AQUIND Limited, Conditions Particulieres
- **Exhibit 8**: Technical Feasibility Opinion
- **Exhibit 9**: Summary of project consents and licences
- **Exhibit 10**: Consentec report on the impact of AQUIND on the French transmission system
- **Exhibit 11**: Programme plan and programme risks
- **Exhibit 12**: GB Connection agreement
- **Exhibit 13**: Summary of local taxation in France
- **Exhibit 14**: Tractebel report

▸ Request for Exemption: AQUIND Interconnector

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3 Project benefits

3.1 Introduction

This section of the Request for Exemption:

- Explains the benefits that AQUIND Interconnector will deliver; and
- Summarises the analysis used to calculate the project benefits.

The revenue and social welfare analysis, and competition analysis have been included as separate Exhibits:

- **Exhibit 1**: AQUIND revenue and social welfare analysis
- **Exhibit 2**: AQUIND competition analysis.

3.2 Why AQUIND?

AQUIND Interconnector will significantly increase the cross-border capacity between GB and France delivering an additional 2000MW of capacity to the congested GB-French border. The project, which will be owned and operated by AQUIND Limited, will be the largest GB interconnector built since IFA in the 1980s.

Following the departure of the UK from the European Union, AQUIND will represent a continuation of the trend towards closer market integration between GB and mainland Europe and signal the willingness of both the UK and the European Union to continue cooperating for the benefit of their respective citizens. Cross-border interconnection such as AQUIND will still deliver considerable benefits to GB, France and Europe irrespectively of the outcome of the ongoing negotiations between the EU and the UK.[1]

The pipeline of planned GB-French interconnector projects has increased since 2013 following the confirmation of the GB Cap and Floor regime. Through this Request for Exemption, AQUIND will deliver a significant French-GB interconnector capacity and enable greater competition among market participants while limiting its reliance on financial underpinning or consumer support.

Overall, the introduction of AQUIND Interconnector can deliver the following benefits:

- An increase in social welfare for France
- An increase in European social welfare, particularly in EU27 (i.e. excluding the UK).
- Competition benefits, including competition for interconnector capacity.
- Increase in security and diversity of supply for both connecting countries.
- Optimisation of the European generation portfolio (e.g. dispatch of renewables in France and in GB).
- Contribution to meeting national decarbonisation targets through emissions reductions.
- Flexibility and provision of system services to the national TSOs.

Each of the benefits set out above is described in more detail in the following subsections.

[1] The impact of Brexit for GB energy policy, wholesale electricity prices and in particular cross-border trading, does however present a significant uncertainty for AQUIND. This uncertainty creates a risk for AQUIND which is considered in full in Section 6 of this document.

3.2.1 Social welfare benefits

A Cost-Benefit Analysis (CBA) methodology is used to calculate the impact of AQUIND on society, also referred to as "socio-economic welfare" or "SEW". The CBA considers market price projections "with" and "without" AQUIND. The difference between these modelling outcomes reveals the impact that AQUIND has on wholesale market prices in each country. The distribution of socio-economic welfare impacts is split between consumers, producers and interconnectors in GB, France and continental Europe.

The full CBA study has been provided in Exhibit 1 and 4. The main modelling assumptions and SEW results have been summarised below.

3.2.1.1 Modelling scenario overview

An economic market dispatch model is used to project market prices in GB, France and other European countries over the 25-year modelling period. This analysis incorporates three market-based scenarios developed to show a range of market outcomes. The change in market prices in each scenario determines interconnector revenues and welfare. These main scenarios summarised in Table 3-1.

AQUIND has developed a detailed set of assumptions which represent a central view of how European power markets are expected to evolve in the future, referred to as the Market Scenario ("AQUIND Market Scenario"). Compared to the TYNDP 2018 scenarios, we consider that the AQUIND Market Scenario represents a more up-to-date, consistent and comprehensive view of the evolution of European power markets, while maintaining consistency with the base TYNDP assumptions. This scenario forms the basis of the CBA assessment performed by AQUIND.

Table 3-1 Modelling main scenario descriptions

Scenario	Description
AQUIND Market Scenario	▸ A central view on the evolution of the GB, FR and other European power markets. ▸ Under this scenario, Governments continues to pursue a balanced energy policy, attempting to meet and balance the goals of security of supply, competitive market structure and environmental sustainability.
AQUIND High Commodities / Renewables Scenario	▸ High renewables investment is accompanied by high commodity prices and demand across Europe, with the knock on effect of higher gas to oil indexed gas prices and carbon prices relative to the AQUIND Market Scenario. ▸ These factors lead to relatively volatile prices and to increased levels of interconnector investment.
AQUIND Low Commodities Scenario	▸ This represents a scenario with low commodity prices, GDP growth and demand relative to the AQUIND Market Scenario. ▸ Low commodity prices also reduce the running cost of marginal thermal generation with higher capacity margins reducing scarcity, placing downward pressure on wholesale prices across Europe. ▸ Low price volatility and cross-border spreads reduce the returns for interconnectors, therefore reducing interconnector investment compared to the AQUIND Market Scenario.

All three AQUIND scenarios are broadly based on the TYNDP assumptions but build on these assumptions to deliver an economically robust and internally consistent set of scenarios, by applying detailed assumptions and contemporary data.

3.2.1.2 Social welfare summary for AQUIND

The results of the market modelling have been used as inputs to the CBA to estimate the welfare impact of AQUIND Interconnector. The CBA also takes into account non-wholesale market effects, such as Capacity Mechanisms and Ancillary Services. The benefits for France, GB and Europe are presented in Table 3-2. The CBA identifies the distribution of SEW as follows:

- **Producer welfare**: For producers, the CBA quantifies the impact on producer gross margins – the difference between their energy revenues and production costs (production costs include fuel costs, carbon costs and non-fuel variable costs).
- **Consumer welfare**: For consumers, the CBA calculates the impact on wholesale purchase costs of electricity. The change in the purchase costs multiplied by electricity demand shows the total impact on consumer prices in each country.
- **Interconnector welfare**: Net welfare also takes into account the profitability of buying and selling electricity on AQUIND Interconnector itself, the capital and fixed costs of operation of the link, as well as the impact on the profitability of other interconnectors that are expected to be operational in GB and France by 2023.[2]

[2] A number of new GB interconnectors will be subject to Ofgem's Cap and Floor regime. We have not modelled possible individual project cap and floor levels as part of the calculation of interconnector welfare as the project cost information, and therefore cap and floor levels, are unknown. The impact of AQUIND on interconnectors that plan to commission ahead of AQUIND is taken into account in the CBA.

The total net social welfare for GB and France combined, is strongly positive in the AQUIND Market Scenario and in the AQUIND High Commodities/Renewables scenario. The sustained premium in GB prices compared to French prices over the exemption period, drives a large volume of interconnector flows from the lower priced French market to GB. In France the impact of these flows pulls up the wholesale price to the benefit of French producers. As a result, producers receive a higher price, but French consumers would pay more for electricity. The net impact **in France is a net total social welfare benefit across all three scenarios.**

Table 3-2 Social welfare results – France, GB and Europe

€m NPV @ 4.0%, real 2018		AQUIND Market Scenario	AQUIND Low Commodities Scenario	AQUIND High Commodities / Renewables Scenario
GB welfare	Net producer welfare	-€ 2,136	-€ 3,842	-€ 3,068
	Net consumer welfare	€ 2,275	€ 4,032	€ 3,826
	Net interconnector welfare	-€ 1,088	-€ 770	-€ 1,265
	Net social welfare	**-€ 949**	**-€ 580**	**-€ 507**
French welfare	Net producer welfare	€ 4,418	€ 8,220	€ 2,023
	Net consumer welfare	-€ 2,092	-€ 5,735	-€ 598
	Net interconnector welfare	-€ 1,392	-€ 1,453	-€ 1,353
	Net social welfare	**€ 934**	**€ 1,032**	**€ 72**
Impact on other European Countries	Net producer welfare	€ 2,506	€ 5,070	-€ 3,040
	Net consumer welfare	-€ 1,040	-€ 4,627	€ 4,858
	Net interconnector welfare	-€ 1,064	-€ 1,078	-€ 878
	Net social welfare	**€ 403**	**-€ 635**	**€ 941**
AQUIND	Revenues	[redacted]	[redacted]	[redacted]
	Costs	-€ 1,305	-€ 1,305	-€ 1,305
	Net AQUIND welfare	[redacted]	[redacted]	[redacted]
Variation in Grid losses	FR losses	-€ 23	-€ 52	-€ 29
	GB losses	-€ 165	-€ 158	-€ 108
	Total losses	**-€ 188**	**-€ 210**	**-€ 137**
Security of Supply (EENS)	**Total**	€ 222	€ 543	€ 99
Total European welfare	**Including AQUIND**	[redacted]	[redacted]	[redacted]
Total European Welfare	**Excluding AQUIND**	**€ 421**	**€ 151**	**€ 468**

In the Low Commodities scenario, the impact of the removal of the CPS in GB, plus lower levels of investment in renewables, reduces the wholesale prices in GB and France compared to the AQUIND Market Scenario. Combined with greater competition in wholesale markets, this leads to less scarcity and AQUIND's benefit to society is therefore reduced, but it remains positive.

The CBA presented in this application shows a range of welfare results which are determined by the underlying assumptions in the modelled scenarios. There are also wider benefits of AQUIND interconnector for GB and France which are not quantified in the CBA (for example security of supply benefits and benefits to the TSOs in France and GB. These benefits, and the underlying assumptions, are explained in full in Exhibit 1.

Other interconnector projects on the France-GB border reduce AQUIND's expected arbitrage revenues. The high volume of interconnector capacity assumed in the AQUIND High Commodities/Renewables Scenario results in lower interconnector welfare. This is because the cannibalisation of both AQUIND revenues by other interconnectors, and vice-versa, is greater in this scenario than in the AQUIND Market Scenario.

For AQUIND, the impact of other interconnectors presents a significant project revenue risk. In respect of the share of AQUIND's congestion revenues that will be subject to the exemption, AQUIND will not have access to any financial underpinning through a regulated regime in France, facing the full project downside risk in respect of the Project's Exempt Portion. This is explained in full in Section 6.

3.2.1.3 CBA result and AQUIND's commissioning date

The CBA analysis was completed over a 25 year period from 2024 to 2048 (both inclusive). AQUIND's exact commissioning date will depend on progress against the programme plan, as explained in Section 4 and Exhibit 11. The social welfare impact of a change to the commissioning date, for example by delaying the project/CBA start and end date by one year, is expected to be small. This is because the small year-on year change in the GB and French price profile, as identified in Exhibit 1.

3.2.2 Grid losses

In this Request for Exemption we have estimated the impact of AQUIND Interconnector on the reduction in thermal losses on the transmission networks in France and in GB, based on calculations performed by a technical consultancy, Tractebel. The methodology for the calculation of variation in grid losses is consistent with the approach suggested in TYNDP 2018. The estimate is developed using a regional transmission grid model, calculating the hourly flows with and without the Project. This is then monetised based on the marginal costs as given by the market simulations.

Alongside the initial work undertaken by Tractebel, we have undertaken additional analysis to better align the modelling undertaken by Baringa and Tractebel. In particular, this post-processing exercise uses the flows across AQUIND Interconnector as a proxy for the total system losses generated by AQUIND in GB, France and across Europe. Whilst we recognise that this is a simplification of the losses analysis, which is a very complex piece of modelling, we consider it an appropriate step to better align the Tractebel and Baringa analysis. We expect that this step to better align the analysis improved the consistency of the SEW and losses analysis giving a more accurate CBA result.

The post-processing started by comparing the 2030 flows across the GB-France border, with AQUIND, in both the Baringa and Tractebel analysis. Our analysis showed that Baringa projected 64% of the annual flows of Tractebel. All else being equal, lower flows across the border would result in lower system losses (in the case of France) and a lower reduction in system losses (in the case of GB). Applying the same methodology to the AQUIND Low Commodities and High Commodities/Renewables scenarios gave results of 68% and 49% respectively.

Applying these scalars to the NPV of total losses used in the CBA gives a more consistent view of the losses from the AQUIND scenarios.

Table 3-3 Monetised value of the variation in grid losses resulting from AQUIND

€m NPV @ 4.0%, real 2018	AQUIND Market Scenario	AQUIND Low Commodities	AQUIND High Commodities / Renewables
Original analysis (as presented in the Investment and CBCA Request equation 3.0)			
Variation in losses, France	-€ 36	-€ 60	-€ 76

Variation in losses, GB	€ 258	-€ 221	-€ 232
Total losses	**-€ 294**	**-€ 280**	**-€ 308**
SCALED analysis			
Variation in losses, France	-€ 23	-€ 29	-€ 52
Variation in losses, GB	-€ 165	-€ 108	-€ 158
Total losses	**-€ 188**	**-€ 137**	**-€ 210**

As AQUIND's SEW estimates include the impact of losses on the Project itself, and other GB/EU interconnectors[3], the estimates above exclude the estimates of losses on the Project and other GB links, to avoid double counting.

The monetised grid losses in the table above are negative when the impact of AQUIND on variation in grid losses represents a net cost, and are positive when the impact represents a net benefit. The monetised impact of the variation in grid losses in GB is a net positive value, due to the impact of the Project on marginal cost more than offsetting an increase in net losses. These estimates do not include the impact of grid losses on AQUIND Interconnector or other GB/EU interconnectors, which are monetised as a cost through AQUIND's approach to SEW estimates.

3.2.3 Competition

Interconnection enables cross-border electricity flows, providing market participants access to connecting markets and increasing the size of the energy markets. This allows participation from a larger number of market participants and can allow new entrants, placing competitive pressure on incumbents.

AQUIND Interconnector will provide an additional 2000MW of tradeable capacity across the congested GB-France border. The capacity will be made available to all market participants under the relevant trading arrangements as determined by the regulations in place.

At a macro level, AQUIND Interconnector will increase competition in Europe by creating new opportunities for cross-border trade. This will increase liquidity and, the opportunity to trade across a larger market, should displace more expensive generation in the importing market leading to price convergence.

Two competition metrics have been used to ensure that AQUIND will not increase market concentration or instances of pivotality in GB or France. Pivotality has been measured through the Residual Supplier Index (RSI), and market concentration, measured through the Herfindahl-Hirschman Index (HHI), as explained in the following paragraphs.

3.2.3.1 Residual Supplier Index analysis (RSI)

The RSI analysis considers whether AQUIND will increase the ability of the largest energy suppliers in GB and France to significantly influence market prices. This is an assessment of pivotality. The analysis focuses on the position of EDF Energy in GB and Électricité de France in France, as the largest suppliers in both markets.

[3] Technical line losses are an input to the modelling in Plexos.

The analysis shows that the introduction of AQUIND Interconnector will not increase the opportunities for EDF to influence market prices in GB or France. The introduction of AQUIND marginally reduces the number of hours in the modelled years where EDF is the pivotal supplier.

*3.2.3.2 **Herfindahl-Hirschman Index (HHI)***

This simple HHI assessment considers the impact of AQUIND on generation market share in GB and France. The size of AQUIND Interconnector compared to the generation market in GB and France means that AQUIND's impact is measured to be small. As the interconnector capacity is competitively allocated to a range of market participants, the analysis shows that AQUIND will not increase concentration in GB or France.

3.2.4 Security and diversity of supply

AQUIND Interconnector will provide a reliable alternative source of electricity for GB and French consumer and network users over its operational life. The nature of interconnection technology is such that AQUIND is projected to achieve over 98% availability over the exemption period, significantly higher than most conventional thermal assets.

