



LET'S STOP AQUIND'S RESPONSE TO THE INITIAL PROJECT ASSESSMENT BY OFGEM OF THE THIRD CAP AND FLOOR WINDOW FOR ELECTRICITY INTERCONNECTORS

Submitted by email by Viola Langley, Co-founder Let's Stop Aquind 19/4/2024

Let's Stop Aquind (LSA), the Portsmouth based local grassroots movement, considers in this document *Ofgem's Initial Project Assessment of the third cap and floor window for electricity interconnectors*¹ and CRE 's *public consultation document on the opportunity for new electricity interconnection capacity between France and the United Kingdom, no 2024-01*².

Our response has the following structure:

- 1. Ofgem's project assessment and relevant concerns regarding the Aquind Interconnector**
- 2. CRE's consultation document and relevant concerns regarding the Aquind Interconnector**
- 3. Summary of Ofgem's and CRE's relevant concerns regarding the Aquind Interconnector**
- 4. Let's Stop Aquind's additional information and unresolved issues regarding the Aquind Interconnector - additional information and unresolved issues**
- 5. Summary**

¹ Initial Project Assessment of the third cap and floor window for electricity interconnectors Consultation - Ofgem 1/3/24 <https://www.ofgem.gov.uk/publications/initial-project-assessment-third-cap-and-floor-window-electricity-interconnectors>

²Public consultation no.2024-01 of 5 March 2024 on the opportunity for new electricity interconnection capacity between France and the United Kingdom (translated from French) - Energy Regulatory Commission (CRE) 5/3/24 [REDACTED]



1. Ofgem's project assessment and relevant concerns regarding the Aquind Interconnector

Let's Stop Aquind supports Ofgem's position not to offer cap and floor regime to Aquind.

"Our minded-to position on the IPA of AQUIND 4.9 We are minded to not offer a cap and floor regime to AQUIND. The main reason for this is the very high constraint cost impact of the project. The project demonstrates elsewhere in the analysis that consumers would incur significant costs, shown through negative consumer welfare in the majority of scenarios in the market modelling, and so we are particularly concerned about the additional costs to consumers that the constraint impact would suggest. "

Analysing the initial risk assessment document the following points seem to be of particular interest and concern to the residents of Portsmouth and along the route:

1.1 "6.1 AQUIND's risk assessment submitted in its application is limited" (page56)

Should Aquind not provide a more detailed risk assessment? Has Ofgem and the public not got the right to see this assessment?

If Aquind does not provide this more detailed risk assessment, should Ofgem not carry out their own risk assessment? This should include the probability of risk occurring and the impact of risk if it does occur.

1.2 "However, while the developer, in its Window 3 application, identifies the risk in obtaining a DCO, it would be beneficial for the developer to have explained contingency plans or mitigation strategies in greater detail, to assure Ofgem that the interconnector will not face further delays at the pre-construction stage. "(page57)

Aquind cannot assure Ofgem that there will be no further delays in the pre-construction stage. The MOD has asked for a delay for "significant national security risk" reasons. Furthermore, the Aquind Interconnector faces huge obstacles in France. Aquind had to appeal against the initial refusal of the project by the Prefet of Saint Maritime and lost its PCI status. Brexit has had enormous consequences for this project. RTE 's predicts "commissioning of the Aquind project could be delayed to 2034-35 due to constraints linked to the supply lead time for a 2 GW project" (page24 CRE document)

1.3 "6.6 We also note that AQUIND has a connection agreement in GB at Lovedean, with non-firm capacity, until the earlier of non-attributable reinforcement works being completed in the area, or December 2030.

Were AQUIND to connect in 2027 or 2028, there is an operational risk that the interconnector may not operate at all or operate well under full capacity for the first few years, affecting the project's revenues, capability to deliver ancillary services to the grid, and constraint cost impact." (page 58)

Ofgem points out that the reinforcement works at Lovedean are vital for the project to succeed. It suggests that the project would not work at full capacity for the first few years and therefore constraint costs would be high. Who would pay for these costs? Would this benefit the consumer /tax payer? Why agree to a project which would put additional costs onto customers?



