

Re: Response to RIIO-3 Draft Determination – Implications for Nature

To The Ofgem RIIO-3 Consultation Team,

The Scottish Islands Marine Litter Working Group (SIF-MLWG) welcomes the opportunity to respond to Ofgem's RIIO-3 Draft Determinations regarding SSEN Transmission's proposals for key nature restoration projects (legally known as Scottish Hydro Electricity Transmission or SHET). Our focus is on safeguarding Scotland's marine environment and supporting the resilience of island communities, which are on the frontline of both environmental degradation and energy infrastructure expansion. This response is grounded in the Scottish Islands Federation's 2024–2029 Strategic Plan, which places marine environmental health and resilience at the heart of our mission. We are committed to championing ecosystem restoration, sustainable resource use, and community empowerment across Scotland's islands

We are concerned by Ofgem's proposal to reject SHET's commitments on marine restoration and species and habitat work. These measures should not be regarded as optional extras but as essential to meeting statutory duties, fulfilling national biodiversity and climate targets, and protecting communities whose wellbeing and economies are directly tied to healthy ecosystems.

Marine restoration and species-specific work also deliver measurable socio-economic value for island communities. They build workforce capacity, create high-quality jobs, strengthen fisheries, and provide long-term resilience against climate impacts. Far from being peripheral, these activities are integral to a just and sustainable energy transition.

SIF-MLWG considers it both appropriate and necessary that consumers fund biodiversity outcomes beyond legislative baselines. Transmission infrastructure has unavoidable impacts, and funding beyond compliance is critical to ensuring these impacts are mitigated while also delivering broader public benefits—such as habitat restoration, carbon sequestration, improved water quality, and climate resilience.

The National Islands Plan and the Islands (Scotland) Act 2018 require statutory consideration of island-specific needs. Investment in marine biodiversity restoration directly supports these obligations by addressing unique environmental and socio-economic challenges faced by island communities.

SIF-MLWG's responses to specific consultation questions are as follows:

ETQ11. Do you have any views on our proposed approach to biodiversity funding, notably whether it is appropriate or not for consumers to fund biodiversity outputs beyond legislative requirements?

SIF-MLWG considers it both appropriate and important that consumers contribute to supporting biodiversity outcomes which go further than the minimum set by legislation.

Transmission infrastructure inevitably impacts species and habitats, with island and coastal communities—already disproportionately affected by environmental degradation—particularly vulnerable. Funding beyond compliance is therefore essential to ensure these impacts are effectively mitigated while delivering wider benefits, including habitat restoration, carbon sequestration, improved water quality, and strengthened resilience of marine and coastal ecosystems.

Ofgem has a Biodiversity Duty and, as a public body, must align its regulatory actions with wider government targets, including Scotland's target to become "nature positive" by 2030 and to have restored and regenerated biodiversity by 2045. Supporting biodiversity outputs beyond statutory requirements directly contributes to these objectives. SHET's proposed Species and Habitat Fund also aligns with the UK Government's Strategic Framework for International Climate and Nature Action, which calls for financial flows that advance a net zero, climate-resilient, and nature-positive future.

SSEN's proposed projects align with Scotland's Blue Economy ambition for clean, healthy, and productive seas, and with circular economy goals for marine-derived waste. These projects are essential for delivering nature-positive outcomes, supporting green jobs, and fostering innovation in marine management.

Without such funding, critical restoration opportunities would be lost, undermining public expectations for environmental stewardship, the recovery of vulnerable species, and the resilience of communities that depend on healthy ecosystems. SIF-MLWG therefore views biodiversity funding beyond legislative requirements a necessary investment rather than an added burden, essential to securing a resilient, sustainable, and nature-positive energy transition for Scotland's island communities who are at the forefront of both energy development and environmental impact.

SHETQ2. Do you agree with our proposal to reject SHET's marine biodiversity EAP commitments?

SIF-MLWG disagrees with the proposed rejection of SHET's marine biodiversity EAP commitments.

SSEN Transmission operates extensive subsea and coastal cables connecting the Scottish Islands to the mainland grid. Expansion of this network will inevitably affect marine and coastal ecosystems. Planning authorities have already required marine restoration in projects such as Orkney and Shetland, and the forthcoming *National Marine Plan 2* is expected to make restoration mandatory. These commitments are therefore not peripheral but central to enabling network expansion in a responsible manner.

Environmental and community benefits: Delivering SHET's commitments is essential to minimising and mitigating transmission-related impacts while generating wider benefits for biodiversity, climate resilience, local communities, and the economy. Restoration of habitats such as seagrass meadows and biogenic reefs provides proven ecosystem services—improved water quality, carbon sequestration, and enhanced biodiversity—that bring tangible benefits to fisheries, local economies, and island environments. For communities already impacted by degradation of marine environments, these are not abstract co-benefits but lived necessities.