The security of supply benefit provided by AQUIND Interconnector will be rewarded through participation in the GB and French capacity markets and result in possible deferred/avoided generation investment or a decrease in the probability of unserved energy. The differences in the GB and French generation mix will ensure that AQUIND provides a degree of diversification for both GB and France.

3.2.4.1 Capacity market participation

The GB CM will directly compensate AQUIND for the de-rated capacity that it provides at times of system stress. The de-rating factor will be calculated based on AQUIND's technical reliability and the extent to which AQUIND will import into GB during a system stress event in that country. In GB, the de-rating factor will be determined by the Government and National Grid through the AQUIND de-rating factor. Whilst the precise details of the French CM are not available, we anticipate a similar approach. [4]

AQUIND will be remunerated through the GB CM, with the outturn payments based on the direction and volume of interconnector flows during periods of system stress.

The European Clean Energy Package[5] envisages a move towards direct cross-border participation of generators in Capacity Mechanisms in Europe. While the specifics have not yet been established, we assume that interconnectors will continue to be able to capture the value they create by increasing cross-border capacity (regardless of whether interconnectors or foreign capacity participate in the Capacity Mechanisms).

3.2.4.2 Opportunity for deferred generation investment

AQUIND Interconnector's participation in the GB CM, and expected participation in the French CM may result in deferred or avoided investment decisions for other domestic generation assets. In this instance, by participating in the CM, AQUIND Interconnector would be relied upon to meet GB security

[4] The approach to de-rating in France is yet to be established. For the revenue analysis presented in this Request for Exemption, a proxy has been used based on the de-rating factors published for existing or planned GB-FR interconnectors.

[5] Regulation (EU) 2019/943.

of supply. As a price-taker in the GB CM auction, AQUIND would push other more expensive marginal generation out of the CM auction. For the same security standard, AQUIND would reduce the cost of capacity in the GB CM. We anticipate the same principle will apply to the French CM.

3.2.4.3 Reduction in unserved energy

AQUIND may alternatively provide a benefit to GB or France in the form of a reduction in unserved energy. In this instance, the introduction of AQUIND would increase the GB or French security standard. This would reduce the probability of unserved energy in the market. This benefit is not captured in the CM itself. It may therefore represent an additional security of supply benefit attributable to AQUIND that has not been quantified in the economic modelling. [6]

The additional benefit provided by AQUIND through either deferred generation investment or a reduction in unserved energy are mutually exclusive. The precise additional benefit will depend on the extent to which AQUIND is relied upon to meet the national security standards in GB and France.

3.2.5 Optimisation of the European generation portfolio

AQUIND Interconnector will double the current GB-FR capacity and provide a >30% increase in capacity when other planned links (1 GW ElecLink, 1 GW IFA and 1.4GW of either GridLink or FABLink) are taken into account. The French electricity market is already well connected to other central European Member States. The large structural difference in the electricity prices in GB and France provides a clear signal for further interconnection to facilitate efficient cross-border trade and GB-French, as well as wider European, price convergence.

AQUIND will provide an opportunity for the efficient dispatch of renewables in GB, France and across connected markets. As renewable investment increases in GB and France, the probability of curtailment of intermittent generation also increases. The additional cross-border capacity provided by AQUIND offers the opportunity to export this additional power during periods of high renewable generation.

In the AQUIND Market Scenario, the Project is estimated to increase renewable generation across Europe by 6.2TWh over the modelling period.

3.2.6 Emissions reduction

Similar to the benefits of RES integration, our detailed power market modelling shows that carbon dioxide emissions fall overall with the introduction of AQUIND.

In the AQUIND Market Scenario, the Project is estimated to reduce CO_2 emissions across Europe by 2.8 $MtCO_2$ over the modelling period.

3.2.7 Flexibility and system services

AQUIND will use VSC technology and therefore be in a position to provide a range of ancillary services to the national TSOs, National Grid and RTE, to improve flexibility in real time trading timeframes (further detail is provided in Section 4). This may include the provision of mandatory and commercial ancillary services (for example voltage control, frequency control and black start capability services)

[6] In theory, this could be calculated by considering the change in expected unserved energy at different de-rated capacity margin. The assumed reduction in unserved energy as a result of AQUIND, multiplied by the value of lost load (VoLL) would provide an estimate of the benefit from a reduction in expected unserved energy.

and for emergency assistance and cross-border balancing. Some of these ancillary services will be provided voluntarily based on publicly tendered commercial agreements with National Grid, further enhancing the competition in this market for the benefit of National Grid users. Similarly in France, AQUIND may provide frequency and voltage ancillary services to RTE.

AQUIND will also be able to provide emergency assistance to both National Grid and RTE. AQUIND is in discussions with National Grid in relation to mandatory and commercial ancillary services National Grid might require. AQUIND will engage in similar discussions with RTE as the project development process progresses.

In addition to more competitively priced ancillary services, AQUIND will have the potential to earn revenue from ancillary services markets. This may in turn result in welfare transfers to network users in case the revenues exceed a pre-defined threshold[7] and would be, partially, shared out by AQUIND.

As part of a consultation with the TSOs undertaken in Summer 2019, we have sought views from National Grid and RTE on the most recent valuation of the benefits that AQUIND Interconnector is expected to provide from an ancillary services perspective, but neither of them have been able to provide a quantitative estimate at this stage. We will keep the NRAs updated on any further information available from the TSOs over the course of the Project's development.

3.3 Local benefits

In France, AQUIND's converter station and its compound and associated infrastructure will be subject to a number of taxes that arise from the fact of owning such physical assets and, in the case of IFER, additional taxes relate specifically to electricity transmission installations. AQUIND has obtained tax advice in respect of those taxes, but at this stage, any estimate of taxes is provisional.

The taxes are distributed locally, between a local commune, a Terroir de Caux, Department (Seine-Maritime) and Normandy region in different proportions, depending on the tax and the exact location of the installation, as well as regional regulations. The level of tax rates of the real estate tax and CFE also differs depending on the commune.

AQUIND's tax contributions represent a significant public benefit in these regions. Additionally, AQUIND's local investment in the region facilitates the creation of more tax revenues in locations that are involved in significant developments.

Exhibit 13 provides our estimate of AQUIND's contribution to local tax revenues if the converter station is located in one of the three communes immediately adjacent to the Barnabos switching station in the commune of Varneville-Bretteville. AQUIND estimates this tax contribution will be approximatley €4.6m per year. According to the approved stakeholder engagement strategy, AQUIND cannot at this moment make a public announcement in respect of the exact siting of the converter station within the communes identified above, but we aim to announce that in the near future.

[7] For example, ElecLink's exemption features an upside sharing mechanism above a pre-defined level of Internal Rate of Return for the project.

Request for Exemption: AQUIND Interconnector

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4 Project description

4.1 Introduction

This section of the Request for Exemption:

- Introduces the AQUIND project promoters.
- Provides a technical description of the Project.
- Summarises the project ownership and commercial arrangements, including the proposed financing structure and the supply chain strategy.
- Sets out the project plan and timelines.

4.2 AQUIND Interconnector project developers

AQUIND Interconnector is being promoted by AQUIND SAS (France) and AQUIND Limited (UK) and their 100% holding company AQUIND Energy Sarl in Luxembourg – referred to throughout this document as “AQUIND”. AQUIND has been actively working with a range of parties to develop the Project since 2014 and is supported throughout by a delivery focussed and committed project team. AQUIND is not affiliated with any other business involved in production, transmission, distribution or sales of either electricity or gas in any of the Member States or states – members of the European Economic Area (“EEA”). The development of AQUIND Interconnector is the sole business of AQUIND.

The project team has previous experience in the energy sector, including oil and gas and offshore engineering, construction and procurement. AQUIND has selected a group of experienced specialist advisors to assist its core management team including consultant engineers (WSP), economic and policy advisors (Baringa, FTI), legal advisors (Herbert Smith Freehills), network/system modelling advisors (Consentec and Tractebel), and planning and land experts both in England (WSP, Natural Power) and France (Arcadis, Natural Power).

4.3 Technical description

This section sets out a summary of the technical specification and planned connection locations of AQUIND Interconnector in both GB and France, along with the rationale behind the choice of technology, the map of the planned route, as well as information on the technical losses and project lifetime.

AQUIND has undertaken detailed technical analysis to ensure the project is technically feasible. This has included extensive engagement with the national TSOs, NGET and RTE, to ensure appropriate sizing and location of the connections to the national transmission systems. Throughout the project, AQUIND has been advised by leading technical advisors. A full technical overview of the project and key technical decisions has been provided in *Exhibit 8*, and is summarised in this section of the Request for Exemption.

Figure 4-1 Overview and key components of AQUIND Interconnector

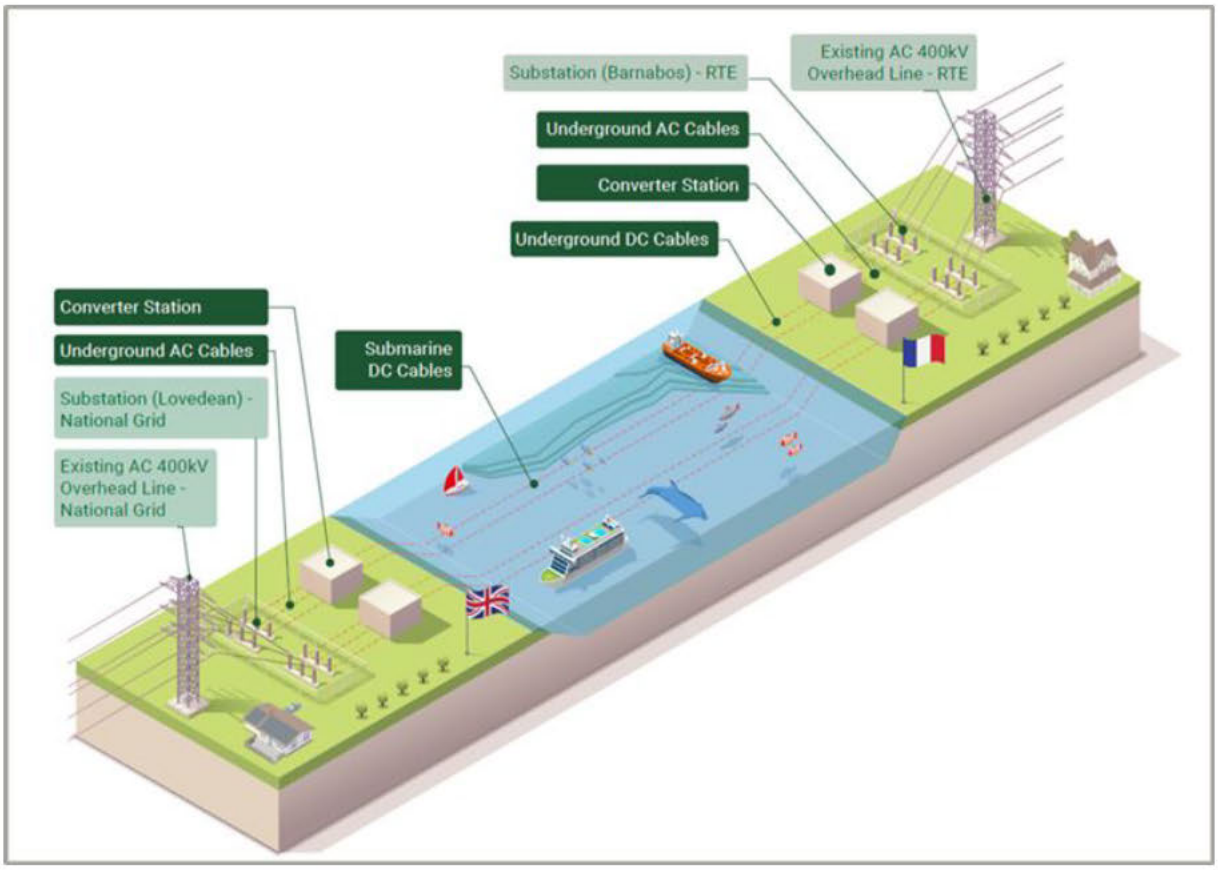


Table 4-1 summarises the key technical characteristics (both onshore and offshore) of AQUIND Interconnector.

Table 4-1 Summary of AQUIND project characteristics

Project characteristic	
Transmission cables	▸ Capacity: 2,000 MW (net of losses) ▸ Configuration: two independent symmetrical monopole HVDC links ▸ DC voltage: 320kV ▸ AC voltage: 400kV in both France and GB ▸ Technology: XLPE
Routing	▸ Approximate submarine HVDC cable route: 182km (landfalls at Eastney and Pourville) ▸ Approximate HVDC cable route in France: 36km (landfall to converter stations) ▸ Approximate HVDC cable route in the UK: 20km (landfall to converter stations) ▸ Approximate HVAC cable route: <3km (converter stations to TSO substations at Lovedean and Barnabos).[1]

[1] The HVAC cable from AQUIND Converter Station (G.RUE) to the RTE switching station Barnabos (≤ 2 km) will be installed and maintained by RTE. This is because the French Energy Code, Articles L. 121-4 and L. 321-6, entrust the development, construction and operation of interconnectors solely with RTE.

Converter stations	▸ Two converter stations (GB and France), access road to each, and ancillary infrastructure ▸ Rating: 2,075 MW ▸ Technology: VSC (Voltage Source Converter)	
System availability	▸ Based on the dual monopole topology of the scheme and associated length of DC and AC cables the system availability is expected to be 98%. Further information can be found in Exhibit 8 – AQUIND Feasibility Opinion.	
Additional features	▸ Telecommunications: Fibre optic data transmission cables (one per circuit) and ancillary infrastructure at the converter stations and the landfall (GB and France) ▸ Lifetime: assumed lifetime of 25 years (technical lifetime >40 years)	

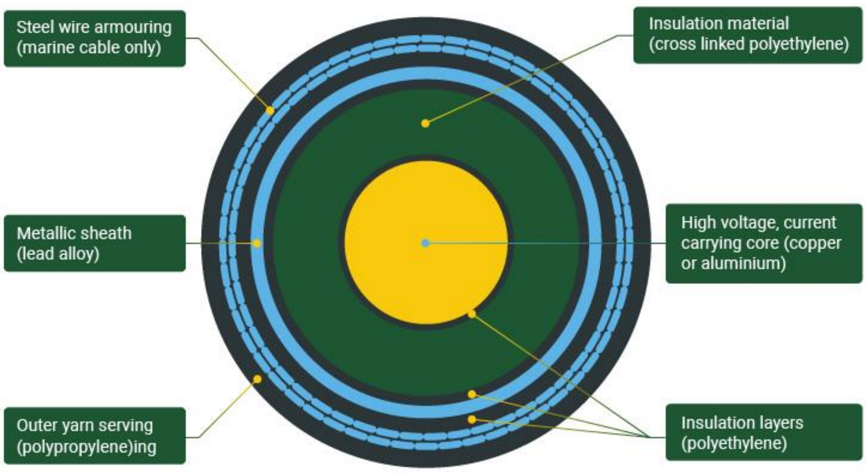
4.3.1 Cables

4.3.1.1 Cable description

Both the AC and DC cables will be polymerically insulated using cross linked polyethylene (XLPE) with either copper or aluminium.

XLPE cables are the leading high voltage cable technology. They are solid-type cables that do not contain gases like gas insulated cables or liquids like mass impregnated cables. This means that there is no risk of leaking such gases or liquids into the environment. It is generally recognised that XLPE cables are inert to the environment and this technology has the least environmental impact among commercially available high voltage cable technologies.

