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6 September 2022

Dear RIIO Electricity Transmission team,

Accelerating onshore electricity transmission investment

Lewis Wind Power (“LWP”) is a joint venture between EDF Energy Renewables and Wood Group. LWP owns the ~200 MW Stornoway Wind Farm, a large consented pre-construction Remote Island Wind project on the Isle of Lewis in the Western Isles of Scotland. Stornoway wind farm has recently been awarded a Contract for Difference. The Western Isles have some of the best wind resource in Europe and the Stornoway project is forecast to generate approximately 820 GWh / year of renewable electricity. LWP have been developing Remote Island Wind in the Western Isles since 2001 and have thus far spent over £15m developing the project.

Due to a relatively small local demand for electricity, the realisation of more than 389 MW of wind power projects on Lewis is wholly reliant on there being a secure and appropriately sized grid connection to the mainland electricity transmission network. SSEN Transmission have already developed deliverable proposals for a High Voltage Direct Current Western Isles transmission link from Arnish, on Lewis, to Beaulieu, on the GB mainland. This link and associated onshore transmission upgrades are key enablers for wind farm projects on Lewis which will support early delivery of the Government’s renewable energy ambitions and unlock the major socioeconomic benefits available to the island. It will also help the local distribution network to accommodate increased electrical demand and renewable generation, and take the place of the existing 33kV subsea cable to Skye as the northern Western Isles’ primary connection to the mainland.

On the same date as learning that Stornoway wind farm had been successful in obtaining a CfD, LWP was informed that the contracted 600 MW Western Isles transmission link is planned to be replaced by a 1.8 GW link following the same cable route and using the same substation locations, to support the Scotwind N4 offshore wind project identified in the Holistic Network Design. This will form part of the Pathway to 2030 programme, and hence delay Stornoway wind farm’s contracted 2027 connection date.

Delays in constructing Stornoway wind farm, introducing the need to update planning consents, land agreements and other contractual arrangements, will have a material effect on its viability and constructability.

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LWP therefore welcomes the opportunity to respond to Ofgem's consultation on Accelerating Onshore Electricity Transmission Investment, because it is directly affected by Ofgem's decision on the subject. The key points we wish to highlight are set out below.

Projects identified

- Ofgem has identified the Holistic Network Design and the NOA Refresh as its central source of information for identifying strategic onshore electricity transmission projects. LWP agrees that this generally appears to be a robust strategy.
- LWP believes that the proposed 1.8 GW Western Isles HVDC link between Arnish and Beaulieu should also be included in Ofgem's list of strategic onshore electricity transmission projects. Ofgem has not included this link in its assessment so far. Ofgem has acknowledged that this was an omission in the NGESO NOA Refresh. The Western Isles link is identified as an essential project within the Holistic Network Design and forms part of the network needed to facilitate the connection of Scotwind SW_N4, one of the 23 GW of in-scope offshore wind projects. SW_N3 is anticipated to be identified in the updated HND as also suitable for connection to Arnish.
- There is substantial renewable capacity ready to be deployed on the Isle of Lewis which was all contracted and planned to connect to the grid by 2027. Once in operation, this will contribute markedly towards the UK's Net Zero targets.

Criteria for identifying projects in scope for the application of the proposed accelerated delivery framework

- LWP notes that the proposed criteria for refining the list of transmission projects in scope is that each selected project:
 - Meets the criteria set out in the licence for submission under the RIIO-2 LOTI re-opener process – in this context, this is understood to require investment of more than £100m and in whole or in part, be related to a shared-use or sole-use generator connection project;
 - Needs to be operational by 2030 to meet the Government's ambition to connect 50 GW of offshore wind generation;
 - Is supported by clear evidence that the expected benefits of applying the accelerated delivery framework to the project exceeds the expected consumer detriment.
- LWP accepts the need to accelerate and expand offshore wind generation, and agrees that these criteria appear reasonable.
- LWP would argue that the process should also consider minimising the negative impact on onshore projects impacted by these decisions, such as Stornoway wind farm.
- LWP would further propose that the criteria include an additional requirement that the refinement and prioritisation process takes account of the overall impact on forecast values of kgCO₂/MWh in the period up to and beyond 2030, and ensures that timely delivery of onshore low-carbon projects before 2030 to reduce overall CO₂ emissions is not jeopardised.

