Lewis Wind Power
Cumhachd Gaoithe

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Shetland Transmission Project: Consultation on Proposed Final Needs Case and Delivery Model

Lewis Wind Power ("LWP") is a joint venture between EDF Energy Renewables and Wood. LWP owns the 180MW Stornoway Wind Farm, a large consented pre-construction Remote Island Wind project on the Isle of Lewis in the Western Isles of Scotland.

The Western Isles have some of the best wind resource in Europe and the Stornoway Wind Farm project is forecast to generate approximately 820 GWh / year of renewable electricity. LWP have been developing Remote Island Wind in the Western Isles since 2001 and have thus far spent over £15m developing the project.

Due to a relatively small local demand for electricity, the realisation of large scale wind projects on the Western Isles is wholly reliant on there being a secure and appropriately sized grid connection to the mainland electricity transmission network. The challenges associated with delivering the Western Isles Interconnector are similar to those for the Shetland Interconnector, therefore LWP have an interest in responding to this consultation.

Should you wish to discuss any of the issues raised in our response or have any queries, please feel free to contact me.

Yours sincerely,

Question 1: What are your views on the generation scenarios developed and updated by SHE-T? We are particularly interested in views on the likelihood of wind generation on the Shetland Isles developing to the levels predicted by SHE-T's scenarios and any further changes or updates since SHE-T's October 2018 Final Needs Case submission that you think should also be considered.

LWP consider that the ranges of generation scenarios proposed by SHE-T are reasonable but these primarily use 'known' generation projects. While we agree that development of generation beyond those that are currently 'known' cannot be guaranteed, delivery of the transmission grid links to the Scottish Islands (Orkney, Shetland and the Western Isles) are likely to encourage further generation project development. The Scottish Islands have excellent wind resources and are likely to continue to be an attractive place for wind and other low carbon energy developments.

Delivery of a low capacity link on Shetland or the other Scottish Islands would risk constraining this contribution of low carbon energy to the UK supply and could either prevent development of high generation scenarios or trigger a requirement for a second link at a future date.

Question 2: What are your views on the demand sensitivity explored by SHE-T?

LWP does not have specific views on the demand sensitivity for Shetland but believe it is critical to consider increased electricity demand due to decarbonisation of island energy systems for each of the Scottish Islands in their respective Needs Cases.

Question 3: What are your views on the link options considered by SHE-T? We are also interested in views on the options proposed by SHE-T to mitigate against the risks of a second link being needed.

LWP does not have specific views on the link options being considered for Shetland but believe the key considerations and mitigations against the risk of a second link being required are likely to be similar to those for the other Scottish Islands.

Renewable energy project development on the islands is likely stifled at present due to the uncertainty over the island interconnectors. There is a significant risk that cables are built based on current capacity projections of 'known projects' and new links then need to be built at significant additional cost to consumers.

While the proposed options to optimise the 600MW link may be effective to an extent there is significant uncertainty about the degree to which they will fully mitigate the need for a second link. The cost uplift to deliver significant additional capacity is low compared with a new link and anticipatory investment should be a key consideration.

Question 4: What are your views on the technical design and costs of the proposed Shetland link?

LWP does not have a view on the technical design or costs for the proposed Shetland link specifically but see affordability and certainty of network charging as a key issue for developers of Remote Island Wind projects. Interconnector costs have a material impact on this therefore all parties should work to reduce these costs and provide certainty as early as possible.

Question 5: What are your views on the CBA put forward by the ESO?

While the CBA is a useful tool in evaluating options, this analysis focuses on identifying the preferred option based on a least worst regret approach with a focus on 'known projects' and the impact of constraint payments. This analysis should also take into consideration the impact of having to build a second link in the event further developments come forward.

Consideration should also be given to whether the use of the 2019 CfD price is appropriate in constraint payment calculations for the Scottish Islands as this may not reflect the actual price. For example, the CfD AR4 Proposed Amendments to the Contracts for Difference Scheme – Consultation Impact Assessment uses prices of £59/MWh and £61/MWh for low and high cost remote island wind scenarios respectively.

Question 6: What are your views on other approaches we have taken to assess the costs and benefits to GB consumers?

LWP support the use of other approaches to assess the benefits and costs to GB consumers and particularly the LCOE analysis that demonstrates LCOE will decrease for fully utilised higher capacity link options and produce lower LCOEs than an equivalent offshore wind farm. This clearly demonstrates the attractiveness of the islands for renewable energy development and that further development beyond the 'known' projects is likely.

Anticipatory investment to enable further development of Remote Island Wind will help the UK meet its ambitious decarbonisation targets, deliver competitively priced power for consumers and unlock significant local economic benefits.

Question 7: What are your views on our minded-to position to conditionally approve the revised Final Needs Case? Specifically:

i) Do you agree with our proposal to approve a 600MW link subject to Ofgem being satisfied, by the end of 2020, that Viking Energy Wind Farm is likely to go ahead?

Yes LWP support the link going ahead.

ii) Do you have any views on the type of evidence we should expect to see that would confirm that Viking Energy Wind Farm is likely to go ahead?

LWP agree in principle with the provision of additional evidence in this scenario as Viking Energy Wind Farm was not successful in securing a CfD. In the case of other Scottish Islands where projects have secured or are likely to secure a CfD, the award CfD alone should be sufficient to allow Ofgem approval.

iii) Do you agree with the factors we have considered to reach our minded-to position?

LWP agree with the factors considered but believe that greater emphasis should be placed on the value of unlocking more competitively priced renewable generation on the Scottish Islands in light of decarbonisation targets.

iv) Are there any other factors that you consider we should take into account when assessing this proposal?

LWP believe that investigation of generation scenarios that go beyond the 'known' projects should be a key consideration when assessing this proposal. The analysis is too focused on 'known' projects, therefore doesn't adequately take into account the potential for future development and the impact of options to optimise the proposed 600MW link are uncertain. Decarbonisation, anticipatory investment and local economic benefits are all key considerations

Question 8: Do you agree with the findings of our analysis?

LWP do not have a specific view on the findings of the analysis for Shetland but consider delivery models a key consideration for all Scottish Islands and would support a comparable analysis being included in a new Needs Case for the Western Isles Interconnector.

Question 9: Are there any additional factors that we should consider as part of our analysis and/or decision on whether to apply the CPM for the Shetland transmission project?

No comment.