SIF's model of community-led action and partnership working is reflected in SSEN's approach to marine restoration. We strongly support continued investment in projects that empower local communities, foster cross-sector collaboration, and deliver tangible benefits for people and nature.

Regulatory alignment: These commitments align with Ofgem's statutory biodiversity duty and Scotland's wider ambitions for a just, nature-positive transition. Ofgem's own Draft Determination acknowledged that SHET's proposal *"builds on stakeholder demand to limit network impact on the environment and shows ambition to get ahead of a potential future legislative requirement."* We therefore disagree with Ofgem's assertion that marine restoration is not core network activity. Transmission projects have unavoidable and demonstrable interactions with the marine environment, and restoration is increasingly required under planning and licensing regimes.

Socio-economic and consumer value: The proposed commitments also offer lasting socio-economic value. A Marine Habitat Restoration Academy would build workforce capacity in fragile coastal

economies, supporting high-quality jobs and skills development. Embedding restoration as an integrated, ongoing practice—rather than a one-off mitigation measure—ensures long-term stewardship of Scotland’s marine environment. For consumers, this approach reduces long-term costs by anticipating future regulatory requirements, builds domestic expertise, and generates measurable natural capital returns.

Research and development: We also disagree with Ofgem’s concern that research and development introduces deliverability risk. R&D is vital to scaling up marine restoration in a cost-effective, replicable way. By embedding knowledge exchange and skills training, SHET’s commitments increase the likelihood of success and contribute to Scotland’s broader marine restoration sector.

Rejecting SHET’s marine biodiversity commitments would be a missed opportunity to deliver systemic benefits for nature, climate, and island communities that are already at the forefront of environmental challenge. SIF-MLWG therefore strongly urges Ofgem to uphold these commitments, recognising their consistency with planning requirements, Scotland’s statutory biodiversity and climate objectives, and the need for a just, nature-positive energy transition.

SHETQ3. Do you agree with our proposal to reject SHET’s Species and Habitat UIOLI?

SIF-MLWG disagrees with does Ofgem’s proposal to rejection of SHET’s Species and Habitat UIOLI (Use It Or Lose It).

This fund addresses a critical gap in resourcing to mitigate the environmental impacts of transmission infrastructure and supports Scotland’s wider biodiversity and Net Zero commitments.

Island communities are disproportionately affected by marine degradation and marine litter, and restoration of species and habitats delivers tangible benefits for these communities. Healthy coastal and marine habitats act as natural climate buffers, improve water quality, reduce sediment and pollutant transport, and enhance resilience against erosion and flooding—issues that directly impact island livelihoods, fisheries, and local economies. Without investment through the Species and Habitat fund, SSEN Transmission would be unable to implement best-practice habitat restoration or meaningfully contribute to Scotland’s target to be Nature Positive by 2030 and restore and regenerate biodiversity by 2045.

Furthermore, the fund enables SSEN Transmission to deliver restoration at a strategic, national scale, complementing other regulatory mechanisms such as Biodiversity Net Gain and Irreplaceable Habitat Compensation. By going beyond compliance, the UIOLI ensures meaningful mitigation for impacts on species and habitats, supports community engagement, and aligns with public expectations for sustainable infrastructure delivery.

SHETQ29. Response: Do you agree with Ofgem’s proposal not to allow a specific re-opener for BNG delivery?

SIF-MLWG disagrees with the proposal to disallow a specific re-opener for Biodiversity Net Gain (BNG) delivery.

SSEN Transmission has a statutory obligation to deliver BNG, yet there remains significant uncertainty in the regulatory and market environment. Over the past five years, Scotland has seen substantial developments in biodiversity policy, regulatory requirements, and ecosystem restoration methodologies, a trend expected to continue. Without a mechanism to adjust funding through a re-

opener, SSEN Transmission may be unable to respond to evolving restoration costs, risks, and best-practice approaches. A specific re-opener would ensure that SSEN Transmission can sustainably deliver BNG commitments, safeguard biodiversity, and maximise positive outcomes for island communities, marine ecosystems, and wider public interests.

To conclude, rejecting SHET's biodiversity commitments would risk undermining Scotland's statutory targets, public expectations, and the resilience of island communities. Upholding these commitments, by contrast, would demonstrate Ofgem's commitment to its Biodiversity Duty, Scotland's Net Zero and nature-positive goals, and a fair transition for vulnerable communities. SIF-MLWG therefore strongly urges Ofgem to approve SHET's proposed biodiversity measures as a necessary investment in both people and nature. We also urge Ofgem and SSEN to ensure that future project development includes streamlined, well-supported engagement with island communities, recognising the challenges of consultation fatigue and the need for meaningful participation

Sincerely,
Scottish Islands Federation Marine Litter Working Group