Figure 4-2 AQUIND Interconnector XLPE cable

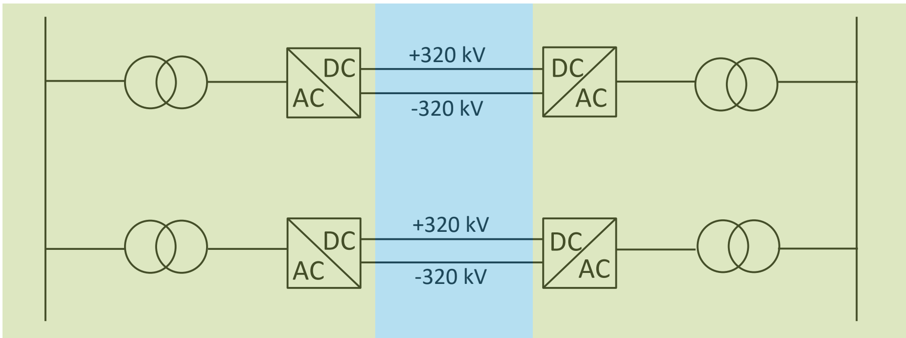


4.3.1.2 Choice of cable capacity and configuration

AQUIND Interconnector will comprise two independent symmetrical monopole HVDC links ("poles"), as shown in Figure 4-3 below. This is to ensure that no single fault results in a complete loss of the capacity. The two symmetrical monopoles will be fully self-sufficient in terms of control systems, protection systems, auxiliary power supplies and cooling systems providing redundancy to the system.

Each pole will have the export capacity of 1037.5MW and the import capacity of around 1000MW, net of transmission and conversions losses, which are described in more detail in Section 4.3.4. Such an arrangement provides at least 50% power availability under all credible scenarios, as the two poles are designed to be completely electrically independent, with no overlapping equipment or services. Throughout this document, the Project's capacity is referred to as 2000MW.

Figure 4-3 AQUIND symmetrical monopole design



RTE 400kV bus (Barnabos)

National Grid 400kV bus (Lovedean)

The selection of the project capacity was made based on the market assessment together with technological and grid constraints appraisal in France and the UK. There are limitations imposed by the national TSOs based on the size of any individual block of power that the AC network can accommodate should there be a sudden loss of that power. These are defined as infeed-loss limits. For AQUIND the limiting factor is the island GB transmission system, which can withstand a 1320MW power loss on a routine basis (up to several time per year), and up to 1800MW loss on a less frequent basis.[2] The limitations on the larger continental synchronous grid are much higher.

During the feasibility phase in 2015 AQUIND considered the option to build a 1320MW monopole, or two 1320MW monopoles or an 1800MW bi-pole. Early discussions with manufacturers indicated challenges with this cable size, suggesting that each of these solutions would require cutting edge and untested designs to achieve the required transmitted power and DC voltage. The only currently operational interconnector between GB and France (IFA) also has a capacity of 2,000MW, which includes 2 sets of 2 cables (bi-poles) of 500 MW each.

AQUIND Interconnector ultimately selected a twin symmetrical monopole configuration over a bi-pole due to better supply chain readiness and the present technology level. A detailed assessment of the technology choice is provided in Exhibit 8 of this Request for Exemption (AQUIND Feasibility Opinion).

4.3.1.3 Choice of cable voltage

AQUIND has selected a DC voltage of 320kV, which, at the time of the decision, represents 'state of the art' VSC technology. It also represents the highest commercially available voltage for XLPE cables. All major manufacturers of HVDC equipment had projects in construction or operation of this power/voltage class and were therefore comfortable to support the AQUIND scheme at this level.

[2] These limits are defined in National Grid Electricity Transmission Security and Quality of Supply Standard, (SQSS), Issue 2.2, dated 5th March 2012. This defines normal infeed loss risk as 1320MW and infrequent infeed loss risk as 1800MW. Both limits became active in April 2014.

4.3.1.4 *Cable route*

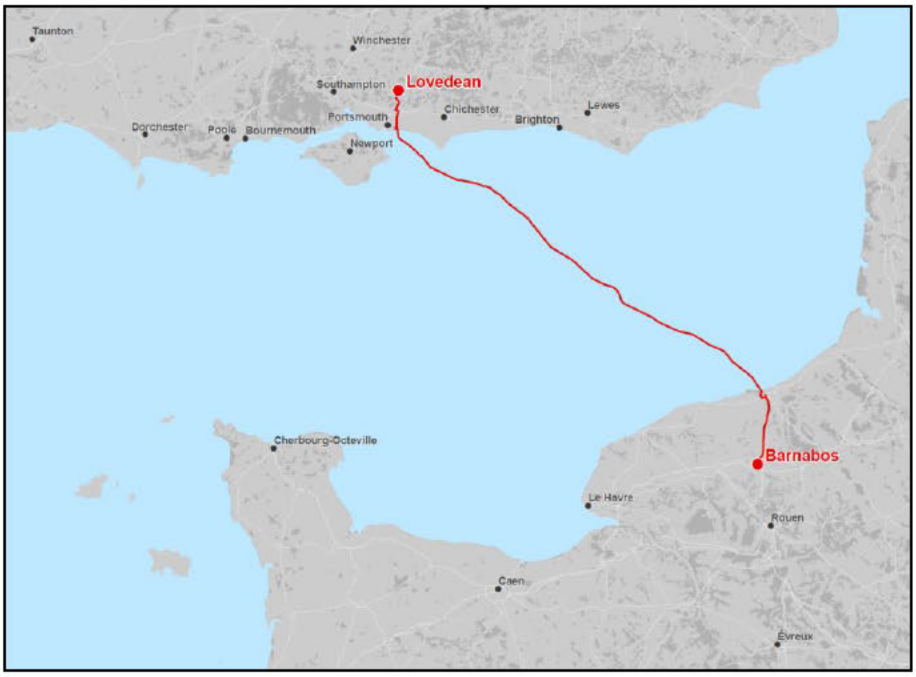
Underground HVDC cables will connect each converter station to the coast, between which a submarine HVDC cable will run from Eastney in Portsmouth, Southern England, to Pourville in Normandie. The converter stations will be connected to their respective substations by HVAC cables. The breakdown of the cable route is set out in Table 4-2.

Table 4-2 Breakdown of cable route

Route	Approximate Cable Route Length	Cable type
Barnabos 400kV switching station to French converter station	<2 km	AC
French Converter station to Pourville	36 km	DC
Submarine cable	182 km	DC
Eastney to UK converter station	20 km	DC
Converter station to NG 400 kV sub-station	<1 km	AC
Total	**240km**	

The planned route for AQUIND Interconnector is shown in Figure 4

Figure 4-4 Indicative cable route



AQUIND carried out detailed environmental impact assessments of all elements of the cable route, which are now under consideration by the National Planning Inspectorate in the UK and relevant authorities in Normandy. The following subsections set out the approach to installing the subsea and terrestrial cables.

4.3.1.5 Marine Cable installation

The design and installation of marine cables is not only focussed on delivering the required power but also on reducing the risk of damage from the sea environment and anchors. To reduce environmental risks, XLPE technology has been selected. To reduce the risk of physical damage the marine cables are designed with steel wire armour surrounding the internal parts of the cable.

Further risk mitigation measures include burying the cable within trenches excavated into the sea floor. Where the cable cannot be buried due to trenches not being able to be excavated, the cable will require protection with the installation of concrete mattresses or rock placement over the cables.

Cable installation will be undertaken by purpose-built vessels which carry many kilometres of cable. The cable is stored on the vessel within a carousel which unreels the cables for laying onto the sea floor. Remotely operated underwater vehicles (ROV) then install the cable into excavated trenches, or if trenching is not possible, cover the cables with protective concrete mattresses or rock.[3]

In 2017-2018, a specialist marine survey company MMT undertook, on behalf of AQUIND, an offshore geophysical and geotechnical survey campaign that confirmed feasibility of the proposed marine cable route. The conclusions of the report have been previously made available to CRE and Ofgem.

4.3.1.6 Terrestrial cable installation

A cable supplier selected by AQUIND via a competitive tendering process will be responsible for the installation of terrestrial DC cables which will run between the converter stations and the landing point. AQUIND will aim, where possible, to install terrestrial DC cables within roads or on road verge in order to avoid and/or minimise environmental impact. At the landing points and other locations where required, the Horizontal Direct Drilling technique will be utilised.

In GB, for the AC connection between the converter and Lovedean substation, there will be two AC cables circuits, each comprising three cables. Consequently, these cables will require a wider corridor than the DC cable and will mostly be installed through private lands. The AC cable route length will be minimised as far as practicable. In GB, design, installation and maintenance of the AC cables will be performed by the National Grid at the cost to the Project Promoter.

In France, design, installation and maintenance of the AC cables will be performed by RTE at the cost of the Project Promoter.

4.3.2 Converter stations

4.3.2.1 Choice of HVDC technology and converter stations

AQUIND Interconnector will use Voltage Sourced Converter HVDC technology to connect the French and GB transmission systems.

HVDC technology provides a number of advantages compared to AC technology. It has much lower cable losses over a long distance and requires fewer cables for an equivalent power.

[3] Cable damage during installation might call for expensive and time-consuming repair operations, during which the damaged pole(s) will be unavailable to the market. Once installed typical hazards to cables may be man-made (such as damage from fishing gear, ships anchors, dredging and dumping activity, impact of existing or new cables and pipelines, military activity or oil and gas exploration or production activities, etc) or natural such as erosion and sedimentation, hard substrates, sediment mobility and high current regimes.

However, as both transmission networks use conventional Alternating Current (AC) technology, the Project will require the construction of two HVDC converter stations in order to convert AC to DC and vice-versa at the remote ends. One converter station will be in England, within 1km of National Grid's Lovedean substation, and the second will be in France, less than 2km from RTE's Barnabos switching station.

4.3.2.2 Choice of VSC technology

There are two commonly used variants of HVDC technology: Line Commutate Converter (LCC) and Voltage Source Converter (VSC) technology. AQUIND Interconnector has chosen the VSC technology, due to a number of technical advantages over LCC, including lower harmonic emissions, black start capability and a reduction in the site footprint requirement. The VSC technology typically allows very rapid change of flow and direction as well as reactive power, which is valuable to system operators when managing grid stability. VSC is also currently the preferred HVDC technology for applications in Europe.

VSC technology will enable AQUIND Interconnector to provide voltage control, frequency control and black start capability services to both National Grid and RTE. Provision of these ancillary services can help strengthen the quality and security of supply of both networks.

AQUIND does not anticipate that revenues arising from the provision of ancillary services will be material in the context of its overall revenues from AQUIND Interconnector. AQUIND is in discussions with National Grid and RTE in relation to mandatory and commercial ancillary services the TSOs might require, and the future commercial arrangements for providing such services.

AQUIND previously sought views from National Grid and RTE on the most recent valuation of the benefits that AQUIND is expected to provide from an ancillary services perspective, but neither of the two TSOs were able to provide any quantitative estimates of the potential value of ancillary services.

A detailed assessment of the technology choice is provided in Exhibit 8 of this exemption Request (AQUIND Feasibility Opinion).

4.3.3 Sub-station connections

4.3.3.1 Grid connection

Due to the large connection size of 2075MW, AQUIND Interconnector will connect at the highest available voltage level, which is 400kV in both countries.

In France, AQUIND signed a technical and financial connection proposal (*Proposition Technique et financière* or "PTF") with RTE on 06 March 2017 for a connection to the Public Transmission Network with a maximum import capacity of 2000MW and a maximum export capacity of 2075MW. The PTF is conditional on the grant of an exemption (as requested in this document) and no alternative grid connection route for independent non-RTE interconnectors currently exists in France.

In GB, AQUIND accepted National Grid Electricity Transmission's "non-firm" 2000MW connection offer for either import or export scenarios in June 2016. In March 2018 AQUIND signed a Modification Offer with National Grid to adjust the total UK export capacity to 2075MW to ensure that the transmission loss adjusted import capacity of the interconnector is the same in both directions.

National Grid will undertake connection works at their Lovedean substation, including building two new bays for AQUIND and reinforcement works within the Transmission system. National Grid will also build two AC cable circuits between Lovedean substation and AQUIND converter station and will carry out operation and maintenance support of the GB AC connection throughout the project life. The cost of these works as well as the operational and maintenance costs in respect of the GB AC connection will be paid by AQUIND.

AQUIND is in the process of discussing a further modification to its connection agreement to take into the proposal of the National Grid to carry out the construction works in respect of the GB AC connection.

During the non-firm offer period National Grid may curtail AQUIND Interconnector due to planned and unplanned outages in certain parts of the grid without financial compensation. The curtailment of AQUIND in GB due to the planned outages can only occur between April and September and the level of curtailment will be known once such outages are scheduled by the National Grid. Based on historical average circuit date and the estimated time circuits may be out of service due to non-scheduled outages (faults) National Grid has calculated the probability of forced outages of AQUIND Interconnector due to unplanned faults to be [redacted] **hours per year which is around 0**[redacted]**% per year**. National Grid may perform further assessments of the probability of forced outages as part of their routine procedures.

4.3.3.2 Barnabos Substation

Following feasibility studies conducted by RTE in 2016 and initial landfall/cable route desktop studies, Barnabos 400 kV switching station was identified as the preferred point of connection to the French transmission network. Other connection locations (Penly substation, Le Havre substation, new substation on Havre – Rougemontier) were discounted because of constraints on the surrounding electrical network, technical and environmental constraints, and considerably longer DC cable route options.

As a result, AQUIND will connect into the Barnabos 400 kV substation in Haute Normandie. RTE will construct two new 400 kV bays to accommodate connections from the French AQUIND converter station.

- In March 2017, AQUIND signed a Technical and Financial Proposal (PTF) with RTE for the connection to Barnabos switching station.
- In July 2018, WSP completed initial converter station optioneering report which identified land opposite Barnabos switching station as a preferred location for the converter station.

The connections will be made using relatively short lengths of AC underground cables. RTE will construct these cables (which will terminate inside the AQUIND converter station), as well as connection bus bars at AQUIND's substation, and carry out all necessary works and improvements at Barnabos substation. The costs of this work will be paid by AQUIND. No wider reinforcements of the French grid are envisaged by RTE to accommodate the connection.

4.3.3.3 Lovedean Substation

The choice of the connection point in GB has been informed by a bespoke feasibility study produced in 2015 by the GB TSO, National Grid Electricity Transmission ("NGET"). This study identified potential connection locations to the GB electricity transmission grid as well as the associated constraints and cost. NGET identified only two practically possible connection locations out of the assessed existing 400 kV substations on the South Coast of England – Lovedean and Bramley. Following a further assessment, National Grid's cost-benefit analysis showed that the most optimal scenario was for an interconnector with a capacity of 2,000MW connecting to Lovedean substation. It demonstrated that from a cost perspective and to utilise efficiently available connection points on the South Coast of England, a connection at a higher capacity is preferred. This formed the basis for the formal Connection and Infrastructure Options Note, that identified Lovedean as the preferred connection option.

In April 2016, AQUIND conducted a preliminary Converter Station site identification exercise. Potential Converter Station site locations were identified by placing the existing Lovedean substation at the centre of an optioneering exercise. In 2017 AQUIND conducted further detailed assessments to ensure the technical viability of siting the Converter Station in or around the proposed Converter Station Area. Based on this analysis, two suitable locations were identified: South-west of Lovedean substation (Option A) and West of Lovedean substation and between the existing 400 kV overhead line circuits (Option B). In H2 2017, AQUIND conducted a desktop study to inform the environmental constraints for both options and consulted with the Local Planning Authorities. In 2018, based on the analysis and assessment undertaken for both Converter Station options and following the input from the LPAs, Option B was identified as the preferred option.

