

## Decision on the assessment of SHET's 2022 MSIP re-opener applications

Subject	Details
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This document sets out our<sup>1</sup> decision (a provisional decision in some instances) on Scottish Hydro Electricity Transmission's (SHET's) applications to enable three projects under the Medium Sized Investment Projects (MSIP) re-opener mechanism.

We published consultations on our initial assessments of each of the following MSIP projects on:

- Gremista Grid Supply Point Project: 25 April 2022
- Dynamic line rating (Beaully): 27 June 2022
- Dynamic line rating (Skye): 27 June 2022

The consultations have now closed. We have published the non-confidential responses to each consultation alongside this document.

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<sup>1</sup> The terms 'we', 'us', 'our' refer to the Gas and Electricity Markets Authority. Ofgem is the office of the Authority.

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## Executive summary

The MSIP re-opener (which is in Special Condition (SpC) 3.14 of the Electricity Transmission Owners (ETOs)' licences) provides ETOs with an annual opportunity to request additional funding for sub-£100m projects, many of which may be critical for achieving Net Zero targets. It was developed to ensure that ETOs are able to undertake necessary investments in the transmission network, funding for which has not been provided in RIIO baseline allowances.

In line with the provisions of the RIIO-T2<sup>2</sup> Re-opener Guidance and Application Requirements Document<sup>3</sup>, Scottish Hydro Electricity Transmission (SHET) divided their Medium Sized Investment Projects (MSIP) applications into two stages:

- Stage one: a submission detailing the needs case, optioneering of the chosen design and timing of specific project.
- Stage two: a submission providing evidence on unit costs, volumes and delivery dates to be used as the basis of our final assessment and to inform the associated amendments to SHET's RIIO-T2 Electricity Transmission Licence.

We published consultations on the stage one submissions by SHET for the following three projects under the MSIP mechanism:

- Gremista Grid Supply Point (GSP) project
- Beaully Dynamic line rating (DLR) project
- Skye DLR project.

This document sets out for each project: our minded-to views on projects, a summary of the consultation responses received, any changes to our minded-to position since the consultation, our decision (provisional in some cases) in relation to the stage one assessment and next steps.

Our decisions are summarised as follows. Those that are provisional are subject to our assessment of the efficient costs that are to be provided by SHET as part of the stage two submissions for each project.

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<sup>2</sup> RIIO stands for "Revenue = Incentives + Innovation + Outputs".

<sup>3</sup> Paragraph 3.4 of the guidance enables licensees, where justified, to progress a re-opener application without all the information required by the guidance document; [RIIO-2 Re-opener Guidance and Application Requirements | Ofgem](#)

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- **Gremista GSP project:** we have **provisionally decided to approve the needs case and the preferred option** of the establishment of a GSP in Gremista.
- **Beaully DLR project:** we have **provisionally decided to approve the needs case and the preferred solution** consulted on, i.e. the installation of DLR technology on the Beaully to Loch Buidhe to Dounreay in combination with static line rating increase for the Beaully to Loch Buidhe section of the circuit.
- **Skye DLR project:** we have decided to **reject the needs case** for the installation of a DLR system on the Skye circuit on the basis that the DLR installation does not provide sufficient benefits to end consumers.

We will continue to work with SHET in advance of the second stage submission for the Beaully DLR and Gremista GSP projects.

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## Related documents

Consultation on the needs case and preferred option for the Gremista Grid Supply Point (GSP) Medium Sized Investment Project,

[Consultation on Scottish Hydro Electricity Transmission's \(SHET's\) MSIP Re-opener \(Gremista Grid Supply Point Project\) | Ofgem](#)

Consultation on the needs case and preferred option for the Skye Dynamic Line Rating (DLR) Medium Sized Investment Project,

[Consultation on Scottish Hydro Electric Transmission's MSIP Re-opener \(Skye Dynamic Line Rating Project\) | Ofgem](#)

Consultation on the needs case and preferred option for the Beaully Dynamic Line Rating Medium Sized Investment Project,

