



Highlands & Islands ENTERPRISE

Colin Green
TPCR Team
Ofgem
9 Millbank
London
SW1P 3GE
24/10/06
Dear Mr Green

Transmission Price Control Review - Consultation

Highlands and Islands Enterprise (HIE) welcomes the opportunity to respond to this consultation. The response majors on areas of direct interest to HIE and its Local Authority partners, specifically measures which facilitate access to the renewable energy resources of the Highlands and Islands. It should be considered in conjunction with previous price control responses, as there are a number of common themes which have carried through to the present consultation.

As previously noted, HIE is supportive of measures which allow the forecast expenditure for connecting renewables projects in the North of Scotland. There are inevitably uncertainties associated with these costs: in this respect flexible incentives and provision for connections to the islands are welcome. HIE has not commented on the detail of proposed incentives, as we trust this is largely a matter for the companies themselves, on the understanding that there is a shared desire to facilitate timely connections.

Characteristics of the Scottish network, and in particular that of SHETL's, are clearly distinctive when compared to the NGET area. This includes the greater volume of connections, issued associated with prospective exporting GSPs and the radial nature of parts of the network. Revenue drivers which recognise these differences would therefore seem to be appropriate.

Comments against specific questions are provided as follows:

Question 9.4: What are your views on the appropriate method of providing connections to the Scottish Islands?

HIE very much welcomes Ofgem's recognition of this issue and the need to progress options. Ofgem's series of visits to the islands to promote discussion have been very helpful in consideration of alternative connection models. Island representatives and developers are in the process of considering options, although many uncertainties remain at this stage. All parties will be keen to pursue details on connection options such that costs and timescales can be compared.

In previous consultation responses HIE has raised the prospect of opening the island connections to competition, in so far as we believe it is helpful to consider all the options



available. The Basslink project would appear to offer an interesting model and HIE is very interested in further investigation. Government and Ofgem assistance in areas such as co-ordinating potential backers, identifying an appropriate agency for managing tenders and the potential provision of bonds, would be very much appreciated.

However, at this stage, HIE would not wish to rule out any option, and naturally this includes a SHETL regulated asset. We simply wish to see the matter progressed with intent by all parties involved. Putting forward a number of alternatives has injected some energy into the discussions which we believe is essential for actually realising the island connections. Naturally the option which strikes the right balance between cost, practicality and timely delivery will be the most attractive.

Question 9.6: Do you agree with our view that an Innovation Funding Incentive is appropriate?

Yes.

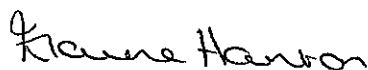
Question 11.2: Do you agree with our proposal not to apply the DPCR approach to transmission undergrounding? Do you have views upon how we may best factor this in to our decisions?

HIE supports the principle that visual amenity is of value to customers. We also agree that the planning process associated with overhead transmission lines, the costs of undergrounding and the implication for visual amenity of undergrounding of transmission, are sufficiently distinct to more than justify a different approach for transmission.

We believe it is necessary to provide for undergrounding in some way, in so far as the price control put in place now should not present a barrier where, through the appropriate fora, the costs are deemed acceptable. It also seems essential that allowance should be made for provision of undergrounding options, with costs, in order that decisions are well informed.

We look forward to seeing the results of the consultation in due course.

Yours sincerely



Elaine Hanton
Head of Renewables

On behalf of a Highlands & Islands partnership comprising:-

Highlands & Islands Enterprise
Shetland Islands Council
Orkney Islands Council
Comhairle Nan Eilean Siar
Highland Council
Moray Council
Argyll & Bute Council