To accommodate the full capacity of the Interconnector under all conditions mandated by the Security and Quality of Supply Standards (SQSS), National Grid must undertake reinforcement works within the 400 kV AC network. Until these reinforcement works are completed in Q4 2029, the connection offer is considered “non-firm”, meaning the System Operator can constrain AQUIND Interconnector with no compensatory payments. The frequency, duration and severity of constraints will be subject to a number of variables over which AQUIND has no control, such as the level of generation on the system and outages on transmission circuits.

4.3.4 Technical Losses

The transmission losses in the underground cables and submarine cables will depend on the route length, the conductor material used and the cross-sectional area of the conductor. We have, however, prepared estimates of the transmission losses that we anticipate will occur in full power scenarios on AQUIND Interconnector. These are shown in Table 4-3 and are based on: (i) the fact that VSC converter station losses are typically 1.0% of their rating; and (ii) the current AQUIND Interconnector specifications.

The overall scheme loss is expected to be 75.3 MW, rounded to 75MW. This represents total losses of approximately 3.6%.

Table 4-3 Technical line losses

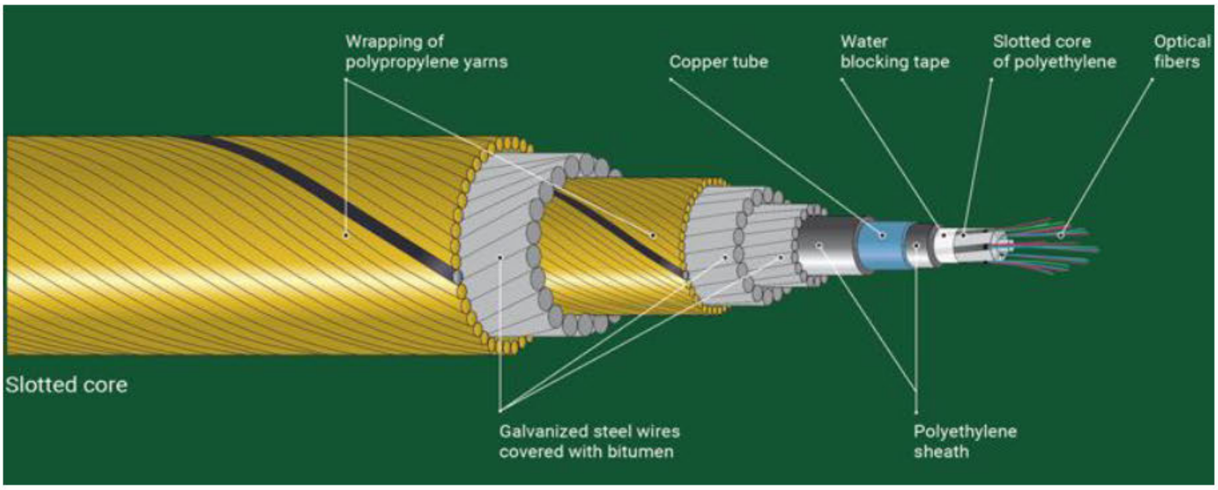
Component	Loss (MW)
Converter Station	20.75
DC Marine Cables	13.2
French DC Cables	1.9
GB DC Cables	1.4
French AC Cables	0.2
GB AC Cables	0.2
Total losses scheme	**75.3 MW**
Loss per pole	**37.65 MW**

4.3.5 Inclusion of data cable

As part of the Project, AQUIND will be deploying fibre optic infrastructure for protection and monitoring purposes. A fibre optic data transmission cable will be installed in a trench alongside and at the same time with each of the two power cable pairs both offshore and onshore. The spare data transmission capacity of such cables may be used to transfer data of third parties, providing further connectivity between France and England.

Up to [redacted] "dark" fibres in each of the two data transmission cables may be available for third-party access enabling the high data transfer rates of up to [redacted] Gbps per fibre pair. The AQUIND fibre optic transmission link offers a shorter route than some of the existing systems, ensuring the low latency time of approximately [redacted] ms. The system will be capable of connecting the French and English shores without the need for amplification by subsea repeaters.

Figure 4-5 AQUIND Interconnector data cable



Installation in the same trench as the power cables and alongside them, together with separation of the two cable systems, ensures consistent protection against fishing and anchor damage as well as natural hazards.

4.4 Ownership and commercial arrangements

This section of the Request for Exemption explains the ownership structure of the Project and the proposed operating arrangements. We note that the future operating arrangements will be further developed as the project progresses. AQUIND will keep the NRAs informed of any developments.

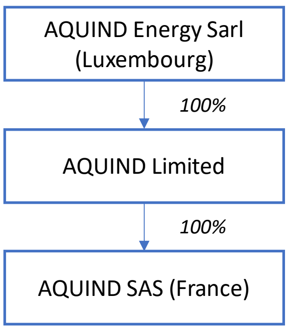
4.4.1 Ownership and shareholding

4.4.1.1 Project promoters

AQUIND Interconnector is promoted by:

- AQUIND SAS, société par actions simplifiée, created in accordance with the laws of France with registration R.C.S. number 808 503 940 and registered address at 72 rue de Lessard 76100 Rouen and;
- AQUIND Limited, a limited liability company under the laws of England and Wales with company number 06681477 and the registered address at OGN House, Hadrian Way, Wallsend, NE28 6HL; and
- AQUIND Energy Sarl, Société à responsabilité limitée, created in accordance with the laws of Luxembourg with registration number B229924 and registered address at 26 boulevard de Kockelscheuer, 1821 Luxembourg.

Figure 4-6 AQUIND Interconnector ownership structure



No entities or people involved in the AQUIND company group structure have control over any energy generator, producer or supplier.

4.4.1.2 Future equity holdings

AQUIND shareholders may consider investing in other assets in the electricity industry in the UK or France in the future (for example, electricity storage, renewable power generation or marginal balancing plant).

AQUIND anticipates seeking further equity investment as part of its financing strategy in the future. AQUIND is currently discussing an equity investment potentially including an entity that holds some generation assets interest in the UK, French or other European markets. If these investments go ahead, AQUIND would seek to be compliant with the relevant unbundling regulations and in particular with the provisions regarding the *"control over an undertaking performing any of the functions of generation or supply"*.[4]

Further information on AQUIND's proposed approach is identified in Section 4.5.

4.5 AQUIND Financing structure

This section sets out AQUIND's indicative financing plan (Section 4.5.1), followed by a description of the planned commissioning date (Section 4.5.2).

4.5.1 AQUIND Indicative financing plan

AQUIND Interconnector is the sole business of AQUIND. For these purposes, AQUIND can be considered a project entity.

AQUIND's financing strategy is to attract funds to invest in AQUIND Interconnector on a project-finance basis. Our analysis shows that AQUIND Interconnector can be an attractive business proposition for project-finance providers, subject to AQUIND being granted appropriate regulatory regimes, including an Exemption as requested in this Request for Exemption.

AQUIND is being financed at the development stage by private investments. This is the riskiest part of financing and it is very hard to attract outside investors. Up to the present moment, nearly [redacted] have been invested by AQUIND and its shareholders in the development stage of the Project.

AQUIND will seek further equity funding and non-recourse project financing from wider pools of potential investors for the construction stage of the Project. The target combination of debt and equity will be determined through the ongoing discussions around the most efficient investment approach with potential investors while the Exemption is assessed, but in any case project debt is unlikely to be less than 50%.

A summary of the indicative financing plan is set out in Table 4-4.

Table 4-4 Indicative financing plan

Source of financing	Financial contribution
AQUIND's own resources	▸ [redacted]m to date; plus ▸ [redacted] until FID
Project finance	▸ [redacted] ▸ Expected [redacted]% of capex
Other sources (equity investors)	▸ Expected [redacted]% of capex

The final approach to the financing strategy depends on the details of the regulatory arrangement with the NRAs, including the form and duration of the Exemption.

The combination of investors may include:

- Equity providers:

[redacted]

[4] Directive 2009/72/EC, Article 9.

[redacted]

- Non-recourse finance providers:

[redacted]

AQUIND is engaging with various types of the potential investors, at this stage primarily equity providers, including specialised investment funds, corporate investors, EPCI contractors and high net worth individuals. These discussions are covered by mutual confidentiality requirements.

Taking into account that a typical ticket size for banks in such project finance deals is around €[redacted] million, AQUIND expects there would be a syndicate of lenders. While there are not many examples of fully private interconnectors, recent offshore wind transactions suggest that AQUIND should expect that term loans would be for at least [redacted] years.[5] AQUIND may opt for a share of shorter- or longer-term loans subject to future refinancing after a certain period of time. A precise loan strategy will be determined through further engagement with debt providers and equity investors, based on the final regulatory regime applicable in the UK and in France, including the form and the duration of the Exemption.

Recent transactions involving offshore wind farms also show that if it is possible to confirm a business case for a project, then it is also possible to attract investors such as infrastructure funds, pension funds and sovereign funds who have a longer investment horizon than private investors. In offshore wind it has been achieved through a direct tariff support by Government.

Without the flexibility provided by the exemptions requested in this Request for Exemption, AQUIND Interconnector will not be able to attract non-recourse debt finance or equity. Furthermore, if particularly onerous conditions are imposed as part of the exemption, the lender's margin, and therefore the cost of the project, will increase. This may make it non-viable for AQUIND to proceed. AQUIND is not in a position to finance the Project on "balance sheet" as national TSOs and utilities may be in a position to do.

AQUIND, with its advisors, has prepared a financial model to simulate the expected cash-flows based on a set of economic assumptions outlined in Exhibit 1. The financial model is provided in Exhibit 3. [redacted]

As AQUIND is unable to operate an interconnector in France without an exemption, the exemption length will be linked to the expected debt repayment period, incorporating at least 5 years additional

[5] Page 30 of "Where's the money coming from? Financing offshore wind farms" European Wind Energy Association, November 2013.

headroom. The exemption is therefore required for a period of time that exceeds the term of the non-recourse debt by a safe margin. It would ensure that the project is able to address the following risks:

- Actual terms and conditions of financing – given uncertainties affecting exchange and interest rates, which stem from Brexit and other political and macro-economic factors, AQUIND will be able to finalise its financing package at the point of Final Investment Decision. At this stage, AQUIND requires an appropriate amount of flexibility to make prospective investors comfortable.
- Market conditions as discussed in this Request for Exemption.
- Programme and cost risks of the project as discussed in this Request for Exemption.

4.5.2 AQUIND commissioning date and project cost breakdown

AQUIND is working with technical advisors, WSP, to plan all project milestones through the planning, construction and commissioning phases of the project. This complex planning exercise takes into account a range of contingencies that may arise during the programme. Based on this analysis, AQUIND will be ready to commission in Q2 2024.

For a project of this size and cost, it is not unusual for unexpected events to delay the projected commissioning date. A number of the possible reasons for such a delay are outside of AQUIND's control – for example, unforeseen planning challenges or weather conditions delaying offshore works. At this early stage of the project, it is not possible to identify an accurate specific commissioning date for the project.

As an exempt investor with no financial support, any project delay will increase the project cost and delay revenue recovery. AQUIND, and its shareholder, are therefore strongly incentivised to minimise project delays. Rather than setting the start of the exemption period at this stage, AQUIND requests that the exemption start date is aligned with the actual full commissioning date of the project.

In order to give the NRAs clear sight of project progress, AQUIND will provide NRAs with appropriate updates.

Table 4-5 provides a detailed breakdown of costs based on the latest procurement and technical information.

Table 4-5 AQUIND indicative project cost breakdown

Capex	Assumptions	Cost (Real €m 2018)					
		2015-19	2020	2021	2022	2023	2024
Cables	Cost for equipment and installation. *Excludes type tests/prequalification tests, tax, customs charges.*	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
	...of which [redacted]% Marine (DC): 4 cables with total length of 728km.						
	...of which [redacted]% Underground (DC): 4 HVDC cables with total length of 224km. ...of which: [redacted]% Fibre optic cables and other costs						

Capex	Assumptions	Cost (Real €m 2018)
France connection works	Cost for RTE construction works, including AC cables, and studies required to connect asset at Barnabos. Excludes VAT.	[redacted]
GB connection works	Construction works, including AC cables, and studies required to connect asset at Lovedean. Excludes VAT.	[redacted] [redacted] [redacted] [redacted] [redacted] [redacted]
Converter stations	2 x VSC HVDC converter stations for each monopole (4 in total).	[redacted] [redacted] [redacted] [redacted] [redacted] [redacted]
Owner's costs	Owner's project management, engineering and supervision costs	[redacted] [redacted] [redacted] [redacted] [redacted] [redacted]
	CAR insurance	[redacted] [redacted] [redacted] [redacted] [redacted] [redacted]
Total CAPEX (2021-2024)		[redacted]
Total DEVEX (2015-2021)		[redacted]
Total CAPEX and DEVEX costs (used in the CBA), 2015-2024		**1,426**

4.6 Supply chain strategy

This section sets out the supply chain strategy that AQUIND will implement to deliver the Interconnector. The main contract lots that AQUIND is planning to procure are set out in Section 4.6.1. Section 4.6.2 describes the competitive tender process for the construction contracts and Section 4.6.3 summarises AQUIND's approach to managing the interfaces among relevant contractors.

4.6.1 Contract lots

AQUIND will use a single open procurement process for the Project and is currently planning to award up to three Engineering, Procurement, Construction and Installation ("EPCI") contracts as outlined below:

- **EPCI Lot 1 (converter stations)**: the design, building, installation, commissioning, operation and maintenance of the converter stations at both Lovedean and Barnabos
- [redacted]
- **EPCI Lot 2 (HVDC Cables (Marine and Land) and Fibre Optic Cables and Equipment):** the design, manufacturing, installation, commissioning and maintenance of the HVDC Sub Marine and Land Cable and the Fibre Optic Cable – Poles No 1 and 2. An invitation to the prequalified suppliers to put in place necessary arrangements for consortiums or subcontracting has been made.
- **EPCI Lot 3 (Optional – Lots 1 and 2 combined):** the design, building, installation, commissioning, operation and maintenance of the converter stations at both Lovedean and Barnabos and Poles 1 and 2.

The current conditions of the HVDC industry and the nature of interconnector projects are such that it is unlikely that there will be a single contractor, who would undertake delivering Lot 3. An agreement with National Grid to perform the design, manufacture, maintenance and commissioning of the HVAC cable connection from the converter station to Lovedean substation has recently been achieved. A separate design and engineering contract may be signed with each supplier to be triggered prior to the main contract taking effect.

4.6.2 Tender process and next steps

As set out in detail in Exhibit 11, development of AQUIND Interconnector creates a range of market and commercial risks, including cost increases and overrun, implementation/programme delays and design changes. As part of our strategy to mitigate these risks, AQUIND will be putting in place a competitive tender process to deliver a comprehensive set of contracts that will allocate risks to the most appropriate parties. The context and the detailed plan for the tender process are set out in the following paragraphs.

The costs for the construction stage are based on the quotes elicited from prospective suppliers. To date, AQUIND has formally engaged with suppliers as follows:

- [redacted]
- [redacted]

The responses from the supply chain have been discussed at meetings with respective suppliers and also reviewed by AQUIND's advisors. The content of such responses is confidential, but the information provided by the suppliers has been used to calculate the expected capital costs of the Project. As a result of this engagement the procurement and lot structure strategy have been confirmed. AQUIND published the contract notice that started the procurement process on 3 June 2019 in OJEU.[6]

Following the pre-qualification stage, commenced in July 2019, AQUIND pre-qualified 5 potential converter station suppliers and 6 potential cable suppliers in October 2019. The prequalified suppliers were updated on the project's progress in January – February 2020 in a series of meetings.

The next steps of this tender process will include:

- preparation of the terms and conditions of the contract - ongoing,
- preparation of attachments to ITT with all technical information - ongoing;
- invitation to tender;
- review and assessment of tender submissions; and
- negotiations with potential suppliers of the Best and Final Offer.