Considering the Western Isles link for acceleration and exclusion from competition in this review will meet all the criteria suggested above.

Competition

- LWP agrees that it may be in the consumer interest to consider exempting some projects from competition to avoid delays to infrastructure delivery, to meet the Government's 2030 ambitions and to bring online low-cost renewable generation.
- We expect the benefits of accelerating delivery of low-cost onshore and offshore wind to outweigh consumer detriment from lack of competition, particularly in the case of the Arnish-Beauly link, which has already undergone Ofgem scrutiny.
- We would encourage Ofgem to maintain close and timely cost scrutiny on those transmission projects exempted from competitive procurement processes, making the most of recent experience gained with OFTOs and HVDC links.
- In relation to the two options identified for exempting projects from competition, LWP understands that six projects identified in Table 6 may not be excluded from competition because they may not be deliverable or delivered by 2030. LWP does not have a view on the appropriateness of exempting these six projects from competition.
- By the end of 2022, we anticipate that Ofgem will have received clear evidence from the TOs on the benefits of exempting relevant projects from competition, and will be able to demonstrate a clear positive benefit to consumers from exempting selected projects from consideration for competition, including the Arnish-Beauly link.

Supply chain mobilisation and deliverability

- Based on regular discussions with SSEN Transmission regarding the Arnish-Beauly link, LWP understands that supply chain engagement is already challenging, and is likely to become more difficult without upfront certainty about transmission project progression, as global competition for supply chain resources grows. Providing this certainty about planned transmission project investments will help prompt delivery of these projects.
- Accelerating and prioritising the Western Isles link, which has the benefit of a significant amount of prior development work and is likely to be able to be mobilised quickly, will make effective use of transmission owner delivery resource, which will otherwise be waiting for initial project development work to be completed on new HND projects. Early commencement of key projects which can achieve delivery before 2030 will help to smooth demand on all industry resources, including the supply chain.

Streamlining regulatory processes

- Streamlining the regulatory approval process and reducing the time it currently takes under the LOTI framework is needed in order to accelerate delivery of strategic projects in order to meet the Government's 2030 ambitions.

- LWP welcomes Ofgem's analysis which suggests that the potential consumer detriment is likely to be outweighed by the potential benefits. LWP would agree that it is in near-term and long-term consumer interests to consider streamlining regulatory processes.
- The advanced state of development of the Western Isles link means it is in a strong position to qualify for, and benefit from, streamlined regulatory processes.
- We agree that the TOs have significant influence on whether transmission projects are delivered on time and that they are not currently exposed to the financial consequences of delays. LWP agrees that the responsible TO should be incentivised to achieve timely delivery of vital infrastructure, and should carry appropriate risk for works for which it is responsible.

Wider issues

- LWP would welcome clarification on how Ofgem assesses the wider impacts of accelerating some but not all onshore electricity transmission investment projects in order to meet the Government's 2030 offshore ambitions. In particular, we are concerned that the current emphasis on the delivery of future offshore wind in the review of future transmission requirements will have the effect of prioritising connections for this technology ahead of those for onshore renewable generation projects (including solar, onshore wind and storage technologies). Many onshore generation projects are already subject to significant delays for grid connections.

LWP encourages Ofgem to take steps to ensure that there is adequate network capacity to enable timely connections for all low carbon technologies, onshore and offshore.

In the context of the Western Isles link, LWP would also encourage Ofgem to take into account the other stakeholders who are suffering from long term network constraints, and who will benefit from prompt delivery of the link – this includes a pipeline of smaller renewable generation projects, island development and de-carbonisation projects, and SSEN itself.

LWP would welcome the opportunity to participate in any related future industry working groups.

Should you wish to discuss any of the issues raised in our response or have any queries, please contact me via email or on 07741 682 457.

Yours sincerely,



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