[Consultation on Scottish Hydro Electric Transmission's MSIP Re-opener \(Beaully Dynamic Line Rating Project\) | Ofgem](#)

Gremista GSP MSIP re-opener application document,

[redact-version-gremista-gsp-msip-submission-fully-redacted-for-publication-07\\_02\\_22.pdf \(ssen-transmission.co.uk\)](#)

Skye DLR MSIP re-opener application document,

[skye-dlr-msip-submission-fully-redacted-for-publication-07\\_02\\_22.pdf \(ssen-transmission.co.uk\)](#)

Beaully DLR MSIP re-opener application document,

[north-of-beaully-dlr-msip-submission-fully-redacted-for-publication-07\\_02\\_22.pdf \(ssen-transmission.co.uk\)](#)

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## 1. Background and overview

### Background

1.1. The RIIO-T2 price control period (which runs from 1 April 2021 until 31 March 2026) includes a range of Uncertainty Mechanisms (UMs) that will allow us to assess further funding during RIIO-T2 as the need, cost or timing of works becomes clearer.

1.2. Where possible, we have set automatic UMs, such as the Generation and Demand Connection Volume Drivers, which provide Electricity Transmission Owners (ETOs) with immediate funding when they are required to undertake new customer connection works. In other areas, where the degree of uncertainty is too great to allow for an automatic mechanism, we set “re-openers” which allow us to assess robustly ETOs’ proposals when there is sufficient certainty.

1.3. The MSIP re-opener, which is in Special Condition (SpC) 3.14 of the ETOs’ licences, provides ETOs with an annual opportunity to request additional funding for projects that cost less than £100m, many of which may be critical for achieving Net Zero targets. It was developed to ensure that ETOs are able to undertake necessary investments in the transmission network, funding for which has not been provided in RIIO baseline allowances.

1.4. An ETO can submit a request for additional funding via the MSIP re-opener during specific “windows” (each regulatory year between 25 January and 31 January) where it considers a project to be atypical in scope and where the forecast costs are expected to be outside the range for typical projects provided through the Connections Volume Driver mechanisms. Projects that meet these criteria will be eligible for consideration and scrutiny by Ofgem to establish the level of efficient costs to be remunerated.

1.5. In the MSIP re-opener submission in January 2022, SHET provided Ofgem with evidence of the needs case and optioneering for three MSIP projects (further details are in Chapters 2 – 4). SHET considered that these projects meet criterion SpC 3.14.6(a):

“a Generation Connection project, including all infrastructure related to that project, the forecast costs of which are at least £11.84m more or less than the level that could be provided for under SpC3.11 (Generation Connections volume driver)”.

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1.6. In line with paragraph 3.4 of the RIIO-T2 Re-opener Guidance and Application Requirements Document,<sup>4</sup> SHET presented a case for dividing its MSIP applications into two stages and provided justification for not providing all the required information on cost details now.

## **Two-stage MSIP submission process**

1.7. The ETOs have a duty to provide connections to users and to develop and maintain an efficient, co-ordinated and economical system of electricity transmission. Therefore, it is for an ETO to decide when is the right time to initiate a new project that may be needed during the RIIO-T2 price control period.

1.8. Electricity transmission projects sometimes contain works that are dependent on factors outside the direct control of the ETOs, including the impact of customer-driven requirements. These projects could involve issues where project timescales do not necessarily align with the submission windows for MSIP submissions set out in the licence. These factors, including a lack of firm information, could have a disproportionate impact on the development of projects and adversely impact work deemed necessary to deliver a connection in a timely manner. For example, delays to projects which are designed to progress connection of low carbon generation and contribute towards meeting Net Zero targets may lead to additional costs for GB consumers.

