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09/06/2023

Dear James,

### **Isle of Skye Project: Final Needs Case Consultation Response**

Muirhall Energy Limited (Muirhall) is an independent developer of renewable energy projects based in rural South Lanarkshire. We have developed an industry-leading successful planning consent rate of >95% and organically have developed a pipeline of 2.2 GW of renewable energy projects and 1 GW of Battery Energy Storage Systems. We are proud of our award-winning “community first” engagement approach, our innovative approaches to technical issues and our commitment to the development of our team.

The north of Scotland has significant renewable resources, and boasts some of Europe’s greatest wind resources, both on and offshore. Indeed, renewable energy is already providing the equivalent of 98.6% of Scotland’s electricity consumption, supporting the ambitious emissions reduction targets of Scotland, and the UK.

Muirhall has worked with Scottish Renewables and Scottish and Southern Electricity Networks in forming wider industry responses to this consultation however, we welcome the opportunity to provide our own additional views on the Final Needs Case for the Isle of Skye project. Muirhall supports the Fort Augustus-Skye reinforcement project proposed by SSEN Transmission, to replace and increase the capacity of the existing overhead electricity transmission line that runs from Fort Augustus to Ardmore in the north of Skye.

In addition to the responses to individual questions found in **Appendix 1**, we would like to highlight the below pertinent points:

- Both the Scottish Government, and UK Government have established ambitious emissions reductions targets, however, to fully realise those ambitions, the renewable energy industry needs a strong focus on delivery from government and regulators to unlock the low-carbon energy system of the future. The upgrade to the transmission line would allow the successful delivery of additional renewable energy to the north of Scotland.
- The existing transmission line has already exceeded its capacity limit and relies on standby diesel generation for demand security; thus, the upgrade will enable the connection of new renewable electricity to the transmission network. We consider this essential as we move

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towards an electrified energy system, and to meet the expectations of increased demand for clean electricity.

- The Fort Augustus-Skye overhead line was built in sections between 1956 and 1989 and, despite intensive maintenance over that period, has an increasing risk of failure.
- The replacement overhead line needs to support a net-zero UK, improve network reliability and security of supply, while anticipating future renewable energy generation. **Muirhall agree with Ofgem's minded to decision to progress with Option 4a.**

Muirhall would be keen to engage further with this agenda and would be happy to discuss our response in more detail.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Amy Keast', with a long horizontal stroke extending to the right.

Amy Keast

Communications Manager

## Appendix 1: Ofgem Skye Project Final Needs Case Consultation Response to Questions

### ***Q1: Do you agree with the need for investment on the transmission network?***

Muirhall Energy agree with the need for investment in the Skye Transmission Network. SSENT detailed three key drivers for the Skye project:

1. Asset condition (non-load related driver)
2. Need for additional capacity to allow new generation to connect (load related driver)
3. Security of supply to maintain normal electrical supply to the residents of Skye and the Western Isles.

Muirhall agrees with the identification of these as key drivers for the Skye reinforcement project. As recently as March 2021, up to 16,000 homes on Skye were left without power after high winds damaged sections of the existing line. Several schools were closed, and businesses were disrupted. In addition, mobile diesel generators were utilised last year to mitigate the number of customers impacted during fault events. The use of such generators not only adds to the carbon intensity of the transmission network, but conflicts directly with the net-zero ambitions of both the UK and Scottish Governments.

Having been built in the 1970s, the existing Skye 132kV overhead line has degraded and is nearing the end of its economic and operational lifespan. The local environment in that area of Scotland accelerates the rate of deterioration and parts of the overhead line are in a state of disrepair to the point that they represent a significant risk of danger to the public and overhead line engineers.

SSENT have identified fittings, earth-wires, tower steelwork, wood pole replacement, and the replacement of phase conductors whereby intervention is needed across most of the circuit and indeed, parts of the circuit have already had to be replaced. Therefore, we believe there should be absolutely no doubt on the urgent requirement for the reinforcement of the transmission network in the region.

