

OFGEM  
Mr Nick Pittarello  
Head of Future Interconnections  
10 South Colonnade  
Canary Wharf  
LONDON E14 4PU  
UNITED KINGDOM

By email only: [cap.floor@ofgem.gov.uk](mailto:cap.floor@ofgem.gov.uk)

**Department**  
Control prices and accounts

**Your reference**  
-

**Contact**  
Sigrid Jourdain  
+32 2 289 76 57  
[sigrid.jourdain@creg.be](mailto:sigrid.jourdain@creg.be)

**Brussels**  
30.05.2024

**Our reference**  
2024/P152/V264-CDC05.30  
SJO/NCO/kfe

## **Initial Project Assessment of the Offshore Hybrid Asset pilot projects – response from CREG (Commission for Electricity and Gas Regulation)**

Dear Sir,

In the minded-to position on the Initial Project Assessment (IPA) two projects are being assessed, one of which is Nautilus. Nautilus being a 1.4 GW connection between GB and an offshore converter station on the Modular Offshore Grid (MOG2) of the Belgian energy island<sup>1</sup>.

CREG wishes to contribute to the consultation on the elements which are specific to the assessment and regulatory challenges of offshore hybrid asset projects.

We understand from the consultation document that OFGEM raises some concerns with regard to the 50/50 revenue split that has been assumed in market modelling analyses.

In chapter 6 of the consultation document, sections 6.19-6.21 on revenue expectations indicate that Nautilus is expected to earn most of its revenue through exports from GB towards OBZ and Belgium. Nautilus is anticipated to earn revenues above the floor in all scenarios, and above the cap in multiple years in all scenarios. Under the configuration modelled, OFGEM is therefore satisfied that Nautilus (Line 1) would not be reliant on consumer support in the form of floor payments.

Line 2, which is outside of the scope of Nautilus, is also expected to earn significant congestion income through transmitting electricity from OBZ to Belgium. OFGEM expresses its concern over the potential for significant asymmetry between Line 1 and Line 2 congestion revenue.

---

<sup>1</sup> Princess Elisabeth Island

---

CREG recognises that for market modelling reasons the congestion revenue accrued on Nautilus is split 50/50:

- congestion revenue on Line 1 (Nautilus): 50/50 for BE/GB;
- congestion revenue on Line 2 (BE cable): 100/0 for BE/GB.

As pointed out by Ofgem, Nautilus is part of a Multi-Purpose Interconnector which connects two home markets (GB and BE) and an offshore bidding zone (OBZ). The scope of earned congestion revenue sharing could therefore be enlarged (Line 1 and Line 2) to obtain a fair and robust solution to both parties.

CREG will remain in close contact with OFGEM to further assess the revenue sharing arrangements across the OHA asset and to work towards a regulatory alignment on this point taking into account the specificities of multi-purpose interconnectors including offshore bidding zones. Principles and further details are included in the annex which is marked as confidential.

With regard to the maturity of the project and more precisely the questions regarding the configuration of the Princess Elisabeth Island, we refer to the response within this public consultation of the Belgian Federal Public Service of Economy and the response of the developers Elia and NGV. During the first phase of operation of Nautilus, i.e. the period covered by the first Belgian MOG2 OWF tender, the decision for a split-node configuration has been taken, guaranteeing a 1.4 GW connection capacity between the Princess Elisabeth Island and the Belgian onshore network. A possible future decision towards a single-node operation after this time horizon, would increase the total social economic welfare of the Nautilus project for both BE and GB, so constituting an upside opportunity.

With regard to the identification of high constraint costs for Nautilus, we understand that this is linked to the allocation of the final connection point at GB side. On this point, we wish to refer to the response within this public consultation of the project developers Elia and NGV. On top, we understand that GB is also considering a zonal reconfiguration to address structural internal congestions and reduce constraint costs. On this point, we wish to understand the impact it would have on the social economic welfare benefits of Nautilus for the involved parties.

From a regulatory point of view, we wish to emphasize the importance of a non-discriminatory treatment of the different Offshore Hybrid Asset (OHA) pilot projects both in the assessment and in the operational phase. CREG is committed in working together on the development of a robust and efficient regulatory framework for the operation of this OHA pilot project, which may foster the future development of these kind of assets as a cornerstone of the North Sea offshore grid.

Yours sincerely,

Sigrid JOURDAIN  
Director

Laurent JACQUET  
Director

Koen LOCQUET  
President of the Board of Directors

Confidential annex: Nautilus – Belgian proposal for congestion rent sharing