

13<sup>th</sup> February 2025

Dear Sai Wing,

We hope this letter finds you well.

Who we are:

**Community Power Outer Hebrides (CPOH)** stands as a beacon of community-driven energy initiatives. As a consortium of 6 community generators operating wind turbines in the Outer Hebrides, we represent the UK's largest community energy sector, with a total of 23.5MW of community-owned renewable generation. The profits from these projects, amounting to around £3m each year, are reinvested locally, catalysing tangible and enduring changes in the economic, social, and environmental fabric of our communities.

**Community Energy Scotland (CES)** is Scotland's only national charity dedicated to supporting communities across Scotland in developing their own decarbonisation and renewable energy projects. In the Outer Hebrides, we have been working alongside communities and the Comhairle for over 15 years and have facilitated the CPOH consortium since its inception in 2015.

Our request:

This response is made on behalf of Community Power Outer Hebrides to address Ofgem's draft determinations on our Skye – South Uist project, submitted under the Hebrides and Orkney Whole System Re-opener in January and July 2024.

In SSEH's July 2024 application, it was requested to develop a replacement solution for the existing Ardmore (Skye) – Loch Carnan (South Uist) submarine cable. The recommended option includes:

- An overhead line (OHL) section from Dunvegan (Skye) to Loch Pooltiel (Skye)
- A submarine cable from Loch Pooltiel (Skye) to Loch Carnan
- An additional submarine cable "optimisation loop" from Ardmore to Loch Pooltiel

We welcome Ofgem's confirmation that there is a need for a replacement solution and that all viable options have been considered. We appreciate Ofgem's agreement that the construction of a new submarine cable from Loch Pooltiel to Loch Carnan is the correct solution. Additionally, we acknowledge Ofgem's recognition that the onshore works required to connect the subsea cable to

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Dunvegan GSP via onshore infrastructure could result in delays primarily caused by consenting issues.

Our understanding is that the optimisation loop is intended to mitigate potential delays on the OHL section and provide other projected long-term operational and resilience benefits.

For this reason, we believe that the subsea optimisation (mitigation) loop from Ardmore GSP to Loch Pooltiel is essential for the timely delivery of the Skye-Uist subsea cable replacement. We encourage Ofgem to reach a determination that enables this. We do not agree with Ofgem's conclusion that the SSEH recommended Ardmore - Pooltiel optimisation loop component is not the most optimal option.

The subsea cable being replaced is of a similar age to the Skye-Harris subsea cable, which failed in 2020. At that time and currently, the only option for providing electricity is through two old diesel generators, led to increased carbon emissions (CO2 emissions 240 tonnes per day), higher running costs (£1m per month in diesel), and severely limited the capacity for local wind farms (33MW) to generate power restricted to 50kW. Additionally, the inability to export electricity to the mainland resulted in significant economic losses for community generators £2.85m in income. This impacted the community benefits provided by these generators, which are social enterprises that reinvest their profits in their parent charities that work in community wealth-building projects, as fuel poverty, supporting to decrease one of the highest fuel poverty rates of Scotland. Although a small fraction of the losses was recovered through insurance, because of the financial losses incurred, there is now no insurance company willing to cover energy companies against loss of access to subsea cables on Scottish islands. Community Generators found themselves in breach of bank covenants requiring them to hold business interruption cover for all eventualities; because of this, the banks are imposing new conditions requiring the Community generating companies to retain far greater sums within their companies, to 'self-insure' against future losses from outages. This is being a major threat to all the wind farms which need to be able to maintain such cover as condition of their debt financing. It is also clear proof that we are being faced with a degree of market failure which requires and justifies political intervention to put right.

The current Skye-Uist subsea cable is at the end of its operational life and has a high risk of failure, making a replacement essential and urgent.

If the current Skye-Uist subsea cable were to fail, embedded diesel generation stations on Uist would be required to supply power to residents, leading to increased negative financial implications for renewable energy generators on Uist (11.2 MW), who would likely be unable to export power during the fault and subsequent replacement period and restricted to 50kW. Without insurance coverage, and with a new bank requirement impose to Community generators to self-insurance, these losses

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would directly aggravate the Uist community's wealth-building efforts, as there would be no benefits from community generators, only losses.

Should the subsea optimisation (mitigation) loop not be deemed favourable, we are concerned that the project delivery date could extend from 2026/27 to 2027/28 or beyond, even under a best-case scenario. Given the complex land ownership structures in this part of Skye, where there is crofting activity and many local stakeholders who will need to be consulted, this process could become significantly protracted, resulting in a delay to delivery and potentially threatening the viability of community generators within Uist and Barra.

Thank you for considering our request, we welcome an opportunity to meet with you to further discuss this opportunity.

Yours Sincerely,

Community Power Outer Hebrides

- Storas Uibhist Community Company
- Barra and Vatersay Community Limited
- Horshader Community Development Ltd
- Point & Sandwick Development Trust
- Tolsta Community Development
- Urras Oighreachd Ghabhsainn

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