

APPENDIX A – INDICATIVE HEADS OF TERMS

We set out below the indicative heads of terms (the “**Indicative Heads of Terms**”) for Multi-year Products that may be offered by ElecLink to interested parties through the Open Season. In order to ensure consistency with the capacity products currently traded between France and Great Britain, the indicative terms set out below take an approach which is similar to provisions already seen in the market, for example, the IFA access rules (version 9)¹.

ElecLink reserves its right to amend, substitute, or withdraw, these Indicative Heads of Terms at any time.

The final Heads of Terms will form part of the ElecLink User Rules which will be consulted on with prospective buyers and are subject to the approval of the NRAs.

INDICATIVE HEADS OF TERMS	
I. GENERAL	
I.1. Parties	<p>Buyer: the successful bidder(s) in the Open Season (“LT Capacity Holder”)</p> <p>Seller: ElecLink Ltd (“ElecLink”)</p>
I.2. Definitions	<p>“Bid Acceptance Notice” means the notice served by ElecLink to the LT Capacity Holder in accordance with the terms of the Open Season Rules specifying the volume (in MW), direction (GB-Fr / Fr-GB), Contract Period and price of the Physical Transmission Rights that have been allocated to the LT Capacity Holder following the conclusion of the Open Season.</p> <p>“Commercial Operations Start Date” means the date notified by ElecLink to the LT Capacity Holder on which the interconnector capacity will be made available for use to the LT Capacity Holder.</p> <p>“Contract Period” means the period commencing on the Commercial Operations Start Date and ending on the date specified in the Bid Acceptance Notice, during which the LT Capacity Holder has contracted for Physical Transmission Rights.</p> <p>“DBOM Contract” means any agreement between ElecLink and the DBOM contractor(s) in relation to the construction, physical operation and maintenance of the Interconnector.</p> <p>“Financial Close” means the date on which ElecLink receives notice from its lenders that the conditions precedent under its Financing Agreements have been satisfied in full, or waived, such that ElecLink may draw-down funds under such Financing Agreements.</p>

¹ The IFA access rules (version 9) can be found at the following address:
<http://www2.nationalgrid.com/About-us/European-business-development/Interconnectors/France/Documentation/>

“**Financing Agreements**” means the agreements between ElecLink and its lenders relating to the provision of finance in connection with the construction, operation and maintenance of the Interconnector.

“**Force Majeure Event**” [the scope of this definition will be determined by ElecLink prior to the consultation on the ElecLink User Rules, but is expected to include force majeure events as covered in the IFA access rules (version 9) and as set out in any DBOM Contracts and in the arrangements ElecLink proposes to enter into with Groupe Eurotunnel with respect to access to the Channel Tunnel].

“**Interconnector**” means the proposed 1000 MW high-voltage direct current interconnector between France and England to be developed by ElecLink.

“**Open Season**” means the process, in accordance with the Open Season Rules, by which ElecLink intends to auction multi-year Physical Transmission Rights.

“**Open Season Rules**” means the rules governing the Open Season which the LT Capacity Holder will accede to prior to participating in the Open Season.

“**Physical Transmission Right**” means a right of use of the Interconnector made available by ElecLink entitling the holder of such right to transmit an agreed volume of electricity, for an agreed period of time, across the Interconnector, in a specific direction;

“**Settlement Period**” means each half-hour period coinciding with Settlement Periods as defined in the Balancing and Settlement Code in the UK.

2. COMMENCEMENT

2.1. Commencement, Term

The capacity contract (“**LT Capacity Contract**”) shall come into effect on the date that the LT Capacity Holder receives a Bid Acceptance Notice in accordance with the Open Season Rules (the “**Effective Date**”) and shall continue until the expiry of the Contract Period.

3. COMMISSIONING

3.1 Commencement of Operational Period

ElecLink shall use reasonable endeavours to ensure that the Commercial Operations Start Date occurs on or prior to [1 November 2017²] (“**Scheduled Commissioning Date**”).