1.9. To mitigate these risks, the MSIP framework<sup>5</sup> allows ETOs to seek a provisional decision on the investment need and preferred design solution from us once there is certainty about the drivers for the work, the optioneering of the chosen design and the proposed timing of delivery for qualifying projects. The arrangements enable us to apply proportionate scrutiny, on a case-by-case basis, to our assessment of works proposed by the ETOs. This helps to manage uncertainty and helps ensure the timely and efficient progress of preparatory works. We consider it is in the interests of existing and future consumers to ensure that the scope of MSIP projects, which reflect the specific

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<sup>4</sup> RIIO-2 Re-opener Guidance and Application Requirements Document: <https://www.ofgem.gov.uk/sites/default/files/2022-02/Re-opener%20Guidance%20And%20Application%20Requirements%20Document%20Version%202.pdf>

<sup>5</sup> F Paragraph 3.4 of the RIIO-2 Re-opener Guidance and Application Requirements Document enables licensees to, where justified, not progress a reopener application without all the information required by the guidance document ([RIIO-2 Re-opener Guidance and Application Requirements | Ofgem](#)). Further details can be found in the MSIP licence condition, ET SpC 3.14, in Final Determinations ([RIIO-2 Final Determinations - Core Document \(REVISED\) \(ofgem.gov.uk\), para 8.22](#)), and MSIP re-opener See Chapter 4 of Final Determinations Annex ([RIIO-2 Final Determinations Electricity Transmission System Annex \(REVISED\) \(ofgem.gov.uk\)](#))



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circumstances of each case, are justified and can be progressed at the most appropriate time.

1.10. SHET initially submitted costs for the DLR projects as part of the relevant applications. However, it subsequently decided to split the submissions into two stages, seeking for approval of costs at the second stage. SHET intends to make a final submission, currently expected in January 2023, requesting that outputs, delivery date and allowances for each of the three projects are added to Appendix 1 to SpC 3.14 of its licence.

1.11. In the first stage submission, SHET submitted three applications and provided Ofgem with information to justify its proposed option for meeting the needs case and the optioneering for each of the proposed projects.

## **Structure of this document**

1.12. This document sets out our decision (provisional in some cases) regarding SHET's first stage submission during the re-opener window between 25 January and 31 January 2022. The remaining of this document is structured as following:

- Chapter 2 (Gremista GSP), chapter 3 (Skye DLR) and chapter 4 (Beaully DLR): these chapters summarise the background to each submission, a summary of our consultation position, the consultation responses, and our decision (provisional, where relevant) and rationale. Provisional decisions are subject to our assessment of costs, when submitted.
- Chapter 5: next steps.

## **Your feedback**

1.13. We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this decision document. We'd also like to get your answers to these questions:

1. Do you have any comments about the overall quality of this document?
2. Do you have any comments about its tone and content?
3. Was it easy to read and understand? Or could it have been better written?
4. Are its conclusions balanced?
5. Did it make reasoned recommendations?

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6. Any further comments?

Please send any general feedback comments to [Graeme.Barton@ofgem.gov.uk](mailto:Graeme.Barton@ofgem.gov.uk).

## 2. Needs case and proposed works for the Gremista GSP project

This section summarises responses to the consultation on SHET’s submission to carry out infrastructure work to enable the Gremista GSP. It also sets out our minded-to views on those responses and our provisional decision.

### Background

2.1. As Shetland is currently not connected to the mainland transmission system, it is served by an isolated distribution network, which uses a diesel-generated power station at Lerwick and a small wind generation station as main generation sources. With the Lerwick Power Station (LPS) nearing the end of its operational life in 2035, security of supply for Shetland must be ensured via alternative means. Scottish Hydro Electric Power Distribution (SHEPD), the Distribution Network Operator (DNO) that runs the low voltage system on Shetland, believes the most economically efficient solution for doing so is to deliver enduring security of supply by utilising the Shetland high voltage direct current (HVDC) Link. Ofgem approved SHEPD’s proposal to contribute financially towards the costs of new electricity transmission links to Shetland, Western Isles and Orkney in 2019.<sup>6</sup> A Transmission Owner Construction Agreement (TOCA)<sup>7</sup> is in place between SHET and the NGENSO<sup>8</sup> to provide a demand connection to SHEPD at Gremista GSP, close to the main demand centre around Lerwick, in November 2024. Additionally, there is also a need to introduce energy diversification on Shetland and decarbonise the demand network, as the operation of LPS relies on the burning of diesel fuel. An alternative solution to meet local demand should help towards achieving Net Zero goals.

