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1 October 2021

James Norman  
Head of Electricity Transmission Development  
Ofgem

Dear Mr Norman

### **Shetland HVDC Link Project Assessment – Consultation**

I wish to respond to this consultation as a consumer and also as someone who has responded to various other related consultations over the past two years.

It is rather unfortunate, to say the least, that Ofgem is only now considering the costs involved with the Shetland HVDC Link, which Ofgem approved last year in spite of many objections to the cost of the proposed project. The realistic probability of escalating costs associated with the Link was raised at the time of the initial consultation but that did not seem to be an issue as far as Ofgem was concerned.

This is borne out in the second point in Paragraph 1.12. of the Introduction, taken from Ofgem's published decision to approve the Link. I took issue with that statement then and continue to do so now. The Shetland Link is very unlikely to deliver either an economic or efficient outcome in terms of long-term value for money for existing or future GB consumers. This current consultation already proves that point. Neither will it ensure security of supply for the Shetland Islands "at a reasonable cost". Cable Links are proving to be unreliable and failure prone while the fuel poverty rate in Shetland was recently estimated at 53% and rising with every price rise approved by Ofgem. Achieving Net Zero has become a priority whatever the cost may be to consumers.

With regard to the consultation questions, there are a few points I would like to raise and some comments I would also like to make.

### **Chapter 2: Proposed cost allowance for the Shetland Link project.**

Question 1: Do you agree with our proposed cost allowances for the Shetland Link project?

**Regulation and Consent.** I agree with the decision in Paragraph 2.8. However, since Viking Energy Wind Farm (VEWF) is owned by SSEN Renewables and they and SSEN Transmission are part of SSE plc, who are involved with the production and transmission of electricity, I would imagine that this cost will be passed on to consumers in the end, one way or another.

**Engineering.** I also agree with the self-evident decision in Paragraph 2.9.

**Construction.** I totally agree with the decision in Paragraph 2.10. not to allow £1.1m in incentive payments to contractors to “speed up works schedules in case of delays”. Delays will be inevitable and any incurred costs as a result should be borne by the company, not the consumer.

Regarding Paragraph 2.11. Surely SSEN Transmission should be responsible for providing catering services to their contractors and I fail to see why they should be expecting their customers to foot the bill.

With regard to Paragraph 2.16. I also agree with the decision to deduct the £12.4m from the cost of the Converter Station and associated works. The further along this project progresses, the more the costs seem to increase as SSEN Transmission continues to add on to the infrastructure deemed necessary for extra connections to be made. All this should have been taken into account at the initial stages of seeking approval instead of bringing various stages of construction to Ofgem for approval after the fact in a piecemeal fashion. I have no doubt whatsoever that they will be petitioning Ofgem for even more funding in the very near future as expenditure continues to soar with each new “addition”.

Question 2: Do you agree with our proposals on how to treat the following types of risk: high impact, low probability; difficult to quantify; and Covid risks?

Brexit was not an unexpected event as it was an ongoing situation for some time but with a definite end date, which has now passed. Any failure on the part of SSEN Transmission to prepare for that does not necessitate any need for compensation from Ofgem and, ultimately, consumers.

Covid has been with us now for over a year and a half but seems to be past the worst of the pandemic phase and is now possibly entering what can be classed as an endemic stage, meaning that it will be around in some form or another for an indefinite time. Things do seem to be getting back to some kind of normality but a lot of businesses have had to find a way of coping with the changes that Covid has brought. Applying for funding to cover actual costs is one thing but to try and make claims for possible future, unknown costs is something entirely different so you are quite right to severely limit the amount that SSEN Transmission is trying to claim in advance for perceived costs that they may or may not incur.

In regard to the mechanisms involved in calculating the costs of a project, it is hoped that whatever decision is made on any proposed changes, it will result in more benefit to the consumer as opposed to the developer.

### **Chapter 3: Proposed Output and Delivery Date for the Shetland Link project.**

Question 3: Do you agree with our proposed output and delivery date for this project?

I think that the proposed delivery date of 31 December 2024 as set out in Paragraph 3.4. is optimistic, to say the least, especially considering the prolonged spells of adverse weather that can occur around and on the Shetland Islands at any time of the year.

Question 4: Do you agree with our view on the implementation of the Re-Profiling and Project Delay Charge Large Project Delivery (LPD) mechanisms on this project? In particular, do you have a view on the application and level of the Project Delay Charge?

I agree with your opinion in Paragraph 3.7. that SSEN Transmission should not benefit financially from any delay in project delivery.

I also agree that a Project Delay Charge should be considered in the eventuality of a delay in meeting the proposed delivery date. Whichever is deemed the most appropriate and effective of the two possible options would be the most sensible choice and I think it should be at your own discretion.

### **Chapter 4: Proposed Licence Modifications for the delivery of the Shetland Link project.**

Question 5: Do you agree with our proposed modifications to Special Condition 1.1 of SSEN Transmission's licence?

I would have thought that SSEN Transmission would have been required to apply for a licence prior to work commencing on the Shetland Link instead of a consultation to propose a modification to an existing licence only now being put forward for consideration.

Question 6: Do you agree with our proposed modifications to Special Condition 3.31 of SSEN Transmission's licence?

I would question whether or not the COAE threshold should be reduced to 5%, in line with SSEN Transmission's Caithness-Moray Link, instead of the proposed 10% for the Shetland Link.

## **In conclusion.**

In Paragraph 1.6. of the Introduction it is stated, "Ofgem does not allow unreasonable and unjustified costs". I think you will find it extremely difficult to maintain that position as far as the Shetland Link is concerned for many of the reasons already mentioned. I feel I should also point out that the proposed closure of the Lerwick Power Station has been extended to 2035, as opposed to 2025 as initially indicated by SSEN Transmission.

Lessons have obviously been learned from the sudden and unexplained failure of the Link between Skye and the Western Isles with the subsequent problems associated with providing a backup solution at short notice. The Link could not be repaired so had to be replaced instead. Considering the distance involved with the Shetland Link and the conditions that will be encountered, it will not be a case of **if** the Link will fail but **when** it will fail. Also, the fact that the technology involved in joining the Shetland Link with the Caithness-Moray Link has not been used apart from inside China, means that it is untested in a completely new environment.

Keeping the Lerwick Power Station on standby as a backup solution is another cost that has not been factored in by SSEN Transmission and will therefore be yet another expense that will end up being borne by consumers. The cost of providing a backup solution should have been included in the Cost Benefit Analysis in the original application regarding the Shetland Link but that did not happen. Unfortunately, the true cost is only beginning to become apparent now with no end in sight.

I will be interested to see the outcome of this consultation and hopefully it will not result in yet more energy price rises for already beleaguered consumers.

Regards

Rosemary Macklin