1.4 “6.8 Ofgem acknowledge the analysis provided by AQUIND. However, Ofgem is also aware of long-standing opposition faced by AQUIND amongst local community groups in GB. Further detail would have been beneficial in light of this to demonstrate an understanding of local community impacts that would occur prior to the construction of the project, alongside mitigation efforts.”(page58)

The strength of opposition to Aquind Interconnector runs along the full length of the proposed construction route. This unwanted and unnecessary project has united all parties across the political divide; local MPs, councillors and many thousands of residents have campaigned continuously to stop Aquind.

Our evidence is contained in the following media:

- **Our website:** [REDACTED]
- **FB group: Let’s Stop Aquind** [REDACTED]
- **LSA’s numerous submissions on the Planning Inspectorate website**
<https://national-infrastructure-consenting.planninginspectorate.gov.uk/projects/EN020022>
- **The attached compendium of recent submissions made by LSA to the Secretary of State for Energy Security and Net Zero, showing the strength and depth of local opposition to the project³, as summarised in the attached covering letter.**

Ofgem will know that there is strong opposition to the Aquind Interconnector in Normandy, France. The association, Non A Aquind, has resolutely rejected all entreaties from Aquind aimed at placating thousands of residents along the proposed construction route towards Barnabos. Local politicians in Normandy are opposed to the project.

1.5 “6.10 AQUIND has a connection agreement in France at the Barnabos substation in Normandy, with some attributable reinforcement works required to accommodate the connection. We note that the connection deadline is expressed by reference to various milestones and circumstances rather than by a reference to a specific date.” (page 58)

In 2021 the project was rejected by the local Prefet. Aquind is facing strong opposition by local MPs and residents in France.

1.6 “6.11 AQUIND’s application states it will pursue a regulatory exemption in France. This regulatory path would exempt AQUIND from requiring joint ownership with the Consultation The application identifies the steps required to obtain approval. However, based on information contained in AQUIND’s application and received in response to

³ COMPENDIUM OF LET’S STOP AQUIND’S RESPONSES TO GRANT SHAPPS, THE FORMER SECRETARY OF STATE FOR ENERGY SECURITY AND NET ZERO, PRESENTED TO CLAIRE COUTINHO, SECRETARY OF STATE FOR ENERGY SECURITY AND NET ZERO 9/11/23 <https://infrastructure.planninginspectorate.gov.uk/wp-content/ipc/uploads/projects/EN020022/EN020022-005119-Lets%20Stop%20Aquind%20-%202009%20Novemeber%202023.pdf>



Ofgem's further request for information, engagement with the regulator CRE is very limited, and no steps have been implemented." (page 58)

Based upon an analysis by RTE, "leads CRE to consider that a new interconnector project of 1GW between France and the United Kingdom could be economically relevant." (page 26). The emphasis in this document is on 1 GW, NOT 2 GW. This points towards the Getlink interconnector project.

In RTE's analysis (comparing Getlink, FAB, Gridlink and Aquind) Aquind is in 4th place, meaning Aquind is the least likely to be constructed. The reasons for this low rating are " project costs higher than others, size of the project (2 GW) leading to difficulties in integrating it into the grid, project developer with little experience and uncertainty about partner for long term operation, offshore risk" (page 25)

- 1.7 "6.14 AQUIND's financing strategy is based on a **planned project finance structure**. The target gearing level is to be above []. The financing plan is supported by nonbinding letters from three infrastructure equity investors and from eight banks/institutional lenders. The developer has informed Ofgem of a further expression of interest from an equity investor since AQUIND's application." (page 59)

What exactly is Aquind's planned project finance structure? Is Ofgem aware of the political controversy of this project? Is Ofgem aware of the questions which have been asked regarding the finance of this project so far? If all letters are of a non-binding nature, what guarantee has Ofgem that the project is financially viable?

- 1.8 "6.15 AQUIND's application details extensive engagement with cable suppliers conducted between 2014 and 2019. The application demonstrates that the developer has been proactive and prepared in starting the tendering process for the cable. However, we are concerned this work may now be outdated given subsequent changes in the supply chain environment, and may not reflect current constraints or contracting approaches in the market" (page 59)

Let's Stop Aquind is seriously concerned about this issue. The changes of economic conditions since 2019 have had huge impacts on the global market. Whilst we agree with Ofgem that the supply chain environment has changed, we need to point out that other changes need to be considered equally: acceleration of climate change and changes in environmental law e.g. 10% net gain of biodiversity legally binding, war in Ukraine, changes in energy market, rising cost of living and many more. LSA would suggest that all environmental, socio-economic and energy analysis carried out by Aquind is long outdated.