2.2. In its January 2022 re-opener submission, SHET provided engineering reports and other documentation in support of the needs case and preferred option for the Gremista GSP project. It also provided additional information through a combination of meetings with Ofgem and responses to supplementary questions (SQs).

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<sup>6</sup> [Decision on Scottish Hydro Electric Power Distribution’s proposals to contribute towards proposed electricity transmission links to Shetland, Western Isles and Orkney | Ofgem](#)

<sup>7</sup> An agreement setting out the required works, key milestones and costs associated with any direct transmission connections. This agreement sits beside the Bilateral Connection Agreement throughout the construction period of a project and falls away on connection.

<sup>8</sup> The party with the responsibility for the minute-to-minute operation of the system and transmission network, ensuring it is balanced and stable.

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2.3. On 25 April 2022, we published our minded-to view to accept the needs case for the Gremista GSP project, as we consider there is a need to find a suitable alternative to LPS for meeting local demand on Shetland. We were also minded to accept the preferred option presented by SHET for addressing this need. Our minded-to position was that the establishment of a GSP in Gremista is the most appropriate option for addressing the needs case, as it would avoid the need for significant additional investment to maintain the existing LPS by procuring a new enduring solution.

2.4. We note that a final submission from SHET is currently expected to be made in January 2023. The submission should contain details of the associated amendments to the outputs, delivery date and allowances to be detailed as a Price Control Deliverable (PCD) in Appendix 1 to SpC 3.14 of its licence. This submission should also contain details and an explanation of any changes to the information provided as part of the stage one submission.

## **Consultation responses**

2.5. We received seven responses to the consultation: from National Grid Electricity System Operator (NGESO), three end user customers, Sustainable Shetland, Save Shetland and SHET. Two respondents (NGESO and SHET) supported our initial view of the needs case and that the establishment of a GSP in Gremista is the most appropriate option to address it.

2.6. Three respondents (Sustainable Shetland, Save Shetland and an end user customer) did not agree with our initial assessment of the needs case. These three respondents noted that a new engine has been installed at LPS, extending its lifetime until 2035. They also disagree that the Gremista GSP will provide any security of supply to Shetland as, in their view, subsea cables have questionable reliability and interruptions take a long time to repair. These respondents also expressed concerns over impact on visual amenities, as the GSP at Gremista is very near to people's homes and businesses.

2.7. One respondent expressed wider concerns regarding Ofgem's role and activities within the energy market but did not comment specifically on the details of the Gremista GSP project. That consumer indicated concerns regarding Ofgem's authority regarding the project in Shetland.

## Our views

2.8. Regarding concerns about the impacts of the Gremista GSP on visual amenities, Ofgem does not have a role in the design of projects, including how they should be built or what routes they should take. As the economic regulator of the energy industry, our principal objective is to protect the interests of existing and future consumers in carrying out our functions. The design of a project is the responsibility of the ETOs, in accordance with the obligations placed on them by planning legislation and the relevant planning authorities and in accordance with their wider duties. ETOs must obtain any necessary planning consents from the relevant planning authorities for all developments on the transmission network. Additionally, ETOs will also need to obtain any necessary consents and agreements from relevant landowners to construct transmission infrastructure.