Considering how crucial these reinforcements are for the region in terms of security of supply, safety for the public and SSENT, allowing the development of new renewable generation and the expected challenges facing a build which will stretch 160km across highly constrained terrain, Muirhall Energy believe that anticipatory and ambitious investment is essential to complete this reinforcement efficiently. Therefore, Ofgem's minded to decision which progresses with Option 4a futureproofs the network by building a robust and ambitious reinforcement.

Furthermore, Muirhall agrees with the results of the Cost Benefit Analysis undertaken by Ofgem also supports that Option 4a is the 'Least Worst Regret'. Inadequate network infrastructure, which would not meet the future needs of the grid network, will lead to inefficient cost for the required reinforcement and reduce the capability for renewable generation to export onto the network. With the opportunity for potential new renewable generation in the Skye area, it is essential that the Ofgem and SSENT deliver a solution which aligns with the UK Government's net-zero ambitions.

Ensuring the reinforcement project appropriately considers future generation capacity will unlock significant positive socioeconomic opportunities for local communities. For example, our own development plans are estimated to contribute over £30m Gross Value Added (GVA) within the Highland Council between construction and operation activities.

In addition, Muirhall is committed to an industry-leading community investment fund of £7k per MW, which could total over £2m per annum upon the operation of our Skye projects. Furthermore, Muirhall Energy will offer up to 10% community ownership of its Skye project and is currently assessing how best to improve internet connectivity for local communities.

Evidently, this investment and community gain can only be achieved alongside the development of a significant onshore wind farm. The Final Needs Case assessment should be cognisant of the overall economic benefit waiting to be enabled by a capacity boosting reinforcement project.

**Q2: Do you agree with our conclusions on the technical options considered?**

Muirhall Energy agrees with the conclusions on the technical options considered for the Skye Transmission Network.

Option 0 and 1b would not deliver a robust solution and will require further reinforcement. The security of supply is also diminished. Therefore, Option 0 and 1b should not be progressed.

Option 4a is the optimal technical and economic solution for Skye. It also delivers critical infrastructure works in an acceptable timeframe. It also has a greater chance of consent and therefore is the most deliverable solution.

Option 4a01 and 5a, would enable the introduction of further renewable generation and improve security of supply. However, it will require significantly more time to consent and build. Option 4a01 represents a greater risk due to the additional needs case being required for the Invergarry 400kV substation. While Option 5a requires 275kV cable or double circuit overhead line for most of the route, the increased cost to consumer increases the risk of funding potentially not being approved for the reinforcement and time being wasted delivering a solution that will not be progressed. The increased cost, timescale to deliver the reinforcement and risk to consent should remove these options from consideration.

**Q3: Do you agree with our conclusions on the CBA?**

Muirhall agrees with the conclusion in the cost benefit analysis that Option 4a is most suitable for the Skye Transmission Network, detailed in response to Q2.

**Q4: Do you agree with our minded-to proposal to retain the Skye project within the LOTI arrangements under RIIO-2?**

Muirhall fundamentally believe that there should be increased competition for Transmission Owners and Distribution Network Operators across all connection applications. Multiple parties should be competing to deliver the connection works at the lowest cost and on the earliest possible connection date.

CATO does not go far enough in terms of allowing competition for these types of work. However, it is preferred over the current monopoly process which has historically been used and preferred over the SPV Model and CPM. For the Skye Reinforcement Project, it is crucial that the works are completed at the earliest opportunity and therefore, CATO should not be pursued.

Given Ofgem's concerns relating to the timescale to deliver the project under any competition model, Muirhall agree with the minded to proposal to exclude CATO, SPV and CPM and progress through LOTI as part of the RII0-2 price control.

***Q5: Do you agree with our proposed approach to LPD for the Skye project?***

Muirhall agree with Ofgem's approach to LPD for the Skye Project.

Transmission Owners regularly delay connection dates, therefore Ofgem should confirm that the completion date is still October 2026. Following confirmation, a Project Delivery Charge (PDC) is required which is of sufficient value to act as a deterrent for SSENT to delay the completion of the project. The Skye Reinforcement project needs to be completed by 2027, the significance of the project is too great for SSENT to be afforded any further delays.