- 1.9 10. "6.18 However, in other scenarios, the project is primarily used to export. The French energy system is characterised by high shares of nuclear generation presenting high short term marginal costs which determine the clearing price, and by comparison GB has much higher shares of RES generation with lower wholesale prices. This leads to the flows on AQUIND primarily exporting excess RES from GB to France." (page 60)



It should be noted that contrary to the marketing message given out by Aquind that their Interconnector would power up to 3/4/5 million households in the UK, the export of energy is as likely as its import. There will be no net gain to the UK. Should Renewable Energy Resources not be developed within the country where energy is needed to make the UK more resilient and independent?

- 1.10 “6.25 As noted in the overview of NGENSO’s methodology, if a project were to be approved for a cap and floor regime, grid reinforcement work would likely need to be undertaken by NGENSO to alleviate the constraint impact of the interconnector on the system. We cannot be certain of the exact costs and timelines of grid reinforcement that are necessary to accommodate a specific interconnector at this time. AQUIND’s constraint costs are considerably high in two out of three scenarios, with an upper boundary of £3.5bn in the MA approach. We can anticipate these substantial costs could trigger network reinforcements. NGENSO and consumers would have to bear these costs until the works are complete, which is a timing yet undefined.” (page 61)

Based on available information, “AQUIND’s constraint cost projections currently pose a significant risk for consumers.”

Are these significant risks not reason enough to refuse Aquind’s application for inclusion in the cap and floor regime? Additional grid reinforcement needed just for this project will put the customer under huge financial pressure and an undefined timing makes this project even more questionable. Ofgem mentions” NGENSO and consumers would have to bear these costs until the works are complete” but what happens after completion? Will the customer not continue to pay the costs?



2. CRE's consultation document and relevant concerns regarding the Aquind Interconnector

Public consultation no.2024-01 of 5 March 2024 on the opportunity for new electricity interconnection capacity between France and the United Kingdom

“On 2 June 2020, Aquind had applied to CRE and Ofgem for an exemption under Regulation (EU) 2019/943. However, in view of the terms of the Trade and Cooperation Agreement concluded between the United Kingdom and the EU on 24 December 2020, the regulators considered that the exemption application process defined by Regulation 2019/943 was only possible between EU Member States. **The regulators have therefore decided to put an end to the examination of this exemption.** Ofgem has recently published a public consultation on the investigation of applications for this third window, **in which it indicates that it is considering not granting such a regime to the Aquind interconnector request.**” (page 18)

Let's Stop Aquind is pleased to see that Ofgem and CRE are in correspondence. Both regulators seem to be confident that the Aquind Interconnector would not merit exemption in France nor inclusion in the cap and floor regime in UK.

2.1 “The costs of the main components (cables and converter stations) per GW for the Aquind and Getlink projects appear to be higher than for the other projects.” (page 21)

Aquind's Cable and converter station costs are higher. Is this beneficial for the consumer?

“This effect also explains why the comparison carried out by RTE shows higher unit costs per GW for the Aquind project.”

The Unit costs per GW which the costumer will have to pay are therefore higher.

On page 25 CRE document, RTE gives a ranking to the four interconnector projects. Aquind is the least favourable. Getlink is RTE's preferred project as it obtains the best score on all criteria. The Aquind project has the highest total costs and is difficult to integrate into the grid.



3. Summary of Ofgem's and CRE's relevant concerns regarding the Aquind Interconnector

- Aquind's risk assessment is limited
- Delays in construction due to changes of circumstances
- Lovedean non-firm capacity, could lead to overload of system
- Community opposition, Aquind has not shown understanding of the impacts
- Limited engagement with CRE in France, (reason CRE denied exemption Aquind asked for)
- Non-binding letters from investors and banks
- Cable suppliers and other procurement cost analysis now outdated, 4 years later
- One scenario Aquind mainly exporting energy
- Delay of connection, increase in constraints costs
 - AQUIND's constraint cost projections currently pose a significant risk for consumers.
- Aquind's loss of exemption in France
- RTE also points out that there is uncertainty about the partner envisaged:
 - for the long-term operation of the facility in the event of an asset sale
- Project costs are higher
- Size of project means difficulties to integrate into grid
- The project developer has little experience
- Uncertainty about the partner for long-term operation
- Offshore risk



