

James Santos-Mansur
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Canary Wharf
London
E14 4PU

15 September 2023

Dear James,

This response is prepared on behalf of SSEN Transmission¹, part of the SSE Group, responsible for the electricity transmission network in the north of Scotland.

We welcome the opportunity to respond to Ofgem's consultation on its Final Needs Case (FNC) assessment of the Argyll and Kintyre 275kV Reinforcement. Since the approval of the project's Initial Needs Case (INC), the overall need for the project has only strengthened, with significant increases in contracted generation background.

The existing network can accommodate an additional 108MW of additional contracted generation. The current contracted background is approximately 2,265MW, representing an increase of 1,595MW since the submission of the INC which was 670MW. The proposed 275kV reinforcements represent a no-regret investment that will supplement the recent Inveraray - Port Ann - Crossaig 275kV upgrade² and enable the connection of significant quantities of renewable electricity generation in the region.

We have enclosed responses to the questions within Appendix 1. We look forward to the continued engagement with Ofgem on the Argyll and Kintyre project as it progresses through the LOTI process. Should you wish to discuss any aspect of our response further then please do not hesitate to get in touch.

Yours sincerely

Craig Molyneux
Senior Regulation Analyst

¹ Following a minority stake sale which completed in November 2022, SSEN Transmission is now owned 75% by SSE plc and 25% by Ontario Teachers' Pension Plan Board. SSEN Transmission encompasses the licenced entity Scottish Hydro Electric Transmission Plc Registered in Scotland No. SC213461

² <https://www.ssen-transmission.co.uk/news/news-views/2023/6/new-port-ann-to-crossaig-overhead-line-energised/>

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

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

Yes, we agree with the need for investment. The existing network infrastructure will only accommodate another 108MW of additional contracted generation, whereas current contracted generation background is approximately 2,265MW.

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

Yes, we agree with Ofgem's initial conclusions on the technical options considered. The preferred Option 05 delivers the required additional network capacity at the lowest cost to consumers.

Question 3: Do you agree with our conclusions on the Cost Benefit Analysis (CBA)?

We welcome and agree with the conclusion from the CBA that Option 5 is the option of least-worst regret.

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.

Question 5: Do you agree with our proposed approach to LPD for the Argyll project?

We note that there is currently no formal policy position from Ofgem on how Project Delay Charges (PDCs) will be calibrated and applied within the LOTI framework. The SSEN Transmission Argyll project team understand from internal management information that discussions had been progressing between Ofgem, SSEN Transmission and NGET on the application of PDCs on the Eastern Green Link 2 (EGL2) project. However, these discussions did not conclude as EGL2 was moved into the ASTI framework and attention shifted to the calibration and application of the ASTI Output Delivery Incentive mechanism. We understand there were a number of outstanding points and queries which were not determined as part of those discussions.

Therefore, we agree it would be inappropriate for Ofgem to provide a view at this stage on how PDCs will apply to the Argyll LOTI project prior to proper consultation with stakeholders on its PDC policy.

We understand that PDCs are designed to avoid consumer detriment and compensate GB consumers where late delivery occurs. As Ofgem is aware, there will be no directly measurable detriment to consumers due to hypothetical late delivery of the Argyll project. This is because the project does not alleviate boundary constraint costs. We would therefore welcome further discussion with Ofgem on how and when PDCs would apply in cases in such instances.