

Grampian House
200 Dunkeld Road
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PH1 3AQ

James Santos-Mansur
10 South Colonnade
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21 October 2022

Dear James,

Consultation on Argyll and Kintyre project – Initial Needs Case (INC)

We are pleased to enclose a response from SSEN Transmission¹ to Ofgem's consultation on the Argyll and Kintyre project's INC.

We welcome and agree with Ofgem's initial assessment of the need, and that our preferred option represents the optimal solution for this region. In responding to the consultation, we have enclosed responses to the questions within Appendix 1 and would highlight the following key points.

Final Needs Case (FNC) timing

We welcome Ofgem's flexibility in considering the potential consumer benefit to accepting an early FNC submission date. We are currently contracted to deliver the majority of the required reinforcements for April 2027 - in order to meet the required energisation dates, we will need to commence enabling works by Q3 2023, which we would look to do upon confirmation of FNC approval. Following on from Ofgem's indicated LOTI review timelines², we will need to make our FNC submission in early Q1 2023 in order to secure approval for Q3 2023. If we were to delay our FNC submission until we expect planning consents to be secured, we would be unable to meet our current contracted connection dates.

Project Developments

Overall, the project has seen little change since our INC submission in March 2022:

- The key drivers of the 'need' for the project remain the same, there is currently 108MW of capacity available on the network with 670MW of generation contracted to connect by 2027. The generation projects identified in the INC have continued to progress towards their connections with some movement in dates noted.
- The anticipated costs of the project have increased, with a cost estimate of c.£430m up from the previous c.£350m (18/19 prices). This increase will be detailed in our FNC submission and does not change the outcome of the project Cost Benefit Analysis (CBA).

¹ References to SSEN Transmission encompass the licenced entity Scottish Hydro Electric Transmission Plc Registered in Scotland No. SC213461.

² [Large Onshore Transmission Investments \(LOTI\) Re-opener Guidance](#) Figure 1

Scottish and Southern Electricity Networks is a trading name of: Scottish and Southern Energy Power Distribution Limited Registered in Scotland No. SC213459; Scottish Hydro Electric Transmission plc Registered in Scotland No. SC213461; Scottish Hydro Electric Power Distribution plc Registered in Scotland No. SC213460; (all having their Registered Offices at Inveralmond House 200 Dunkeld Road Perth PH1 3AQ); and Southern Electric Power Distribution plc Registered in England & Wales No. 04094290 having their Registered Office at No.1 Forbury Place, 43 Forbury Road, Reading, RG1 3JH which are members of the SSE Group www.ssen.co.uk

- The technical design of the project remains broadly consistent with that proposed at INC, however as the project matures and detailed design work is undertaken, we will give updates on this at both the FNC and Project Assessment stages.
- We were informed by Argyll and Bute Council Planning Protective Services and Licensing on 30/09/2022 that the proposed 275kV Overhead Line (OHL) works from a proposed substation at Creag Dhubh to the existing Scottish Power Energy Networks (SPEN) 275 kV OHL that runs from Dalmally to Inverarnan (collectively referred to as DDNC in our INC submission) has had its Section 37 planning request objected to. We are currently considering the next steps and the impacts on the timeline for the Argyll 275kV strategy, but we remain of the position that this should not delay the FNC assessment in order to ensure the efficient progress of all elements of the Argyll and Kintyre project.

Large Project Delivery (LPD) Mechanisms

We note that Ofgem set out its intention to consider re-profiling allowances in the case of late delivery, using a milestone-based approach to funding projects and to consider setting a Project Delay Charge (PDC) for each day a project is delivered late. We do not believe that there has been sufficient evidence presented by Ofgem to determine whether these mechanisms are appropriate for application to this project. We welcome further discussion with Ofgem on the application of LPD mechanisms.

We trust that our comments and proposals in this document are clear but please do not hesitate to contact us if you have any questions or comments about our feedback.

Yours sincerely,

Craig Molyneux

Senior Regulation Analyst

SSEN Transmission

Appendix 1 – Responses to Ofgem Questions on Argyll and Kintyre INC

Question 1: Do you agree with the need for investment on the transmission network?

Yes, we agree with the need for investment. There is currently 607MW of generation contracted to connect with only 108MW of network capacity available, therefore additional network investment is required in order to connect the contracted generators.

Question 2: Do you agree with our initial conclusions on the technical options considered?

Yes, we agree with Ofgem's initial inclusions on the technical options considered. The preferred Option 05 is the most cost-effective means of delivering the required network capacity.

Question 3: Do you agree with our initial conclusions on the cost benefit analysis and the appropriateness of the option taken forward?

We welcome Ofgem's conclusion that Option 05 delivers the optimal solution.

Question 4: Do you agree with our minded-to view to retain the Argyll project within the LOTI arrangements under RIIO-2?

We support Ofgem's minded-to view to retain the Argyll project within the LOTI arrangements under RIIO-2. Implementation of any competition mechanisms would delay the project meaning we would be unable to meet our contracted connection dates.