



Department of Energy & Climate
Change
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Dear John,

Reference is made to previous correspondence between the Department of Energy & Climate Change (DECC) and the Ministry of Industries and Innovation, with letters from DECC dated 24 January 2015, 24 February 2015 and 29 May 2015, and letter from the Ministry dated 11 February 2015 and two letters dated 23 March 2015.

In the letters, dated 11 February and 23 March, the Icelandic authorities have explained the ongoing exploratory work regarding an electricity interconnector between Iceland and the UK.

I would respectfully like to thank you for the information provided in the letter dated 29 May 2015 concerning background information on the regulatory treatment for interconnectors in the British market. This information has been incorporated into the ongoing cost-benefit analysis of an interconnector, which is one of the work streams which is currently being carried out.

Following up on previous information we can inform that the previously identified work streams to consider in detail certain aspects of an interconnector are all on track. As mentioned in previous correspondence a Steering Committee has the role of supervising the process of these work streams.

As you are aware of the topic of an interconnector between UK and Iceland was, amongst other things, discussed at a meeting in Reykjavík on 28 October 2015 between Prime Minister David Cameron and Prime Minister Sigmundur Davíð Gunnlaugsson. At this meeting it was agreed to explore further the possibility of an interconnector with discussions between the two Governments in the next six months.

Following this the cabinet meeting decided on 5 November 2015 to expand the work of the Steering Committee to include the above mentioned exploratory discussions between the two Governments on the topic of an interconnector. Such discussions would i.a. include various

interconnector business and pricing mechanisms, regulatory treatment, financing and general impact assessment. The cabinet meeting specifically stated that the exploratory work on the interconnector was in early stages and the decision of further exploring the project, following the report of the Steering Committee, would require time and thoughtful discussion in Iceland.

The Steering Committee which will be in charge of these discussions is composed of the following members:

Ragna Árnadóttir, Deputy CEO of Landsvirkjun,
Þórður Guðmundsson, former CEO of Landsnet,
Benedikt Árnason, Economic Advisor to the Prime Minister and Committees of Ministers,
Benedikt Gíslason, Senior Advisor to the Ministry of Finance and Economic Affairs,
Ingvi Már Pálsson, Director, Department of Energy and Industry, Ministry of Industries and Innovation,
Erla Sigríður Gestsdóttir, Senior Expert, Department of Energy and Industry, Ministry of Industries and Innovation.

According to the decision by the cabinet meeting the Steering Committee shall deliver its report on the discussions within six months. The Steering Committee is led by the Ministry of Industries and Innovation.

As I hereby inform you of the above development I would respectfully like to propose the first meeting between the working groups of the two Governments to take place in Reykjavík on 16 December 2015. It is proposed that the first meeting will be a fact-finding mission in which various elements of the interconnector business and pricing mechanism, available and planned subsidy schemes, regulatory treatment, financing and impact on both Iceland and the UK, will be discussed in a work-shop format and decisions made on the structure and timeframe of the exploratory discussion. Furthermore, I propose that the two ministries will decide on the agenda for the first meeting in advance.

Sincerely yours,



Ingvi Már Pálsson
Director General at the Ministry of Industries and Innovation
and Chairman of the Steering Committee