



26 Lewis St

Stornoway

Isle of Lewis

HS12JF

25 August

To whom it may concern:

We would like to make the following submission of behalf of Point and Sandwich Trust who manage and operate the UK's largest community-owned wind farm.

We wish to endorse the submission made by Community Energy Scotland and also to make the following comments on selected questions.

Question 3b:

In our view, the current charging regime is ineffective in “being able to send a signal to users”. This is because locational signalling is completely irrelevant to community-owned companies as, ipso facto, we cannot change our locations. For that reason, the current regime is both discriminatory and irrational when applied to community companies. The only solution to this is for Ofgem to recognise the special position of community companies in this respect and apply a different set of rules on them that are more logical and effective in terms of whatever signals Ofgem are trying to send.

We would also like to reinforce the point made by Community Energy Scotland about 3.25. The Isle of Lewis has grid needs (weak grid, the need to switch off wind farms when islanded, etc) which only a battery located on the island can remedy. Hence, there is no automatic locational flexibility in battery storage.

Question 3c:

We endorse the response of Community Energy Scotland. Since 2009, local generators on the Isle of Lewis have been told to wait for a possible large HVDC link to be able to connect their schemes and over time this has completely distorted their planning and negated their appetite to submit grid applications on the island. For the same reason, the recent SHETL consultation on upgrading grid capacity in Skye ignored the possible need to accommodate generation on Lewis and prospective local generators on Lewis were put off from making submissions to the Skye consultation by the repeated mantra that they should wait for the HVDC link. It is similar story with SSEN's recent ED2 draft plan which contains a second cable from Skye to North Uist but defers any similar decision on a

second cable to Lewis. There is no rationale for treating the needs of three adjacent islands so differently and is proof of the lack of coherent and rational grid planning under the current system.

Question 3d:

All other things being equal, increased uncertainty means increased financial risk to lenders which in turn means increased cost of finance for generators. This is especially harmful to community generators which already face the obstacle of presenting a new and unknown company 'face' to lenders on each new project, whereas commercial generators can build up familiarity over a number of projects.

Question 3g:

We would like to reinforce the point made by CES that the existing underwriting/security system relating to transmission reinforcements is indeed a show-stopper for community generators. The latter's normal business plan relies on a CARES loan from Scottish Government to cover development costs up to financial close. Once close is reached, the capital raised is used to pay off the CARES loan which is then recycled to a new project. That model is incompatible with requirement to provide underwriting over several years ahead of generation. The current system is therefore unfair and discriminatory to community generators as it makes an administrative requirement that by their very nature they cannot meet.

On top of that inequity, the underwriting rule is also irrational and unnecessary in its application to community generators. This is because, as mentioned already, community generators by their very nature are not going to 'up sticks' and take their plans and prospective investments elsewhere, thus leaving a stranded asset. In other words, the danger that underwriting is intended to protect against is simply not presented by community projects; the application of the rule to them, therefore, is pointless.

That this has very real consequences is shown, again, by the example of the Isle of Lewis, where a number of community projects have been frozen in limbo, unable to comply with the security requirements, unable to progress or make grid applications, and thus unable to be taken account of in forward network planning.

Being both discriminatory and irrational, therefore, we would urge Ofgem to agree at the earliest possible opportunity that the existing transmission reinforcement security system should no longer be applied to community generators.

Question 5b:

In response to this question, we would point out two facts: first, the Highlands and Islands has by far the highest transmission charges in the UK; and second, the Highlands and Islands has by far the highest number of community-owned generation schemes in the UK connected at distribution level (many of them over 1MW). The consequence of these two facts is that any shift of TNUoS charges onto distribution generators would fall unfairly - and, again we say, irrationally - upon the community sector in the Highlands and Islands.

If Ofgem is disinclined to have a generally applicable threshold of 50MW, then we would urge a solution whereby community-owned projects would be exempted and allowed a threshold of at least 50MW. For the reasons stated above in the answers to the previous questions, this would not be an unreasonable discrimination but, instead, a necessary levelling out of a playing field which is at present very unfair for community-owned generators.

General question:

As will be clear from the above comments, we believe that the current rules are unfairly discriminatory and irrational in respect of community-owned projects. This applies not just to the subject of the current consultation but in the whole area of local and national grid operation and management.

Therefore, in conclusion, we urge that Ofgem set up a specific review of how the current rules for operating, regulating and planning the grid affects community-owned energy and how these rules can be better calibrated to support and assist community energy, where this is to the benefit of consumers and the wider public interest.

END.