The EPCI Terms and Conditions are planned to be structured to facilitate project finance and will be based upon fixed cost and schedule parameters with liquidated damages to guard against non-

[6] Link available here.

delivery. Where cost certainty cannot be achieved in the EPCI market for specific items, such as commodity price changes, labour costs changes, legislation changes, adverse unforeseen offshore weather and subsoil conditions, a limited number of instances of engineering changes and other construction risks, as appropriate, AQUIND will aim for these additional costs to be incorporated into the eligible project costs for both the GB and French regulatory settlements for the Project. The contracts are proposed to be in line with the FIDIC Silver/Yellow book.[7]

Construction will begin promptly after Financial Close with total construction cost estimated at approx. €1,426 million. The construction programme will be informed by the EPC engagement and is expected to be c.3 years with a target commissioning date in Q2 2024.

In all activities above, AQUIND's team will be supported by the relevant external advisors, including on procurement, engineering, legal and commercial aspects of the tender process.

We consider that the process described above will enable AQUIND to select the contractors that would be responsible for delivering the project in a competitive and transparent manner and thus secure the best value for the GB and French network users, as well as the investors of the project.

4.6.3 Approach to interface management

It will be the contractor's responsibility to ensure the design, construction and commissioning of the converter stations and cables meets the AQUIND technical specification outlined as well as the parameters established under the EPCI contract. They will also be responsible for appointing and managing Tier 2 civil contractors.

AQUIND and the Owner's Engineer will monitor compliance with the EPC contract(s). They will review deliverables, programme and cost as well as identify associated risk and reporting on agreed Key Performance Indicators.

However, based on the analysis in the previous sections, we anticipate that there will be two or more suppliers delivering different parts of the Project, and the interfaces between them will need to be managed. For each interface, we will consider the party best placed to manage it – whether this is one of the suppliers or AQUIND. In general, we consider that contractors delivering two or more packages would seek to internalise the interface risks and this would be reflected in a higher cost. Conversely, if AQUIND were to manage the interface risks themselves, this could reduce the cost of individual supply lots.

AQUIND will put in place suitable arrangements to manage the interface risks appropriately. At this stage, we anticipate that this would require:

- a project management team to sequence and align a timely delivery of different elements of the project;
- an engineering team, to address technical interface issues such as physical dimensioning and electro-engineering issues;
- a technical and legal team to manage issues arising if competitors were required to collaborate (and potentially share commercially sensitive information); and
- an external engagement team to support AQUIND's public relations throughout the construction of the project.

[7] EPC/Turnkey Contract 2nd Ed (2017 Silver Book) and Plant and Design-Build Contract 2nd Ed (2017 Yellow Book).

4.7 Project plan and timeline to operation

AQUIND have been working with a range of parties to develop the Interconnector proposition presented in this Request for Exemption. Along with the national TSOs and NRAs, this has also included technical, economic and legal consultants to advise on all aspects of the project.

4.7.1 Key milestones reached by AQUIND

AQUIND Interconnector has been in development since April 2014. Key progress to date includes:

- A range of **feasibility studies** have been completed and AQUIND **consulted widely** on the project in accordance with the TEN-E Regulation.
- A **connection offer** from National Grid was signed in June 2016.
- A *Proposition Technique et Financière* (**PTF**) was signed by AQUIND in March 2017.
- AQUIND reached a major project milestone in September 2016 with Ofgem granting AQUIND a **GB Electricity Interconnector licence.**
- AQUIND is also recognised in Europe having been listed in **ENTSO-E's Ten Year Network Development Plan** (TYNDP) 2016 and 2018, and has also been identified as a **Project of Common Interest** (PCI) on the Third PCI List. AQUIND has been included in TYNDP 2020 (Project number 247).
- AQUIND has been designated as a **Nationally Significant Infrastructure Project** in the UK in July 2018, and submitted an application for the **Development Consent Order** in November 2019, which was accepted for examination in December 2019.
- AQUIND has ensured continued engagement with the NRAs and the TSOs in GB and France, and maintained regular contact with the **supply chain.** As part of this, AQUIND engaged with prospective suppliers and initiated an **OJEU tender process** for the Engineering, Procurement, Construction and Installation of the interconnector.
- Converter station locations, landfalls and cable routes have been identified. This has included detailed marine geophysical and geotechnical surveys of the total length of the marine cable route and ground investigation surveys in France and the UK.
- AQUIND continues investor engagement.

The key milestones for the project, including those agreed in the GB with the National Grid as part of the connection agreement, are set out in the AQUIND delivery programme, which is included in detail in Exhibit 11 – "Programme plan and programme risks". The connection procedures in both GB and France provide for modification procedures, including the timing of the connection that might be subject to changes due to various circumstances.

4.7.2 Consents and licences

A project of AQUIND's size, spanning two jurisdictions, requires an extensive planning schedule with a number of necessary consents and licence. Exhibit 9 provides a summary of the required consents and licences.

4.8 Operating arrangements

This section sets out initial arrangement with respect to capacity allocation and market reporting and transparency.

4.8.1 Transparency and reporting obligations

AQUIND recognises the importance of timely and transparent reporting requirements. For all capacity, AQUIND will ensure reporting of all auction timetables and auction results to ensure compliance with European and national transparency requirements. The detailed provisions for reporting will be set out in the AQUIND Access Rules. These will be subject to NRA approval and align with equivalent product rules on the GB-France border.

AQUIND will publish all results for the allocation of all capacity auctions as soon as practicable after the auction has taken place. The information will comply fully with the requirements the relevant legislation and, as a minimum, will include:

- Names of registered winning bidders
- The marginal auction clearing price
- Total capacity demanded
- Total capacity awarded

This public information will be in addition to information regarding auction results provided directly to winning bidders in the relevant auction. AQUIND anticipates that this information will be made available through the procured auction trading system. The specific details of the trading system will be developed and shared with NRAs in due course.

4.8.1.1 Secondary trading

Secondary trading offers market participants a route to re-sell capacity awarded through the multi-year auctions. AQUIND proposes to facilitate secondary trading to ensure that unused capacity is re-allocated. This principle will be supported by the UIOSI rules that will force capacity holders to recycle capacity if it is not nominated for delivery by the Day-ahead stage. These functions and processes will be formalised through the procurement and design of the AQUIND auction platform.

4.8.1.2 European Network Code compliance

AQUIND will ensure full compliance with the market related European Network Codes and subsequent Regulations (Forward Capacity Allocation and Capacity Allocation and Congestion Management) for all capacity. In this respect, AQUIND will not be any different to other regulated GB-France interconnectors.

4.8.2 Transparency

AQUIND will put in place data and transparency processes to provide relevant information to NRAs, TSOs, market participants and the market, as required under relevant legislation. The requirements for this data provision will come from a number of sources, not limited to the Transparency Regulation 543/2013, European Network Codes, and any additional requirements proposed by the NRAs through the exemption decision or otherwise.

AQUIND will put in place communication procedures that take into account the format, frequency and recipients of each data items. These procedures will include:

- Information sent directly to the NRAs
- Information sent directly to other relevant organisations
- Information sent directly to AQUIND capacity holders
- Information made available on the AQUIND public website (public).

The precise mechanisms will be developed through the construction phase of the project as the project developers prepare for operation. For information required during the construction phase of the project, AQUIND will engage bilaterally with the national TSOs and NRAs as required to provide regular updates on the construction progress, to be agreed with the NRAs as part of this Request for Exemption.

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5 Exemption request and rationale

5.1 Introduction

This section of the exemption application includes:

- A description of the grounds for exemption.
- A summary of AQUIND's exemption request.

5.2 The grounds for exemption

The decision to award an exemption is based on the specific nature of the project. An exemption may only be granted where the project meets the conditions set out in Article 63 of Regulation 2019/943:

> *(a) the investment enhances competition in electricity supply;*
>
> *(b) the level of risk attached to the investment is such that the investment would not take place unless the exemption is granted;*
>
> *(c) the interconnector is owned by a natural or legal person which is separate, at least in terms of its legal form, from the system operators in whose systems that interconnector will be built;*
>
> *(d) charges are levied on users of that interconnector;*
>
> *(e) since the partial market opening referred to in Article 19 of Directive 96/92/EC of the European Parliament and of the Council*[1]*, no part of the capital or operating costs of the interconnector has been recovered from any component of charges made for the use of transmission or distribution systems linked by the interconnector; and*
>
> *(f) an exemption would not be to the detriment of competition or the effective functioning of the internal market for electricity, or the efficient functioning of the regulated systems to which the interconnector is linked.*

Article 63 states in relation to a request for an exemption for a new direct-current interconnector that:

- such exemption is "for a limited period of time" – 63(1)
- the decision "shall be taken on a case-by-case basis by the regulatory authority" – 63(4)
- the "exemption may cover all or part of the new interconnector" – 63(4).

This section of the Request for Exemption explains the unique nature of AQUIND Interconnector, the risks faced by the project developers, and the rationale for the exemption.

5.3 AQUIND's exemption request

Pursuant to Article 63 of Regulation 2019/943, AQUIND seeks a partial exemption for AQUIND Interconnector in France from Articles 19(2) and 19(3) of Regulation 2019/943 (regarding the Use of Revenues) for a period of 25 years from the start of commercial operations. The partial exemption

[1] Directive 96/92/EC of the European Parliament and of the Council of 19 December 1996 concerning common rules for the internal market in electricity (OJ L 27, 30.1.1997, p. 20)

would apply to a fixed share of AQUIND's revenues that corresponds to the proportion of AQUIND Interconnector capital and operational costs related to French territory (onshore and French territorial waters).

In accordance with French national law, an exemption granted under Article 63 of Regulation 2019/943 would also have the effect of permitting AQUIND to operate AQUIND Interconnector in France. Despite the limited duration of the exemption requested, AQUIND will seek to maintain this permission to operate AQUIND Interconnector in France for its full operational life.

AQUIND does not seek an exemption for Unbundling (Article 43, Directive 2019/944), Third Party Access (Article 6, Directive 2019/944) or the approval of charging and access rules (Article 59(7) and 60(1) of Directive 2019/944). While AQUIND's existing structure and investors do not require an exemption from unbundling requirements, AQUIND does not rule out the possibility of reconsidering unbundling requirements if necessitated by the business's arrangements of potential future investors.

5.3.1 Articles 19(2) and 19(3) of Regulation 2019/943: Use of Revenues

AQUIND is applying for a partial exemption from Articles 19(2) and 19(3) of Regulation 2019/943. The exemption will apply to a fixed share of the revenues[2] generated by AQUIND Interconnector that corresponds to the proportion of the project that will be situated in French territory (including onshore and in French territorial waters) (the "**Exempt Portion**"). This share is estimated to be 32%, based on AQUIND's cost analysis presented in Section 6.4 below. The remaining share of the revenues generated by the project will not be exempt from the requirements of Articles 19(2) and 19(3).

The revenues covered by the scope of the Exemption will include the fixed share of the sum of the following components:

- Congestion revenues generated by AQUIND Interconnector
- Capacity Mechanism revenues, insofar as these revenues accrue to the interconnector owner
- Ancillary services revenues, insofar as these revenues accrue to the interconnector owner
- Netting-off component, which may include, for example, any costs that may apply to the project, such as trading tariffs, or penalties associated with non-performance of Capacity Mechanism and/or Ancillary services contracts that AQUIND Interconnector may, from time to time, enter into
- Such other revenues arising from AQUIND Interconnector performing its role as electricity interconnector within the period of duration of the requested exemption.

AQUIND's Request for Exemption on the Use of Revenues in France follows extensive regulatory engagement with CRE, as well as Ofgem and ACER to consider and test the viability of different investment and regulatory routes for AQUIND Interconnector. The conclusion of these regulatory tests, extensive analysis and formal regulatory decisions is that the only investment route available to AQUIND in France is through an exemption under Article 63. Without an exemption, the project cannot, and will not, progress and the significant benefits to France, GB and Europe, as demonstrated in the AQUIND revenue and social welfare analysis (Exhibit 1) will not be realised.[3]

[2] We envisage that the share of revenues subject to the Exemption will be fixed ex-ante for the duration of the Exemption (i.e. 25 years), based on the territorial principle.

[3] The project benefits include social welfare benefits, benefits to security of supply, competition benefits, environmental benefits, benefits in the provision of ancillary services and taxation benefits to French society.

We summarise here the project history and the regulatory decisions that led to this exemption request and provide the core rationale for AQUNID's Request for Exemption:

- **AQUIND's 2017 Request for Exemption**: On 15 May 2017, AQUIND applied to CRE and Ofgem (as the NRAs for GB and France) under Article 17 of Regulation 714/2009[4] (the "Electricity Regulation") for certain exemptions from the relevant regulations (the "2017 Exemption Request"). Following the provision of further information by AQUIND, the 2017 Exemption Request was accepted as complete by Ofgem on 4 September 2017. Pursuant to Article 17(5) of the Electricity Regulation, on 19 December 2017, AQUIND's exemption application was then referred by Ofgem and CRE to ACER for a decision.
- **ACER's decision not to grant AQUIND's Request for Exemption**: By decision on 19 June 2018, ACER refused to grant the 2017 Exemption Request on the basis that the condition set out in Article 17(1)(b) of the Electricity Regulation was not met, finding that AQUIND had not sufficiently demonstrated that the level of risk attached to the investment was such that the investment would not take place unless an exemption was granted. This decision by ACER was primarily based on the fact that, in ACER's view, AQUIND should have tested whether a regulated regime was available to the Project. This in turn was based on AQUIND Interconnector's PCI status (granted during the course of ACER's review of the 2017 Exemption Request), which could allow the development of the project under a regulated regime pursuant to the Cross-Border Cost Allocation (CBCA) arrangements of Article 12 of Regulation 347/2013 (the "TEN-E Regulation").[5]
- [redacted]
- **AQUIND's PCI status**: On 31 October 2019 the European Commission (the "Commission") adopted a delegated regulation (the "Delegated Regulation") that amends the union list of projects of common interest ("PCIs") inter alia by removing AQUIND Interconnector from the list and accordingly AQUIND Interconnector is set to lose PCI status when the Delegated Regulation comes into force. [redacted]

The conclusions of the steps and decisions summarised above is that the only investment route that will permit AQUIND to continue to develop to project is through an exemption in France. There is no other regulated regime for non-RTE interconnection in France.[6] [redacted]

[4] Article 63 of Regulation 2019/943 essentially restates the conditions for an exemption set out in Article 17 of Regulation 714/2009.

[5] AQUIND Limited appealed to the Board of Appeal of ACER against ACER's decision to reject the Exemption Request, but this appeal was rejected on 17 October 2018. An appeal to the General Court of the European Union against the decision of the Board of Appeal was submitted in January 2019, which is ongoing as of the date of this Request for Exemption.

[6] In GB, the regulatory arrangements set out under the Cap and Floor regime allow for third party interconnector developers and as such AQUIND does not require any exemptions in GB.

[redacted] The steps taken by AQUIND demonstrate fully that the project risk is such that the investment will not take place unless an exemption is granted.

AQUIND therefore seeks a partial exemption sufficient to allow the project to progress in France. The scope of the exemption is proportionate and limited such that the exemption is only sought for elements of the legislation that would otherwise prevent the project's development in France, i.e. the use of revenues. The interconnector will operate in the same way as any other regulated interconnector, with capacity products made available to third parties in regulated timeframes.