If there is a delay to the Scheduled Commissioning Date, the Scheduled Commissioning Date shall be extended by the number of days of delay.

² The Scheduled Commissioning Date will be confirmed to interested parties prior to the binding bid stage of the Open Season.

	Prior to the Open Season ElecLink will confirm to interested parties the compensation mechanism that will apply if there is a delay to the Scheduled Commissioning Date for reasons other than a Force Majeure Event. ³
4. PRODUCT DEFINITION	
4.1. Product type	Physical Transmission Rights with Use-It-Or-Sell-It principle
4.2. Volume⁴	<ul style="list-style-type: none"> ▪ Up to 800 MW in the direction from France to Great Britain; and ▪ Up to 800 MW in the direction from Great Britain to France. <p>Interested parties should take note of the limitations that apply on the volume of Multi-year Products that a single party can buy in accordance with the terms of the Final Exemption Decision (Appendix D).</p>
4.3. Tenor	Up to 20 calendar years from the Scheduled Commissioning Date
4.4. Profile	Base-load (24 hours per day for the entire contract duration excluding periods of planned outage)
4.5. Clip size	Parties are invited to express their interest in multiples of 5 MW
4.6. Indicative price (“Capacity Fee”)	Expressed in €/MWh (nominal)
5. NOMINATIONS, SECONDARY MARKET AND USE-IT-OR-SELL-IT PRINCIPLE	
5.1. Day-ahead Nominations	<p>In each Settlement Period arising during the Contract Period, the LT Capacity Holder shall be entitled to nominate to ElecLink an electricity transmission on the Interconnector at the mid-point between the respective metering stations in France and Great Britain (the “LT Nomination”).</p> <p>In relation to any given day (“Day D”), LT Nominations must be made in the period from [16.30] on the Day D-2 until [09.30] on Day D-1 (“Nomination Window”). Times are expressed in CET. The Nomination Window will be aligned with the respective nomination window applicable to the IFA interconnector as at the Commercial Operations Start Date.</p>
5.2. Losses	The physical flow on the Interconnector will be subject to transmission losses. A loss factor will be applied on the LT Nominations. For the purpose of this EoI, interested parties should take into consideration an indicative end-to-end loss factor of [2.5%] applied on a mid-point basis.

³ For the purpose of this EoI, interested parties are invited to provide an indicative pricing offer on the assumption that any delay risk (other than delay arising from a Force Majeure Event) will be borne by ElecLink.

⁴ The total volume allocated through multi-year products will be set at such level so that, over the whole exemption period, the present value of discounted revenues from the sale of such multi-year products does not exceed a maximum amount expressed in M€2016 discounted at a nominal rate set by the NRAs.

	<p>The exact loss factor will be confirmed to prospective buyers prior to the Open Season.</p>
<p>5.3. Resale of capacity</p>	<p>The LT Capacity Holder shall be entitled to resell all or part of its long term Physical Transmission Rights in the short-term explicit auctions (for example, the yearly and monthly auctions) that may be operated by ElecLink prior to or after the Commercial Operations Start Date. In such case, the LT Capacity Holder shall be entitled to receive the clearing price of the respective short-term explicit auction for each unit of capacity (MW) resold through this mechanism. The mechanism for determining the clearing price in such short-term explicit auctions will reflect the principles currently applicable to the respective auctions on the IFA interconnector (as per IFA rule D7).</p>
<p>5.4. Transfer of capacity</p>	<p>If the LT Capacity Holder identifies a party to which it wishes to transfer its rights (but not obligations) in respect of any portion of its long term Physical Transmission Rights, it shall notify ElecLink of the intended transferee as well as the total volume of capacity to be transferred. ElecLink shall approve the transfer unless completion of the transfer request would constitute a breach of the conditions of the Final Exemption Decision, in particular in respect of the limitations that apply on the volume of Multi-year Products that a single party can hold at any time.</p>
<p>5.5. Use-It-Or-Sell-It (UIOSI)</p>	<p>In the absence of a LT Nomination by the relevant nomination gate closure, any capacity which has not been nominated will be offered by ElecLink into the implicit daily auction (market coupling)⁵.</p> <p>The proceeds from the sale of this non-nominated capacity in the implicit daily auction shall be paid by ElecLink to the LT Capacity Holder, valued as the maximum of:</p> <ul style="list-style-type: none"> ▪ €0/MWh; and ▪ the mid-point day-ahead market spread in the direction of the non-nominated capacity for the relevant hours (after losses)
<p>6. FIRMNESS AND CURTAILMENT PROVISIONS</p>	
<p>6.1. Planned outages</p>	<p>Prior to the start of each calendar year, ElecLink will provide the LT Capacity Holder with a schedule of planned outages for the following year. Planned outages are expected to last for approximately [10] days per year. Further information will be provided to interested parties prior to the Open Season.</p> <p>ElecLink will be permitted to make changes to that schedule subject to reasonable notice and an obligation to act as a reasonable and prudent operator. ElecLink will not be liable for any losses incurred by the LT Capacity Holder as a result of any change to the planned outage schedule. However, the Capacity Fee will not be payable in respect of any such periods of planned outages.</p>