2.9. In response to the issues raised in paragraph 2.6, we note that a new engine and battery were installed to extend the life of the LPS, giving SHEPD the ability to meet security of supply on the island until 2025, by which time it may be connected to a transmission link.<sup>9</sup> In 2019, SHEPD made a proposal to contribute to SHET’s proposed Shetland transmission project,<sup>10</sup> should it be approved by Ofgem, and utilise it to provide security of supply to Shetland. SHEPD’s proposal involved the connection of Shetland’s distribution and transmission networks to enable the primary energy route to be provided by the transmission system, with SHEPD securing generation back-up. This was approved by Ofgem on 30 July 2020.<sup>11</sup> SHEPD has undertaken analysis to identify the most economic standby solution post-commissioning of the Shetland transmission link, and concluded that this was the continued operation of LPS until 2035.<sup>12</sup> SHEPD set out in its RIIO-ED2 business plan that LPS will continue to be run until 2025 and will then transition to standby status.<sup>13</sup>

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<sup>9</sup> The decision to install a new engine and battery was part of the Shetland New Energy Solution decision, [Decision on Shetland New Energy Solution | Ofgem \(30 November 2017\)](#)

<sup>10</sup> Information on this project and our decision to approve the final needs case for it can be found here: [Shetland transmission project: Decision on Final Needs Case \(ofgem.gov.uk\)](#)

<sup>11</sup> [Update on decision to approve SHEPD's proposed methodology to contribute to the Shetland transmission project | Ofgem](#)

<sup>12</sup> More information can be found in [SSEN Distribution RIIO-ED2, Scottish Islands Strategy, RIIO-ED2 Business Plan Annex 8.1 | SSEN](#)

<sup>13</sup> More information on the Shetland Standby Project can be found in the [RIIO-ED2 Engineering Justification Paper \(EJP\), Shetland Standby Project | SSENT](#)

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2.10. Additionally, LPS is expected to exceed emissions standards set by the Industrial Emissions Directive (IED)<sup>14</sup> by 2030. There is therefore a need to introduce energy diversification on Shetland and decarbonise the demand network, as the operation of LPS relies on the burning of diesel fuel. An alternative solution to meet local demand should help towards achieving Net Zero goals.

2.11. In response to the concerns regarding the reliability of subsea cables, we do not think that the reliability problems encountered by some other subsea cables, such as the Western Link, should lead to the rejection of the preferred option in this instance. There are other subsea cables which operate reliable links between mainland Great Britain and isles. Additionally, Ofgem consulted on the Shetland HVDC link in October 2021. This project was approved by Ofgem on 30 November 2021. More information can be found in the Decision.<sup>15</sup>

## **Provisional Decision**

2.12. Following consideration of the consultation responses, we have provisionally decided to approve the needs case and the preferred solution consulted on, i.e., the establishment of a GSP in Gremista, subject to our assessment of the efficient costs thereof. This is because we agree that there is a need to provide security of supply on Shetland, and that the Gremista GSP is the most appropriate solution for doing so.

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<sup>14</sup> Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions (integrated pollution prevention and control)

<sup>15</sup> [Decision on our Shetland HVDC Link Project Assessment | Ofgem](#)

### 3. Needs case and proposed works for the Skye DLR project

This section summarises responses to the consultation on SHET’s submission for the installation of a DLR system on the 132kV Skye circuit between Edinbane and Broadford. It also sets out our minded-to views on those responses and our decision.

#### Background

3.1. This project aims to develop and install a DLR system on the 132kV Skye circuit between Edinbane and Broadford.<sup>16</sup> SHET states that the proposed work is to mitigate network constraints ahead of planned reinforcement and provide technical and operational learnings for future DLR projects. SHET submitted a similar proposal for DLR installation on two sections of 275kV circuit in the north of Beaully (see Section 2 of this document).<sup>17</sup>

3.2. In the re-opener submission, SHET stated that without the key learning experience gained through the execution of the Skye DLR project, the benefits of the north of Beaully DLR project are put at risk through implementation delays and availability of the system to the Electricity System Operator (ESO).<sup>18</sup> SHET provided engineering reports and other documentation in support of its submission in January 2022. It also provided additional information through a combination of meetings with Ofgem and responses to our SQs.

3.3. In SHET’s submission, the opportunity to gain deployment experience on a circuit with active constraints was presented as the primary need for this project. SHET stated that lessons learned by undertaking this project can be applied to future deployments, specifically to the Beaully DLR project.