AQUIND recognises that there is a degree of revenue uncertainty for a GB-France interconnector, as is the case for any infrastructure project of this scale, which could also result in additional returns for the project. Should the AQUIND Interconnector be more profitable than expected, AQUIND proposes to introduce additional conditions on the portion of the revenues generated by the interconnector in France to re-distribute some of the profits to French network users in scenarios where revenues exceed expectations. Specifically, we propose a "profit-sharing mechanism" as follows: if the present value of profits related to the Exempt Portion of the Project, discounted at a nominal rate of [redacted]%, is positive, then [redacted]% of these profits would be transferred from AQUIND to RTE (and hence to French network users).

In calculating the profits related to the Exempt Portion of the Project, for the purposes of the "profit-sharing mechanism" described above, we propose that:

- The profits are calculated based on the actual costs and actual revenues associated with the Exempt Portion of the Project; and
- The revenues will be split and ring-fenced into two separate "pots", corresponding to the Exempt and Non-Exempt Portion of the Project. The ring-fencing arrangements put in place will be such that there is no interaction between the two "pots". For the avoidance of doubt, regulatory arrangements (if any) related to the treatment of AQUIND's revenues on the GB side will be entirely independent of the calculations performed for the purposes of the "profit-sharing mechanism" for the Exempt Portion of the Project described above.

We consider that this profit-sharing mechanism is appropriate, proportionate and in the interest of French socio-economic welfare because it aligns AQUIND's and French network users' incentives to maximise operational availability of the interconnector at times when the Project generates the highest value. In addition, the "profit-sharing mechanism" will deliver additional benefits of revenue upside to French network users, and critically it will do so without transferring additional risk to French network users. The specific details of the proposed "profit-sharing mechanism" would be fixed ex-ante by CRE, for the duration of the Exemption.

The exemption from Article 19 is sought for a period of 25 years.

5.3.2 Exemption required to operate AQUIND Interconnector in France

An exemption is required in order for AQUIND to be permitted to operate AQUIND Interconnector in France. Under French law, the TSO is responsible for the development, construction and operation of regulated interconnectors. RTE is currently the only eligible entity to undertake these operations. AQUIND is therefore prohibited from operating a regulated interconnector in France under Articles L. 121-4 and L. 321-6 of the French Energy Code[7].

[7] Adopted by Ordonnance 2011-504 of 9 May 2010.

Based on the above, CRE adopted a decision on 29 March 2012[8] which provides that the only possibility for a private party to operate an interconnector in France is within the framework of an exemption. As such, AQUIND requires an exemption under Regulation 2019/943 in order to construct and operate AQUIND Interconnector in France.

AQUIND will seek to maintain this permission to operate AQUIND Interconnector in France for its full operational life, beyond the 25 year period of this Request for Exemption.

5.4 Exempt Portion of AQUIND Interconnector

AQUIND has undertaken a detailed cost analysis, focusing on the development, capital and operating expenditure. On this basis, AQUIND estimates that the proportion of the Project that will be situated in French territory (including onshore and in French territorial waters), i.e. the Exempt Portion, is 32%.

A summary of this analysis is presented in Table 5-1 below.

Table 5-1: Allocation of AQUIND Interconnector costs[9]

Cost category	Total	...of which the Exempt Portion
Capex – Converters	[redacted]	[redacted]
Capex – Cables + Connections	[redacted]	[redacted]
Capex – (CAR, Project mgmt)	[redacted]	[redacted]
Devex	[redacted]	[redacted]
Subtotal Capex + Devex	[redacted]	[redacted]
Opex (Present value)	[redacted]	[redacted]
Repex (Present value)	[redacted]	[redacted]
Total Capex + Devex + Opex + Repex	€1,537m	€488m
Cost split	100%	32%

Source: AQUIND analysis.

[8] CRE deliberation dated 29 March 2012 communicating on the application of Article 17 of the EC Regulation No. 714/2009 dated 13 July 2009

[9] Presented here in PV terms taking into account the profile of costs

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6 Fulfilling the relevant exemption criteria

6.1 Introduction

This section of the Request for Exemption explains how AQUIND Interconnector meets the exemption criteria set out in Article 63 of the Regulation.

The promoters of AQUIND Interconnector have identified the need for additional capacity between GB and France and material positive benefits of the project for France and for the wider EU.

AQUIND's analysis shows that the Project will increase competition in GB and France and across Europe without causing detriment to the functioning of the internal market. Pursuant to this Request for Exemption, these benefits will be delivered in France without the need for network tariff in France.

As discussed in Section 5 of this Request for Exemption, this investment will not take place unless this exemption is granted. AQUIND requests an exemption that is proportionate and related to the Use of Revenues in respect of the revenues generated by the Project, which corresponds to the Exempt Portion. Further AQUIND has incorporated a proposed condition into the Request for Exemption to ensure French network users benefit in scenarios where AQUIND's revenues exceed a certain threshold.

Table 6-1 summarises the way that AQUIND fulfils the requirements of Article 63 of the Regulation.

Table 6-1 Fulfilling Article 63 exemption criteria

Criteria	Summary
Competition (criterion a)	▸ No risk of any adverse impact of AQUIND on competition, given that no exemption from the prevailing capacity allocation rules is requested. ▸ Increase in traded volumes (liquidity) in the GB and French wholesale energy markets. ▸ Increase in competition in provision of capacity through the GB and French capacity markets, thus reducing the cost of meeting a desired level of security of supply in both countries. ▸ Increase in the range of providers of GB-France cross-border capacity.
Risk (criterion b)	▸ AQUIND tested extensively the viability of potential investment routes with CRE, ACER and Ofgem and concluded that without an exemption, the investment will not take place. ▸ Due to provisions of French law, AQUIND is not entitled to operate AQUIND Interconnector in France without an exemption. ▸ For the Exempt Portion of the Project, AQUIND faces revenue risk from competing projects, macroeconomic and policy risks (including Brexit) and curtailment risk ▸ For the Exempt Portion of the Project, AQUIND also faces substantial construction risk arising from the size and technical complexity of the project.
Ownership (criterion c)	▸ AQUIND is promoted by legal persons who have no affiliation with the system operators whose systems that interconnector will be connected to.
Charges (criterion d)	▸ Charges will be levied on users of the interconnector for the full interconnector capacity.
Recovery of costs (criterion e)	▸ No part of the capital or operating costs relating to the Exempt Portion has been (or will be) recovered from any component of charges made for the use of transmission or distribution systems linked by the interconnector.
Functioning of the internal market (criterion f)	▸ Strong positive increase in total net social welfare as a result of AQUIND ▸ Improved generation dispatch across GB, France and Europe, optimising renewables dispatch and reductions in CO_2 ▸ AQUIND is projected to reduce the price spread between GB and France, an objective of European market integration ▸ AQUIND has no significant negative impact on the continental European transmission grid ▸ AQUIND is not expected to require additional investment in the network in France[1]

6.2 Demonstrations of criterion (a) – Competition

The investment must enhance competition in electricity supply

[1] A comprehensive study of the impact of AQUIND on the French transmission system is provided in Exhibit 10 – *"Consentec report on the impact of AQUIND on the French transmission system"*. This study was completed by independent consultants, Consentec GmbH.

AQUIND will ensure competitive pressure through the sale of capacity through regulated markets, fully aligned with other interconnectors on the GB-France border.[2] AQUIND will therefore significantly increase capacity on the border.

6.2.1 Competition in cross-border capacity

AQUIND proposes to allocate all capacity on the basis of the prevailing allocation regulations and rules (i.e. without an exemption). As a result, the increase in cross-border capacity between France and GB cannot and will not have any adverse impact on competition.[3]

On the contrary, AQUIND is a non-incumbent-TSO investor and will therefore diversify the ownership of GB-France cross-border interconnectors, giving market participants additional choice across several markets:

- AQUIND Interconnector will widen the range of prospective providers of cross-border capacity for participants trading capacity on the interconnector. While this is not expected to fundamentally alter the nature of competition in the cross-border capacity market (under the prevailing capacity allocation rules), we consider it is beneficial to include another prospective provider of capacity, given that the majority of the capacity is owned by entities, related national transmission system operators of France and GB.
- AQUIND Interconnector will broaden the size of the wholesale market for energy in France and in GB, as well as increase their liquidity.
- AQUIND Interconnector will also, by participating in the GB Capacity Market, broaden the pool of participants in the GB capacity auction, thus increase the competitive pressures in that market (and/or increasing the security of supply in the connected markets).

In particular, AQUIND will triple the capacity offered by interconnectors that are not affiliated with national TSOs (from 1GW to 3GW).[4] This will ensure that competition for AQUIND capacity is maximised.

AQUIND is not requesting any exemption in respect of the prevailing capacity sales rules, therefore all capacity will be sold through competitive, regulated products, in a way that is consistent with other interconnectors on the GB-French border and aligned with the prevailing capacity allocation legislation.[5] As capacity will be sold through regulated products and timeframes, there will be no opportunity for any market participant to benefit from AQUIND in an anti-competitive way. Specifically, competition will be maximised through competitive allocation of capacity through capacity auctions and inclusion of Use-it-or-lose-it requirements on all capacity (both in compliance with requirements set out under the CACM and FCA Network Codes). Our existing high-level competition analysis supports these conclusions, indicating that AQUIND would not have any adverse impacts on market concentration.

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[2] With the exception of ElecLink which plans to sell long-term contracts for up to 80% of its capacity.

[3] We recognise that in a situation where and interconnector owner applies for a form of exemption that includes long-term capacity sales, this observation would need to be justified further. However, AQUIND is not applying for any exemption in this respect.

[4] There is currently only one other non-TSO investor (ElecLink) building a GB-continental Europe interconnector and that cross-border interconnection is otherwise still dominated by national TSOs.

[5] Specifically, the Capacity Allocation and Congestion Management (CACM) and Forward Capacity Allocation (FCA) Network Codes.

6.2.2 Price competition

AQUIND will provide market participants with a larger tradeable market on both sides of the connection. In simple economic terms, more buyers and sellers will increase competition in the GB and French wholesale markets. This increase in competition is expected to place downward pressure on wholesale electricity prices as market participants compete for market share. AQUIND's ability to flexibly respond to short-term price signals, will result in increased competitive pressure in North-Western Europe, to the benefit of electricity consumers.

6.2.3 Measures of market share and pivotality

Trading capacity through organised, regulated markets, provides assurances and safeguards against dominant (or larger) players unfairly increasing their market dominance in either GB or France. AQUIND will not be in a position to allocate capacity to specific parties using the interconnector, nor will any specific party be able to hoard capacity or withhold AQUIND's capacity for competitive gain.

To support this conclusion we have included high level competition analysis with AQUIND's Request for Exemption (and set out in Exhibit 2). This analysis shows that AQUIND could marginally reduce concentration in the French generation market, reducing EDF market share, and could marginally reduce the instances where EDF is a pivotal supplier in France.[6]

6.2.4 Transmission capacity

AQUIND Interconnector will be a 2000MW project, which will be the largest interconnector between GB and France since IFA. We consider that there are several advantages to selecting this capacity, summarised below. In addition, Section 4 provides a summary of the technical restrictions on the size of AQUIND Interconnector.

- The project benefits can be realised more efficiently when delivered through a single project compared to a number of independent developers.
- The cable capacity for HVDC interconnectors is somewhat standardised, with typical cable capacities available being 700MW and 1000MW. This implies that potential sizing of the cable is 'discrete' in pre-determined steps. For example, an interconnector of 843 MW would require first-of-a-kind tailored development which would be prohibitively expensive.
- An interconnector of 2000MW, composed of two separate monopoles, provides a high degree of security of supply as each monopole can continue operating in case of a failure of the other one.
- By contrast, an interconnector larger than 2000MW with two circuits would push current technology boundaries, significantly increasing the construction and operational risks, while exceeding TSO limitations on on-time infeed loss. In addition, building a third circuit would complicate the construction process and interfaces to a degree which would make the Project impractical.
- The chosen capacity maximises the utilisation of the existing connection points in France and in GB: it was the largest capacity that could have been practically connected to national

[6] The pivotality analysis if based on the Residual Supplier Index (RSI). RSI considers the proportion of hours during the year where the dominant market participant is required to meet demand. The analysis shows that the introduction of AQUIND Interconnector, will not increase the opportunities for EDF to influence market prices in GB or France. The introduction of AQUIND Interconnector marginally reduces the number of hours in the modelled years when EDF is the pivotal supplier.

transmission systems at any specific connection location discussed with national transmission system operators.

On the basis of the above, we conclude that the capacity of the Project that has been selected to maximise the benefits of the Project for Europe.

6.3 Demonstration of criterion (b) – Risk

The level of risk attached to the investment is such that the investment would not take place unless an exemption is granted

Through testing the viability of potential investment routes with CRE, ACER and Ofgem, AQUIND has demonstrated that there is no alternative regulatory arrangement available in France and accordingly the development of AQUIND Interconnector will not take place without an exemption.

Further, AQUIND Interconnector is planning to finance the Project, including for the Exempt Portion, using project finance which means that prospective lenders and equity providers will be taking into account the Project's expected revenues in deciding whether (and on what terms) to offer finance. As such, prospective finance providers will evaluate whether the Project's future revenues are commensurate with the rate of return they expect to earn.[7]

Analysis undertaken by AQUIND for project financing purposes confirms this risk return relationship for infrastructure assets in GB and France. These equity return premia reflect the equity exposure for riskier projects, specifically relating to offshore construction and operating risk inherent with large infrastructure projects such as AQUIND (along with offshore wind and LNG infrastructure, for example).

The level of 'reasonable profit' is a well-known concept. In a competitive market "*an undertaking would be expected to earn 'normal profits' on any particular activity. These refer to the level of profits that an undertaking requires to provide a sufficient return to the lenders and shareholders that provide the undertaking with finance. This rate of return is referred to as the undertaking's 'cost of capital'*".[8] In practical terms, this means finance providers will compare the return they earn on their activities to the 'next best' alternative and, if their actual return is lower than what they would expect to earn in other activities, they will re-deploy their capital accordingly.

- This position is consistent with finance theory, which states in general terms that the reasonable return required by finance providers (both shareholders and lenders) is a function of the level of investment (i.e. capital employed) and risk associated with the project.
- This position is also consistent with the recent judgment on Baltic Cable, which concluded that, in the context of Use of Revenue regulation, non-TSO operators of cross-border interconnectors may be authorised by NRAs to use part of their congestion revenues to make a profit, so that it can "carry out its activity in financially acceptable conditions, which includes making an **appropriate profit**" (emphasis added).[9]

We agree with the judgment on Baltic Cable and understand that the NRAs will seek to identify the level of "appropriate profit" as part of their detailed assessment of this Exemption Request.

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[7] We consider that as a project finance investment, AQUIND Interconnector may require a higher share of equity funding compared to an equivalent balance sheet financed project. However, in this assessment, we abstract from this consideration and focus on the total risk associated with AQUIND Interconnector as a project, independently of the financing arrangements.

[8] OFT Guidelines, ¶2.9.

[9] Case C-454/18, Judgment of the Court, 11 March 2020, Provisional text (link).

We explain below that AQUIND Interconnector faces specific risks in earning revenues (and incurring costs) that would adequately compensate finance providers for the risk they take on in financing the Project. AQUIND therefore requires, for the Exempt Portion, to have the flexibility to compensate finance providers commensurately, which in turn requires that AQUIND is exempted from the Use of Revenues provisions of Regulation 943/2019.

The following subsections explain that AQUIND Interconnector faces risks associated with: (i) restrictions in French law prohibiting any entity other than RTE from developing, constructing and operating regulated interconnectors;[10] (ii) revenue uncertainty arising from competing projects, being exposed to market pricing in France and GB, macroeconomic and policy risks (including Brexit) and curtailment risk; and (iii) construction risk arising from the size and technical complexity of the project. The first point relates to the fundamental inability of the Project to progress without an exemption in France, while the second and third points relate to the revenue and cost risk that the finance providers would have to bear, which in turn justifies the need for an exemption from the Use of Revenue regulations for the Exempt Portion of AQUIND Interconnector. While these risks are discussed individually, it is important to note that all project risks together create an overall risk profile, which will be considered by investors against potential returns to determine whether the investment should be made.

