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To whom it may concern,

**Ofgem Consultation on Access and Forward-looking Charges Significant Code Review**

**Background**

Orkney Islands Council (the Council) is grateful for the opportunity to respond to this consultation document. Please note that the Council will be submitting two separate responses – one as a developer of renewable energy projects, and one as the Local Authority for the Orkney Islands with responsibility for delivering both economic development and a range of services to the local community. This response is from the Council in its role as a developer of renewable energy projects.

The Council's decision to becoming a developer of renewable energy projects was not taken lightly. It has done so in order to achieve a number of strategic outcomes.

Firstly, the current electricity grid in Orkney has been at capacity with a moratorium on any new connections since 2012 and, whilst this has at a low-level driven innovation, it has also created a clear blockage to the further development of renewable energy, and in particular to development of the substantial wave and tidal energy resources in Orkney waters.

Orkney has been in a catch 22 situation for many years whereby Ofgem is unwilling to sanction a new transmission connection without certainty that projects will connect, and no project developer has been willing to spend money developing projects when there is no certainty over a new cable to provide a route to market. The Council views a new connection for Orkney as a critical enabler for the economic future of Orkney, as does the Scottish Government which lists interconnection to Orkney as a National Development under its National Planning Framework 3. The Council has therefore stepped in to try and address this market failure by accepting additional risk in project development in order to unlock wider benefit to the county by bringing forward new generation projects.

Specifically the Council is developing three onshore wind farms under Orkney's Community Wind Farm Project, with a combined installed capacity of circa 90MW. This capacity is an essential element in trying to achieve a 135MW new generation 'Needs Case' threshold set by Ofgem as being required to justify a new 220MW capacity transmission connection. A recent study commissioned by OIC has shown that achieving this connection could be worth up to £800 million GVA for Orkney, and £1.5 billion GVA for Scotland ([link](#)).

In addition to unlocking the wider benefits to the economy of securing a transmission connection, another aim of Orkney's Community Wind Farm Project is to generate income to be used for the benefit of Orkney and its inhabitants. A long-term trend of a reduction in funding for local government, coupled with increasing demand for Council services means that

the Council either has to cut critical community services, or find new ways of funding these services. It is hoped that Orkney's Community Wind Farm Project can contribute to addressing this issue.

Finally, the Council has, alongside both UK and Scottish Governments, declared a climate emergency. Orkney is an area rich in renewable resources and pursuing renewable energy projects such as Orkney's Community Wind Farm Project is critical and will make a substantial contribution to moving Orkney towards net zero.

#### **Position with regard to the current consultation**

Orkney Islands Council has committed substantial resources in developing three wind projects under Orkney's Community Wind Farm Project, with the aim of realising the three goals outlined above of; securing a new interconnector for Orkney, securing income to be used to protect and enhance community services, and contributing towards the Council's response to the declaration of a Climate Emergency. This activity has been undertaken in the knowledge that the use of system charging methodology was under review by Ofgem and in good faith and trust that Ofgem, having espoused a great deal of promising rhetoric regarding a "green, fair future" and "rewiring Britain for a net-zero future" would develop proposals which would enable the vast renewable resources of the North of Scotland, which have been clearly shown as essential if the UK is to meet its Net Zero ambitions, to be exploited.

We are now at a key point in project development where we are looking to meet the Needs Case conditions set by Ofgem to secure a cable and we are considering bidding into the upcoming CfD auction. In order to do so, clarity on use of system charging is critical. Publication of these proposals by Ofgem has been delayed by over a year and we are astonished that despite this the proposals achieve the unwelcome dual effect of increasing expected costs, whilst also increasing uncertainty at the same time. The proposals which have been presented betray our trust in Ofgem and actively discriminate against renewable energy projects in the North of Scotland even more than the current charging methodology does. Indeed the expected high costs and uncertainty created by the proposals are such that they could, if implemented as outlined, sterilise the North of Scotland from renewables development, ensuring that no existing projects are repowered, and creating stranded assets across the region.

We have been fortunate to have sight of responses to this consultation submitted by Scottish Renewables, Highlands and Islands Enterprise, Orkney Islands Council (as Local Authority) and other developers in the North of Scotland. In general, we agree with their analysis which shows:

- The proposals would restrict development of Scotland's renewable resources
- The proposals discriminate against Scotland even more than at present and would be expected to worsen over time.
- The assessment is not robust and fails to properly consider the impact on island communities.
- TNUoS is not fit for purpose, is not aligned with net-zero and is harming the economy.
- That transmission network charges require a holistic and fundamental reconsideration.
- That Ofgem, having conditionally approved the Needs Case for a Transmission connection for Orkney, is now proposing to change the rules to make achieving that connection extremely challenging.

We see no point in repeating the detail of the above arguments in detail here. Instead, we would like to make clear our position that the content and failings of the current minded-to consultation is, in itself, unequivocal evidence that the charging regime does not achieve fairness, is not fit for purpose in delivering net-zero, and that a holistic review is urgently required. It is entirely regrettable that so much time has been wasted in coming forward with the current proposals and the negative impact this has on projects hoping to bid into the upcoming CfD round and contribute towards the Needs Case for a new transmission link for Orkney. We would support the introduction of a simple and equal charge for all users of the network which would provide certainty and would drive forward projects in the most suitable areas for development. We implore Ofgem to take quick action to change its current minded-to position.