4. Let's Stop Aquind's additional information and unresolved issues regarding the Aquind Interconnector - additional information and unresolved issues

Additional Information

- 4.1 LSA notes, based on the public documents on the National Infrastructure Planning website, that the MOD has been examining the project and has been granted additional time so that it can prepare substantive representations on concerns regarding the project.**
- 4.2 The longstanding opposition faced by Aquind is from the whole of the city of Portsmouth and SE Hampshire - 250000 people saying NO.**
- 4.3 There is a strong opposition in Normandy, NON a Aquind has the support of their local MPs and mayors of the villages. The decision from the Prefet of Saint Maritime in January 2021 is a clear NON.**
- 4.4 Regarding the constraint cost in the next decade, Aquind are planning to mainly export cheaper GB renewable energy sources (RES) to nuclear-centric France. This will require the National grid to provide balancing power from other parts of the UK to relieve the demand in Southern England. Might there not be several future developments that might make that export model less attractive to the National Grid, e g domestic storage batteries will become commonplace and there will be an increased demand for GB RES to charge electric vehicles, including commercial vehicles.**
- 4.5 Is Ofgem aware of the controversy surrounding Aquind's intentions with regards to the high-capacity communications network which will be installed alongside the HVDC cables, discussed in the attached document which LSA recently submitted to the SofS?⁴**

Unresolved issues

- 4.6 Do the harms of this project not substantially outweigh the benefits?**
- 4.7 Has the missing NGET feasibility study, requested by Justice Lieven in the High Court Appeal Case and the then Secretary of State, been found, validated and made public?**
- 4.8 Should not Ninfield and other substations to the East be brought into consideration?**
- 4.9 Has the impact of the possibly misleading evidence presented by the applicant in support of the project been thoroughly considered?**
- 4.10 Should the fact that the project has been comprehensively rejected by the French local government not be a decisive factor?**



- 4.11 Is this project not a National Security risk, as has been repeatedly highlighted by Portsmouth city MPs?
- 4.12 How does this Interconnector cable, equally likely to export UK energy as to import European energy, add to our national energy resilience?
- 4.13 Is it not appropriate to question the designation of this project as an NSIP? It is a means of transporting energy not a producer of energy. Should it have ever been compared to a power station generating electricity? Does it not lead to no actual energy gain?
- 4.14 Is it a sensible option to slice through the second most densely populated and highly congested city in the UK, with dangerous levels of pollution, when there is a known risk of disturbing toxic waste?
- 4.15 In view of the passage of time, years since the original completion date, should the project not be completely re-evaluated in light of the changes in national and international affairs, climate change urgency, national energy demands and of course all government policies which will have changed during this time period?
- 4.16 Could the embedded commercial tele-communication part of the FOC (fibre optic cable) be considered a risk to national security⁵?
- 4.17 Can we rely on the company, Aquind, with no proven record of delivery in the energy sector, to deliver this project?
- 4.18 Aquind makes the following claim on [REDACTED]

"It is estimated that AQUIND Interconnector will deliver savings of £3.15 per year on electricity bills for each household in the South East of England."⁶

Is this what Aquind means by benefitting the consumer?

⁵ UNANSWERED QUESTIONS ABOUT AQUIND'S FIBRE-OPTIC COMMUNICATIONS NETWORK - SUBMISSION TO THE SECRETARY OF STATE FOR ENERGY SECURITY AND NET ZERO SUBMITTED ON BEHALF OF LET'S STOP AQUIND 21/2/2024 <https://infrastructure.planninginspectorate.gov.uk/wp-content/ipc/uploads/projects/EN020022/EN020022-005175-Let's%20Stop%20Aquind%20-%2021%20February%202024.pdf>

⁶ AQUIND – Connecting the UK and French electric power grids *Benefits – Reducing energy prices* Aquind Limited (retrieved 19/4/24) [REDACTED]



5. Summary

In summary, Let's Stop Aquind hopes that the latest analyses carried out by Ofgem and CRE will lead Aquind Ltd into finally accepting that their Interconnector project is doomed.

Portsmouth and its residents will no longer be faced with the prospect of serious harm to the fabric of the city and to the health of the population which would be caused by the construction phase of this project. Customers will not have to bear the high costs. UK energy will remain in the UK. UK national security will not be put at risk. Stop Aquind.

Submitted by Viola Langley on behalf of Let's Stop Aquind 19/4/24