AQUIND acknowledges that some revenue certainty would be achieved on the regulated portion (e.g. through the "cap and floor" regime in GB) of AQUIND Interconnector under the proposed partial exemption. However, AQUIND would retain significant revenue risk arising in connection with the Exempt Portion, which in turn means that the finance providers also require to be compensated commensurately with this level of risk.

In some instances, project risks could result in upside opportunities for AQUIND. AQUIND's proposed profit sharing mechanism will ensure that any additional welfare attributable to the Exempt Portion is appropriately distributed between investors and French consumers.

6.3.1 No available regulated route

A key risk in the development of an interconnector is securing appropriate regulatory arrangements. Section 5 of this Exemption Request describes in detail the project history, engagement with regulators and regulatory decisions that led to this Request for Exemption. AQUIND has attempted and exhausted all other alternative approaches, [redacted] AQUIND has thereby conclusively demonstrated that the partial exemption requested in this Request for Exemption is the only route that will allow the development of AQUIND Interconnector to take place.

As discussed in Section 5, AQUIND also requires an exemption in order to operate transmission infrastructure in France. Under French law, RTE is currently the only entity eligible to develop, construct and operate regulated interconnectors. There is therefore a risk that AQUIND would be unable to operate the project unless an exemption is granted.

[10] In France, article L-321-6 of the Energy Code restricts the right to develop, construct and operate interconnectors to the operator of the public electricity transmission system. The construction and operation of an interconnector by a private investor can therefore only undertaken on the basis of an exemption pursuant to article 63 of Regulation 2019/943 as set out in the Délibération de la Commission de régulation de l'énergie du 29 mars 2012 portant communication sur l'application de l'article 17 du règlement (CE) n° 714/2009 du 13 juillet 2009.

6.3.2 Revenue uncertainty

AQUIND Interconnector faces a number of risks associated with the inherent ex-ante uncertainty of future congestion (and other) revenues that the Project will earn over its lifetime. The revenue uncertainty is a common feature of any investment of this type and is a largely unavoidable risk that must be allocated to someone – either the investor or the network user. For regulated TSO-developed interconnectors, this risk is allocated to the network users. By comparison, for interconnectors developed by non-TSO entities such as AQUIND, without available network tariff support for the Exempt Portion, the revenue uncertainty risk remains with the developer. To compensate the bearer of this, it is necessary to provide investors with an upside opportunity to earn higher returns. Such returns will be required to secure necessary investment and ensure that the Project happens.

In the following subsections, we illustrate two specific sources of revenue uncertainty: (1) uncertainty driven by the presence of other, competing, providers of capacity and (2) the inherent volatility of energy markets which determine the value of the capacity between the connecting regions, and we explain why they require AQUIND to obtain an exemption from the Use of Revenues regulations.

6.3.2.1 AQUIND Interconnector will face direct competition

AQUIND will face direct competition with the regulated interconnector IFA and the significant volume of GB-French interconnector capacity planned to commission over the next decade. AQUIND will therefore be in a direct competition with a number of other providers of interconnector capacity between GB and-France. The regulatory arrangements for AQUIND's competitors are varied: IFA is a regulated link (compliant with the Use of Revenue regulations), ElecLink, which is currently under construction, has obtained an exemption from the GB and French authorities and other proposed links are likely to be regulated under the Cap & Floor regime. AQUIND will therefore face competition with a range of other regulated and exempt interconnectors

Based on the National Grid interconnector register,[11] the TYNDP, and Ofgem's Cap and Floor window, two electricity interconnector projects are currently under construction between GB and France:

- ElecLink (1000MW) developed by GetLink; and
- IFA2 (1000MW) developed by National Grid and RTE.

AQUIND is expected to commission after the two GB-France interconnectors listed above.[12]

In addition, two other projects are under development: FABLink (1400MW) developed by RTE and Fab Link limited[13] and GridLink (1500MW) developed by iCON Infrastructure Partners III, L.P.[14] FABLink has been suspended following the publication of CRE deliberation in 2019.[15] Subject to further progress, would be expected to commission after AQUIND.

AQUIND's understanding from numerous discussion with the relevant French authorities that they are concerned that the project is too "risky" and that they do not wish for French network users to support the Project and would strongly prefer that the equity risk of the Project is borne by investors.

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[11] National Grid's Interconnector Register is available on the ESO website here: https://www.nationalgrideso.com/connections/registers-reports-and-guidance

[12] Ofgem's letter of 18 November 2016: "Decision on project eligibility as part of our cap and floor regime for electricity interconnector applicants from the second window" – https://www.ofgem.gov.uk/system/files/docs/2016/11/w2_cf_eligibility_decision_letter.pdf

[13] https://www.fablink.net/about-us/

[14] https://www.gridlinkinterconnector.com/about-us/

[15] CRE Deliberation No 2019/170. See also *https://www.exmouthjournal.co.uk/news/cre-two-year-delay-for-investment-in-fab-link-project-1-6334829*

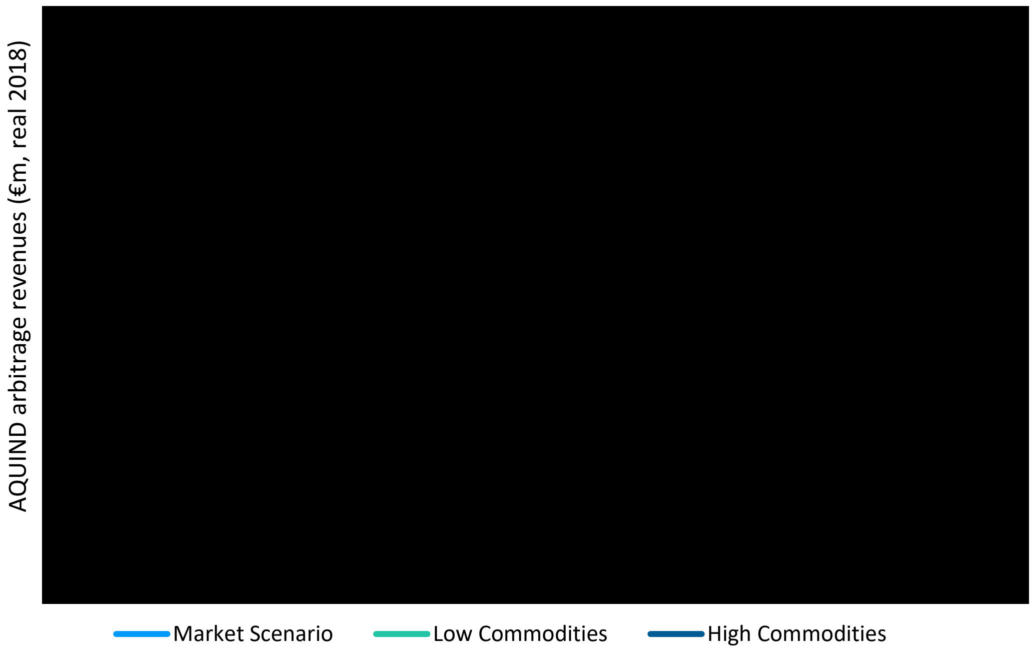
By developing the Project without any French network user support, the revenue risk will be transferred from the network users to AQUIND finance providers. To be willing to take this risk away from French network users, the finance providers need to be appropriately compensated and the only way such compensation can be provided by AQUIND is if the Exempt Portion of the project obtains an exemption from the Use of Revenues regulations, such that an "appropriate profit", i.e. compensation, can be provided for the finance providers in the form of an upside revenue opportunity.

6.3.2.2 Market volatility in France

AQUIND's revenue in France will be wholly reliant on the market, mainly driven by congestion revenue. Volatility in congestion revenue is a risk that is allocated to network users in the case of non-exempt interconnectors. However, in the case of AQUIND, such allocation is not possible and AQUIND will bear this risk on behalf of French network users. As explained in the previous subsection, transferring this volatility risk away from network users to AQUIND increases the total quantum of risk faced by investors, who will only be willing to take on such risk is they have a prospect of earning an appropriate rate of return, commensurate with such risk. In order to be able to offer such upside opportunity to investors, AQUIND requires an ability to earn and retain a sufficient level of revenues and therefore an exemption from the Use of Revenue regulation.

To evaluate this risk, AQUIND has projected congestion revenue using scenario analysis. This analysis shows the range of arbitrage revenue projections for AQUIND. This analysis is presented in Figure 6-1 (in respect of all projected arbitrage revenues) and Figure 2 (in respect of projected arbitrage revenues for the Exempt Portion, assuming for these purposes that the Exempt Portion constitutes 30% of AQUIND Interconnector). These figures show that across the three market scenarios, and on an annual basis, the AQUIND arbitrage revenue projections range from [redacted] per year to [redacted] per year (or [redacted] to [redacted] per year for the Exempt Portion).

Figure 6-1 AQUIND projected arbitrage revenue, three main scenarios



[redacted]

Figure 6-2 AQUIND projected arbitrage revenue for the Exempt Portion of the project, three main scenarios

AQUIND arbitrage revenues, France (€m, real 2018)

[redacted]

Market Scenario Low Commodities High Commodities

6.3.2.3 Macroeconomic and policy risk

Government and regulatory decisions have a significant impact on GB, French and wider European wholesale electricity markets. Future regulatory, policy and macroeconomic uncertainty presents revenue risk for AQUIND as an interconnector that relies to a significant extent on market based revenues. Key macroeconomic and policy risks faced by AQUIND include:

- **No Carbon Price Support:** UK carbon policy, Carbon Price Support, is set to end in April 2021. In the AQUIND Market Scenario case, we assume that this policy is extended until the UK Carbon Price exceeds the EU-ETS (expected in the late-2020s). The uncertainty in the future treatment of CPS in GB presents a significant policy risk for AQUIND.
- **Exchange rates**: Exchange rate movements are a significant risk for AQUIND as an investor across currency zones. The nature of cross-border trade, where European power is typically € denominated, creates a significant risk for AQUIND returns. This is further increased through construction where contracts may be awarded in both GBP and €. Whilst some elements of the exchange rate movements can be hedged, the significant uncertainty the market is currently experiencing creates additional costs for AQUIND and its potential investors.
- **Interest rates**: Rise in interest rates might make financing less available and/or more expensive, thus putting more emphasis on the robustness of AQUIND's business case.
- **Capacity markets**: The GB capacity markets provide an opportunity for additional revenues for GB-FR interconnectors, however value fluctuates significantly from auction to auction. AQUIND does not currently assume any value from the French Capacity Market. In addition, the EU is currently progressing regulations on direct cross-border generator participation in Capacity Markets. While the modalities of the arrangements are as yet uncertain (ENTSO-E consulted on its initial proposals in early 2020), there is a risk that not all value generated

by interconnectors is allocated to the interconnector owners, but that some of the value is allocated to either generators or the operators of the capacity mechanisms.

In addition, there are potential "unknown" risks that AQUIND faces in developing a project of this type. In contrast to the four risks above, which are to an extent known and can be partially managed, the "unknown" risks represent genuinely unexpected outcomes that it is not possible to prepare for and which may affect the costs and/or the benefits of the investment. One such example is the current Covid-19 pandemic, which is an unpredictable risk that could not have plausibly been planned for by AQUIND or indeed any other party. The possibility of such risks materialising in the future has two implications:

- First, the actual cost of financing cannot be well known and understood ex-ante. In the case of Covid-19, we now perceive a risk that finance providers will require a higher expected rate of return in order to deploy capital in a more cash-constrained world; and
- Second, the availability of different types of finance (debt and equity) may also change significantly. In the case of Covid-19, we now perceive a risk that a lower share of debt than previously expected may be available.

The implication of the above is that similar "unknown" and unpredictable risks may occur in the future. By transferring all the revenue risk for the Exempt Portion away from network users to AQUIND, the interconnector owner necessitates a sufficient flexibility in its ability to retain future revenues to attract finance providers and to compensate them commensurately with the risk that they hold (and which has been transferred to them from French network users).

6.3.2.4 Operation, Connection and curtailment risk

AQUIND's connection to the GB transmission system will be subject to operating restrictions until 2029. Between 2024 and 2029, under the terms of its connection offer, the connection agreement will be "non-firm" which means that National Grid may limit AQUIND's available export (as well as import) capacity.

During the non-firm offer period National Grid may curtail AQUIND Interconnector due to planned and unplanned outages in certain parts of the grid without financial compensation. The curtailment of AQUIND in GB due to the planned outages can only occur between April and September and the level of curtailment will be known once such outages are scheduled by National Grid. Based on historical average circuit date and the estimated time circuits may be out of service due to non-scheduled outages (faults) National Grid has calculated the probability of forced outages of AQUIND Interconnector due to unplanned faults to be [redacted] hours per year which is around [redacted]% per year. National Grid is due to undertake further stability studies this year to provide further clarity on potential outages. In any case, AQUIND notes that no assurance or financial compensation is provided in relation to such outages and AQUIND therefore retains the risk of further outages.

This will limit the capacity that AQUIND can make available to market participants. This could reduce demand for AQUIND capacity and may require AQUIND to pay curtailment costs to capacity holders.

AQUIND faces full exposure to these curtailment costs.[16]

As a result of the above, AQUIND will bear the operation, connection and curtailment risks (instead of French network users). Finance providers will be willing to take on such risk is they have a prospect of

[16] Subject to, for example, curtailment/firmness caps associated with the allocation of non-exempt capacity. The precise nature of these caps will depend on the timeframe for which curtailment occurs (for example in the forward time, and as defined by the FCA Network Code, firmness exposure is capped at the monthly revenue on the border).

earning an appropriate rate of return, commensurate with bearing such risk. In order to be able to offer such upside opportunity to investors, AQUIND requires an ability to earn and retain a sufficient level of revenues and therefore an exemption from the Use of Revenue regulation.

6.3.3 Construction risk

AQUIND Interconnector will be larger than any other operating or planned interconnector in GB or France.[17] The project size and configuration increases the social welfare and security of supply benefits, compared to a smaller (single monopole) design, but also increases technical complexity and construction costs and therefore the risk of cost overruns.[18]

In addition to the potential cost overruns, these risks may also cause delays to the development of AQUIND Interconnector. As AQUIND will only earn revenue when the project is operational, delays to commissioning represent a serious risk to AQUIND's financial model. With a project of this scale, delays to commissioning or cost overruns represent significant risks with potentially serious financial implications.

As a result of the above, AQUIND will bear the construction risk for the Exempt Portion (instead of French network users). Finance providers will be willing to take on such risk if they have a prospect of earning an appropriate rate of return, commensurate with bearing such risk. In order to be able to offer such upside opportunity to finance providers, AQUIND requires an ability to earn and retain a sufficient level of revenues and therefore an exemption from the Use of Revenue regulation.

6.4 Demonstration of criterion (c) – Ownership

The interconnector must be owned by a natural or legal person which is separate at least in terms of its legal form from the system operators in whose systems that interconnector will be built

As discussed in Section 4.2, AQUIND Interconnector is promoted by AQUIND SAS (France), AQUIND Limited (UK) and their 100% holding company AQUIND Energy Sarl in Luxembourg. Each of these entities is a legal person, none of whom has any affiliation with the national TSOs in either GB or France (National Grid or RTE).