3.4. In the consultation on the Skye DLR project published on 27 June 2022, we recognised the potential that DLR systems have in offering benefits to consumers by mitigating constraint costs across the GB electricity transmission system. However, given

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<sup>16</sup> DLR systems measure high-voltage transmission line capacity in real time, as opposed to relying on more conservative static measurement, with a view to reducing line congestion.

<sup>17</sup> The Beaully DLR project seeks to mitigate constraints on two sections of 275kV circuit from Beaully to Loch Buidhe to Dounreay. Further information can be found in the ‘Consultation on Scottish Hydro Electric Transmission’s MSIP Re-opener (Beaully Dynamic Line Rating Project)’ publication.

More information can be found in [Beaully DLR MSIP re-opener application document](#)

<sup>18</sup> The ESO is the party with the responsibility for the minute-to-minute operation of the system and transmission network, ensuring it is balanced and stable.

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the costs associated with the project, we considered it necessary that lessons learned through the Skye DLR project be clearly and feasibly linked to future projects. We did not consider that the tangible benefits of the deployment experience were detailed sufficiently in SHET's MSIP application to justify the proposed costs of the Skye DLR project.

3.5. Our minded-to view was to reject the needs case for the Skye DLR project. We considered that the costs and benefits of this project have not been clearly demonstrated and we were therefore minded to reject the application to fund its delivery.

## **Consultation responses**

3.6. We received two responses to the consultation, from SHET and NGENSO.

3.7. NGENSO agreed with our minded-to view to reject the needs case of the DLR system on the Skye circuit. Based on a report sent to SHET from the cost-benefit analysis (CBA) conducted by the NGENSO in 2020, the NGENSO's recommendation was to not proceed with DLR system installation. The input data for NGENSO's CBA was based on the Future Energy Scenarios (FES)<sup>19</sup> 2019 generation and, according to the report, the power flows were expected to exceed the capability of the circuits frequently or by sufficient volume to recommend this scheme be built. The NGENSO does not believe that the Skye DLR project will provide value to the end consumer and therefore does not support this proposal.

3.8. SHET disagreed with our minded-to view to reject the needs case for the DLR system on the Skye circuit. It disagreed with our concerns regarding the close commissioning timeframes for the Skye and Beaulieu DLR projects and whether there would be sufficient time for learnings to be transferred between the two. In SHET's view, while the Beaulieu DLR system will be commissioned in 2023, it will not be fully operational until the expected constraints on the north of Beaulieu circuit occur in 2024. Therefore, despite the 37-day difference between commissioning dates, there would be an additional 12-month period in which lessons from the constrained Skye circuit can be transferred to the Beaulieu DLR system before generators are exposed to constraints in 2024.

3.9. SHET also considers that the DLR system on the Skye circuit is a lower risk installation, while Beaulieu is a more complex circuit with more customer demand. It argues

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<sup>19</sup> FES sets out credible ways that the UK can achieve Net Zero by 2050, as well as the UK Government's commitment to a decarbonised electricity system by 2035.



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that applying DLR to the relatively more straightforward Skye circuit first would mitigate risk for the customers on the Beaulieu circuit. SHET also notes that differences between the characteristics of the Skye 132kV circuit and the north of Beaulieu 275kV circuit represent an opportunity to gain insight into challenges across different types of circuit on our network, as these differences mean that specific lessons can be learned on Skye that cannot be obtained through the Beaulieu DLR system.

## **Our views**

3.10. In response to the issues raised in paragraphs 3.7 and 3.8, we note that there is a period within which lessons from Skye could be transferred to the Beaulieu DLR system before generators are exposed to constraints in 2024. However, we do not consider that these lessons learned from the Skye circuit will provide sufficient benefit to end user customers to justify the needs case. Issues arising from the Beaulieu DLR will not materially impact customers as this will not cause any disruptions (i.e. outages) on the Beaulieu circuit. We therefore consider that the risk mitigation from the Skye DLR lessons learned on customers connected to the Beaulieu circuit is not sufficient to justify the needs case.

3.11. Additionally, DLR technologies are considered "mature" within the wider industry across Europe. Although this technology is new to SHET, insights into challenges across different types of circuits and topologies have already been established.