⁵ Or explicit daily auctions as a back-up should it be impossible to run an implicit daily auction.

6.2. Unplanned outages – capacity shortage	<p>ElecLink shall notify the LT Capacity Holder as soon as reasonably possible following an unscheduled outage or any other capacity shortage that may result in curtailment of its Physical Transmission Rights.</p> <p>A capacity shortage occurs when the available Interconnector capacity is less than the total capacity allocated to capacity holders and/or nominated by the relevant nomination gate closure.</p>
6.3. Curtailment Priority	<p>In the event of a capacity shortage in any direction for a particular Settlement Period, the long term Physical Transmission Rights and, if necessary, the LT Nominations may be curtailed. The curtailment priority rules will substantially follow the principles currently applicable to curtailments on the IFA interconnector (as per IFA rule E7).</p>
6.4 Curtailment Compensation	<p>In the event of a curtailment, LT Capacity Holders will be entitled to receive compensation. The compensation rules will substantially reflect the principles currently applicable to curtailments on the IFA interconnector (as per IFA rule E8).</p>
7. PAYMENT AND COLLATERAL	
7.1. Invoicing	<p>The Capacity Fee will be payable to ElecLink in monthly instalments in advance in EUR.</p>
7.2. Payment Security	<p>Limits will be set by ElecLink with regards to (a) the maximum volume of capacity (MW); and (b) the maximum tenor (years) interested parties will be allowed to bid for in the Open Season. These limits will be determined by reference to the conditions of the Final Exemption Decision, as well as, the individual credit ratings (and/or tangible net worth) of bidders and the requirements of ElecLink’s lenders. The limits will be confirmed to interested parties prior to the Open Season.</p> <p>In addition, the LT Capacity Holder will be required to post credit cover equal to [1] month’s liabilities under the LT Capacity Contract. Credit cover must be in the form of:</p> <ul style="list-style-type: none"> ▪ a letter of credit from a bank or financial institution with a long term debt rating⁶ by either Standard & Poor’s Corporation or Moody’s Investors Services Inc. which is acceptable to ElecLink and ElecLink’s lenders; or ▪ a cash deposit in a deposit account established and notified by ElecLink.
8. OTHER	
8.1. Financing Requirements	<p>Requirement for LT Capacity Holder to enter into a security / quasi-security arrangement with lenders in an agreed form (for example, ElecLink may be required to provide security over / assign the benefits of the LT Capacity Contract to its lenders) and provide all reasonable assistance and</p>

⁶ The required long-term debt rating of such credit cover will be confirmed to prospective buyers prior to the Open Season.

information as required by the Financing Agreements. The required form of security / quasi-security arrangement with lenders will be made available to interested parties prior to the Open Season.

8.2. Governing law

The ElecLink User Rules will be governed by the laws of England and Wales.