Whilst at the date of this application, AQUIND has no direct or indirect links to energy producers, generators or suppliers, it is anticipated that equity investments may be obtained from entities that hold such interests. In future, AQUIND shareholders may also wish to invest in energy produces, generators or suppliers. In all cases, AQUIND will ensure compliance with any applicable ownership unbundling requirements.[19] See Section 4 for further details of AQUIND's ownership structure.

6.5 Demonstrating criterion (d) – Charges

Charges are levied on users of that interconnector

[17] The AQUIND interconnector will be built as two independent symmetrical monopole HVDC links, each with a capacity of 1037.5MW. This scheme provides at least 50% power availability under all credible scenarios, as the two poles are designed to operate completely independently.

[18] The two-monopole design provides an additional security of supply benefit, not present with smaller or single monopole designs.

[19] Including where applicable, those requirements set out in Article 43 of Direction 2019/944 and Section 10A of the Electricity Act 1989.

All of AQUIND's capacity will be allocated through competitive auctions. Interconnector users will be charged based on the results of the auctions, in line with the prevailing regulations.

6.6 Demonstrating criterion (e) – Recovery of costs

Since the partial market opening referred to in Article 19 of Directive 96/92/EC of the European Parliament and of the Council of 19 December 1996 concerning common rules for the internal market in electricity, no part of the capital or operating costs of the interconnector has been recovered from any component of charges made for the use of transmission or distribution systems linked by the interconnector

The exemption from the Use of Revenues sought in this Request for Exemption applies only to the Exempt Portion of AQUIND Interconnector (and therefore only a fixed share of revenues generated by the project, which include congestion income from the capacity auction, as well as potential revenues from Capacity Market auctions and ancillary services). In respect of the Exempt Portion that is the subject of this Request for Exemption, AQUIND stresses that it has no access to, or receipt of, revenue recovered through network tariffs in GB or France. Accordingly, no part of the capital or operating costs of the Exempt Portion has been or will be recovered through charges for the use of the transmission or distribution systems in GB or France.

The capital costs of the Exempt Portion will be financed by loans and equity. In arranging this financing, AQUIND Interconnector will act completely independently from the French TSO. In particular, there is no framework for any cashflows to AQUIND Interconnector from regulated transmission charges in France.[20] Any cashflows to AQUIND Interconnector from regulated transmission charges in GB will, in the unlikely event that these materialise, solely relate to capital or operating costs incurred in connection with the non-exempt portion of AQUIND Interconnector.

In this regard, this Request for Exemption is directly analogous to the partial exemption granted to the Piemonte Savoia electricity interconnector.[21] In that case, an exemption was only requested (and was granted) in relation to the Italian portion of one of the two lines that forms the interconnector. In their assessment of that exemption request, the relevant NRAs and the Commission found that criterion (e) was met for the exempt portion of the project. It was not relevant to consider if the criterion was met in respect of the non-exempt portion.

In conclusion, AQUIND's development, capital or operational costs have not been, to date, recovered from any component of charges made for the use of transmission or distribution systems linked by the interconnector. Going forward, we will work in good faith with the NRAs to ensure that AQUIND continues to be compliant with this criterion. For the avoidance of doubt, we do not envisage any difficulties in achieving the compliance with this criterion for the Exempt Portion of the project.

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[20] AQUIND wishes to draw attention to the COMMISSION DECISION of 9.12.2016 on the exemption of Piemonte Savoia S.r.l (Italy) under Article 17 of Regulation (EC) No. 714/2009 for an electricity interconnector between Italy and France, paragraph 65.

[21] Commission Decision of 9.12.2016 on the exemption of Piemonte Savoia S.r.l (Italy) under Article 17 of Regulation (EC) No. 714/2009 for an electricity interconnector between Italy and France, https://ec.europa.eu/energy/sites/ener/files/documents/2016_piemonte-savoia_decision_en.pdf

6.7 Demonstrating criterion (f) – Competition and Functioning of the internal market and the regulated system

The exemption must not be to the detriment of competition or the effective functioning of the internal market in electricity, or the efficient functioning of the regulated system to which the interconnector is linked

The functioning of the internal market has been considered by taking into account:

- The AQUIND **welfare distribution**, which shows positive social welfare for France and for the EU as a result of more efficient dispatch of electricity.
- Market modelling, which shows an overall reduction in **carbon emissions**.
- The benefits of AQUIND for **competition**.
- The independent assessment of the impact of AQUIND on the **French transmission system**.

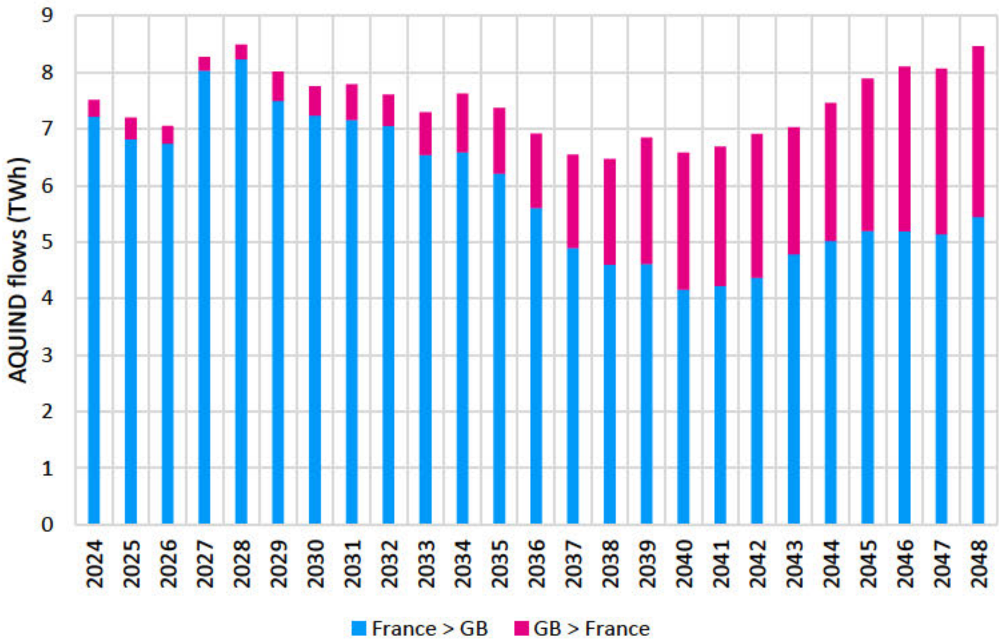
6.7.1 Welfare distribution

The AQUIND social welfare analysis[22] shows the positive impact of AQUIND Interconnector over the 25 year exemption period. AQUIND is projected to enhance European social welfare by over €1.3bn in the Market Scenario, or €400m excluding the AQUIND costs and benefits, and French social welfare by around €1bn. This outcome is a result of the combined welfare AQUIND creates for producers, consumers and other cross-border infrastructure in GB and France.

Over the modelled period, AQUIND is projected to flow predominantly from France to GB, reflecting the economic price signals. The projected AQUIND flows in the AQUIND Market Scenario are presented in Figure 6-3.[23]

[22] Presented in full in Exhibit 1 and summarised in Section 3.
[23] The price projections in GB and France are a function of the underlying assumptions with respect to capacity and demand which we have set out in full in Exhibit 1.

Figure 6-3 AQUIND projected interconnector flows, AQUIND Market Scenario



AQUIND delivers significant welfare French producers who benefit from an increase in the French wholesale price as a result of exports via AQUIND.

The opposite is true for French consumers who face a welfare reduction in the CBA as a result of comparatively higher prices in France and lower prices in GB as a result of AQUIND. However, the total net benefit for France is positive.

Impact on other electricity interconnectors

AQUIND will increase price harmonisation between GB and France. This will reduce the expected revenue for other GB-FR interconnectors. The change in the GB and French prices will also change the revenue expectation of other interconnectors connecting to third countries. This is an inevitable consequence of price harmonisation across Europe, noting that the latter is one of desired policy goals of the EU.

The change in revenues of other interconnectors, built by the time AQUIND commissions in 2023, is taken into account in the CBA. Even with these impacts, the expected welfare as a result of AQUIND is significant in the AQUIND Market Scenario and High Renewables/Commodities scenarios and when taking account of the Brexit sensitivity. The full breakdown of the CBA sensitivities is provided in Exhibit 1.

6.7.2 Efficient trade and CO_2 reduction

AQUIND will allow for a more efficient dispatch of generation, thereby contributing to the efficient functioning of the French (as well as GB) market. Given the renewables ambition of both countries, efficient cross-border dispatch via AQUIND will help to reduce carbon emissions over the modelling horizon.

The AQUIND Market Scenario market modelling identifies a reduction in the EU and UK CO2 emissions as a result of AQUIND of 2.8 $MtCO_2$.

6.7.3 Impact on the French transmission system

AQUIND employed an independent technical consultancy to assess the impact of the Interconnector on the continental European transmission system.[24] The study focuses on:

- System stability after an outage in the transmission grid (especially in the transient time period).
- Compliance with network security requirements such as the (n-1)-criterion.
- Voltage levels on the transmission grid as a result of increasing import/export capability between France and Great Britain.

The analysis concludes that the introduction of a new Direct Current interconnector "between France and Great Britain has no severe negative impact on the continental European transmission system concerning the aspects taken into account in this study. Any problems that might arise could be managed by the design of AQUIND Interconnector and the respective converter stations itself. In particular, the realisation of AQUIND Interconnector would not cause additional investments in the transmission grid (for instance in order to restore the fulfilment of network security requirements)".

Based on this assessment, AQUIND concludes that the project will not have a material impact on the functioning of the internal system in continental Europe.

[24] The 2020 study, by Consentec GmbH, is provided in full in Exhibit 10.

BM INSERT

APPENDIX 4

OFGEM & CRE ANNOUNCEMENT ON 28 JANUARY 2021

RELATING TO

AQUIND LIMITED EXEMPTION REQUEST RELATING TO EU REGULATION 2019/943

Coronavirus (COVID-19)

- For consumer advice on energy and information for licensees and industry, see our coronavirus pages (https://www.ofgem.gov.uk/coronavirus-covid-19)
- View the government response on GOV.UK (http://www.gov.uk/coronavirus)

CRE and Ofgem discontinue public consultation on Aquind's exemption request

Publication date
28th January 2021

Information types
Decisions

Policy areas
Electricity - distribution
Electricity - transmission

Decision for

A Joint Consultation on AQUIND's Exemption Request (https://www.ofgem.gov.uk/publications-and-updates/joint-consultation-aquind-s-exemption-request)
18th December 2020

A Joint Consultation on AQUIND's Exemption Request

A Joint Consultation on AQUIND's Exemption Request (https://www.ofgem.gov.uk/publications-and-updates/joint-consultation-aquind-s-exemption-request)

On 2nd June 2020, Aquind submitted to Ofgem and CRE (together, the "NRAs") a request for partial exemption from Articles 19(2) and 19(3) of Regulation (EU) 2019/943 (the "Regulation"), concerning Use of Revenues obligations, for a period of 25 years from the start of commercial operations (the "Exemption Request").

On 18th December 2020, the NRAs published a joint consultation document outlining the scope and rationale of the Exemption Request, as well as the supporting evidence provided by Aquind. The consultation was originally planned to close on 29th January 2021. The NRAs issued this consultation in line with our obligations under the applicable legal framework at the time, and with uncertainty as to the future trade and cooperation arrangements between the UK and the EU beyond the end of the transition period.

In light of the new Trade and Cooperation Agreement (the “TCA”) agreed between the UK and the EU on 24th December 2020, following the UK’s departure from the EU, the NRAs consider that the exemption request process defined under the Regulation is only available to interconnector projects developed between EU Member States. As the UK is no longer a Member State and the transition period has ended, Aquind can no longer access that process and the NRAs no longer have the necessary legal powers to assess, and decide upon, the Exemption Request.

Consequently, the NRAs have decided to discontinue the ongoing consultation and assessment process.

Ofgem and CRE will continue to cooperate closely in regards to the functioning and the development of interconnections between the UK and France and the implementation of the arrangements envisaged in the TCA.

Coronavirus (COVID-19) information (https://www.ofgem.gov.uk/coronavirus-covid-19)

Network regulation - the RIIO model (https://www.ofgem.gov.uk/regulating-energy-networks/networks-explained)

Energy price cap (https://www.ofgem.gov.uk/energy-price-caps)

Licences, codes and standards (https://www.ofgem.gov.uk/licences-codes-and-standards)

Careers (https://www.ofgem.gov.uk/careers)

Accessibility (/accessibility-statement-ofgemgovuk)
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APPENDIX 5

PARAGRAPH 9.2 OF APPENDIX B TO THE APPLICANT'S REP7--075 interest for the land to be acquired. Paragraph 13 of the Guidance identifies the SoS will need to be satisfied that there is compelling evidence that the public benefits that would be derived from the compulsory acquisition will outweigh the private loss that would be suffered by those whose land is to be acquired.

8.4 The test as to whether the granting of powers of compulsory acquisition is in the public interest is one which involves balancing the public interest against the private loss, which involves the consideration of the needs for and benefits of the proposed scheme, in addition to taking into account other relevant factors. Whether there is a compelling case in the public interest is not a matter where the lead determinant of that question is whether funding has *already* been secured (itself an incorrect test to be applied in relation to the availability of funding as explained at paragraph 6 above). Hence the guidance advises that there should be a reasonable prospect of the requisite funding for acquisition *becoming* available.

9. WHETHER FUNDING FOR COMPULSORY ACQUISITION COSTS IS ALREADY SECURED

9.1 Paragraphs 12 to 22 Section E of the Note discuss publicly available information in relation the accounts of AQUIND Limited, with a view to determining whether the monies held in those accounts are sufficient to cover the cost of exercising the compulsory acquisition powers in the dDCO, and with the conclusion of the exercise at paragraph 22 being "*Based on this, we can only conclude that the Applicant limited company must be looking to secure funding to cover the costs of its estimated compulsory acquisition costs from future financing*".

9.2 The Applicant has already confirmed in response to agenda item 5.2 of CAH1 that the monies secured to date from its current investors do not include the costs associated with compulsory acquisition, specifically at paragraph 5.8 of the Applicant's Transcript of Oral Submissions for Compulsory Acquisition Hearing 1 (REP5-034) which confirms "*Financing for the Project secured following any grant of the DCO will be used to fund the capital costs of the construction stage, which includes the costs associated with compulsory acquisition*". These paragraphs of the Note are therefore considered to be of no relevance to the examination of the Application.

10. PROVISION OF THE KPMG REPORT

10.1 The Applicant notes that at paragraph 24 of Section E of the Note, the AP raises the invitation by the ExA for the Applicant to consider whether it was able to submit a copy of the KPMG Report referred to on a confidential basis. Following CAH1, the Applicant did discuss this matter further with the case team at PINS, however it was determined that there is no procedure for submitting a document of this nature to the ExA on a confidential, strictly non-disclosure basis. The KPMG Report has therefore not been and will not be submitted to the ExA.

10.2 At paragraph 25 the AP seeks to suggest that because its land is proposed to be subject to compulsory acquisition, the AP should be provided with a full unredacted copy of the KPMG Report, and that to not do so would breach the AP's right to a fair hearing under Article 6 of the ECHR. It further suggests that this is the basis on which viability reports are required to be provided on an open basis in relation to the determination of planning applications pursuant to the Town and Country Planning Act 1990. Lastly, the AP suggests that the Data Protection 2018 may be relied on to require the release of the information in the context of court proceedings, and that the examination is itself the same as an administrative court hearing, and therefore the information could be compelled to be submitted into it.

10.3 The Applicant only notes the above to identify that there is no merit or foundation in law for any of the points made. They have cast the net wide in an endeavour to argue a point of prejudice where confidential commercial information is not provided to them personally or into the examination more generally, but none of the points made have any substance.