

01 February 2022

Dear James,

Consultation on Isle of Skye Initial Needs Case

Transmission Investment, as one of the UK's leading independent transmission companies manages one of the largest offshore electricity transmission portfolios. We are a strong advocate of introducing competition into the delivery of onshore transmission and we continue to support the development of the required arrangements inter alia through industry groups, responding to consultations such as these and providing evidence to parliament.

Transmission Investment is also leading, in partnership with the French national grid company RTE, the development of a proposed 1400MW HVDC interconnector between France and Britain via Alderney ("the FAB interconnector project"). This project was granted cap & floor regulatory treatment in 2015 and whilst it continues to experience Brexit related delays, it will commence construction as soon as the regulatory process allows. Transmission Investment is also in the early stages of developing a 700MW HVDC interconnector between Scotland and Northern Ireland ("the LirlC interconnector").

We strongly agree with your approach to maintain the option of competition through the Late CATO model. We hope that this is a positive signal that the Government is moving towards moving the Legislation forward to enable the CATO regime to begin and consumers to reap the benefits.

We would like to raise one issue, as could be seen as hampering potential competition. The delivery programme sequence put forward by SHETL requires a decision on consents at the same time as the FNC decision. As the Late CATO process needs a known scope to drive the same benefits of OFTO, this may require delay or drive risk into the bidding process. Both will be to the detriment of consumers. We are not clear on reasons why SHETL have adopted a programme that does not follow the expectation that major planning decisions are complete before the Final Needs Case ("*Normally we expect to only receive a FNC submission once planning consent is in place...*"). The adoption of this kind of compression strategy has the hallmarks of classic procedural games that can be played by the incumbent monopolies to slow down competition into a market.

The detriment to customers by the undermining of CATO competition will be much larger than minor delays in the delivery programme for this particular scheme. While we advocate flexibility in the LOTI arrangements, it is important for Ofgem to be alive to the impact of special cases on the attractiveness of competition to investors. Especially at a time where Government is strongly advocating the use of competition in its recent Economic Regulation Policy paper.

Yours faithfully,

Mark Fitch
Corporate Development and Regulation Manager