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Tuesday June 5, 2007

## UNLOCKING THE RENEWABLES POTENTIAL OF SCOTTISH ISLANDS

- **Scottish Islands have huge potential for renewables including proposals for a 600 megawatt wind farm for Shetland**
- **Islands need large, costly transmission links and Ofgem is asking industry for views on options for achieving this**
- **Balance needs to be struck so renewable developers receive the links they need and customer interests are protected**

Energy regulator Ofgem is seeking views on the best approach for unlocking the renewable energy potential of Shetland, Orkney and the Western Isles with high-voltage electricity links.

The islands might become powerhouses for renewable electricity. A number of proposals have been tabled for wind farms and other renewable generation which could benefit island communities with stakes in the projects. The proposals include a 600 megawatt wind farm for Shetland – which, were it to go ahead, would be one of the largest renewable developments in the UK.

These projects require connections to the British high-voltage transmission network so they can transmit and sell their electricity to centres of high demand. Each of these links represents a major new investment, and costs must be minimised if these renewable energy resources are to be successfully exploited. Ofgem has identified several ways of achieving this including opening up the ownership, financing, and building of these links to competitive tender. Other options include allowing the monopoly transmission company, Scottish Hydro-Electric Transmission, to construct the links and for renewable developers to build and own the links.

In a consultation published today, Ofgem has suggested that opening the building of the links to competition might reduce overall costs. Any reduction in costs will translate into lower transmission charges for generators which could increase the number of projects able to connect and reduce the risk of the connections not being fully used.

Ofgem Chief Executive, Alistair Buchanan, said: “Ofgem consistently supports the development of renewable energy and we want to see projects on the Islands given every opportunity to connect so they can contribute to the UK’s renewables targets. We must however strike the right balance between making sure developers’ requirements are met and seeing that the links are built as economically as possible so customers do not pay any more than necessary for them.”

“Competition for new transmission links is new for the UK, although similar approaches have been used in some other countries to build comparable links.”

The Government has already decided that a competitive approach to developing new transmission connections is to be adopted for connecting planned offshore renewable projects in the Thames Estuary, along the East of England coast line, in the Wash and off the North West coast. Ofgem

published a scoping document on offshore connections in March this year and it will publish policy proposals in the summer.

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### **Notes to editors**

1. Last year Ofgem concluded a review of the price controls for the companies that run the high-voltage networks and the high-pressure gas main (National Grid Electricity Transmission, National Grid Gas NTS, Scottish Power Transmission Limited, and Scottish Hydro-Electric Transmission Limited). This review was to re-set the controls for April 2007 to 2012. Ofgem considered island connections at each stage of its review and identified that the costs of linking up the islands were too uncertain and the required design specifications were unclear.

Two possible ways forward were identified: re-opening the Scottish Hydro-Electric Transmission Limited price control when further information became available on the demand for capacity and likely design and cost; or opening up the provision of such transmission links to alternative providers. In the final proposals document for the price control Ofgem confirmed that it would this year be undertaking further development work on such options outside the TPCR process.

2. Following a consultation the Government announced recently that a competitive approach will be adopted for the connection of renewable generators sited in coastal waters. This means monopoly electricity transmission network owners will have the opportunity to compete against a wider range of transmission companies to build, own and maintain the links.

3. There are several international examples of competition in the provision of transmission connections. In Australia, the Tasmanian government opened up to tender the building of the Basslink electricity interconnector between Tasmania and Victoria and National Grid was the winning bidder. The 600MW link is the longest sub-sea interconnector in the world and it enhances security of supply on both sides of Bass Strait, protecting Tasmania against the risk of energy shortages while providing Victoria and southern Australian states with secure renewable energy during times of peak demand. It officially went live in April 2006.

4. Ofgem is the Office of the Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority, the regulator of the gas and electricity industries in Great Britain. The Authority's functions are set out mainly in the Gas Act 1986, the Electricity Act 1989, the Competition Act 1998 and the Utilities Act 2000. In this note, the functions of the Authority under all the relevant Acts are, for simplicity, described as the functions of Ofgem.

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