## **Decision**

3.12. Following consideration of the consultation responses, we have decided to reject the needs case for this project on the basis that the DLR installation does not provide sufficient benefits to end consumers. We do not consider that the potential lessons learned from the Skye DLR project, which SHET considers will benefit the Beaulieu DLR project, are sufficient justification for funding its delivery.

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## 4. Needs case and proposed works for the Beauly DLR project

This section summarises responses to the consultation on SHET’s submission for the installation of a DLR system on the 275kV north of Beauly circuit from Beauly to Loch Buidhe and from Loch Buidhe to Dounreay. It also sets out our minded-to views on those responses and our provisional decision.

### Background

4.1. This project aims to develop and install DLR systems on the 275kV north of Beauly circuit from Beauly to Loch Buidhe and from Loch Buidhe to Dounreay. SHET states that the proposed work is to mitigate network constraints ahead of planned reinforcement and to provide technical and operational learnings for future DLR projects.

4.2. In its re-opener submission in January 2022, SHET provided engineering reports and other documentation, and also a CBA, which aimed to calculate the regrets associated with each of the minimum build solutions. The counterfactual option for the CBA was ‘do nothing’, i.e. not install the DLR system or not do the re-profiling<sup>20</sup> - these would mean that no capital would be outlaid.

4.3. Our minded-to view was to accept the needs case for the Beauly DLR project. Of the solutions considered by SHET, we were minded to agree with SHET that the installation of DLR technology on the Beauly to Loch Buidhe to Dounreay in combination with static line rating increase for the Beauly to Loch Buidhe section of the circuit is the optimal solution as it enables SHET to mitigate constraints with the least-worst regret.

4.4. We note that a final submission is currently expected to be made in January 2023. The submission should contain details of the associated amendments to the outputs, delivery dates and allowances to be detailed as a Price Control Deliverable (PCD) in Appendix 1 to SpC 3.14 of SHET’s licence. This submission should also contain details and

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<sup>20</sup> Re-profiling describes work where the clearance height between conductor and ground is adjusted to ensure that safe clearance can be maintained. This can involve the changing of tower fittings, removal of vegetation or alterations to the tension of the conductor.

**Decision** – Decision on the assessment of projects proposed by SHET under their MSIP re-opener

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an explanation of any changes to the information provided as part of the stage one submission.

## **Consultation responses**

4.5. We received two responses to the consultation, from SHET and NGESO. Both respondents supported our view of the needs case and that the installation of DLR technology on the Beaully to Loch Buidhe to Dounreay in combination with static line rating increase for the Beaully to Loch Buidhe section of the circuit is the optimal solution.

## **Our views**

4.6. We note both respondents agreed with our minded-to position.

## **Provisional Decision**

4.7. Noting the agreement of the responses with our minded-to view, we have provisionally decided to approve the needs case and the preferred solution that was consulted on, i.e. the installation of DLR technology on the Beaully to Loch Buidhe to Dounreay in combination with static line rating increase for the Beaully to Loch Buidhe section of the circuit, subject to our assessment of the efficient costs thereof. We consider that the need for this project has been established and that of the solutions considered, the preferred solution best meets this need.

**Decision** – Decision on the assessment of projects proposed by SHET under their MSIP re-opener

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## **5. Next steps**

5.1. If SHET intends to progress the Gremista GSP and Beaully DLR re-opener applications, then it will need to make a final submission to Ofgem which sets out the outputs, delivery dates and associated allowances (i.e. costs) for each project.

5.2. Our approach to assessing the efficiency of network company costs relies on a combination of a bespoke review and comparison across the companies, if appropriate to the nature of the cost. We will also consider changes in the connection scope or capital expenditure programme for each project where this may have an impact on the needs cases and optioneering.

5.3. Further work will be necessary to set outputs, delivery dates and the profile of the project allowances for the PCD for each project and to undertake a statutory consultation to make the relevant changes to the licence, should we make a final decision to approve either of them.