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Your Ref.:
Our Ref.:

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Dear Robert

The Crown Estate Response – Unlocking the Renewables Potential of Scottish Islands

In responding to this consultation you should be aware that The Crown Estate owns virtually the entire seabed out to the 12 nautical mile territorial limit, including the rights to explore and utilize the natural resources of the UK continental shelf (excluding oil, gas and coal). The Energy Act 2004 vested rights to The Crown Estate to licence the generation of renewable energy on the continental shelf within the Renewable Energy Zone out to 200nm.

The Crown Estate also owns around 55% of the foreshore, the area between mean high and mean low water (spring tides in Scotland) and approximately half of the beds of estuaries and tidal rivers in the United Kingdom. As a landowner we issue leases, licences and consents for certain activities on our land (including the seabed). As a consequence any new connections from the islands highlighted in your explanatory letter dated 5 June will affect our interests.

The work that your consultation has identified is also an area where The Crown Estate has recently taken an interest. The Crown Estate believes that the islands offer a high potential for renewable projects, which are anticipated to benefit communities economically. However, we also could see that a barrier to successful installation is the lack of relevant connections to the mainland. As a result we commissioned Econnect to carry out an initial feasibility study for an East Coast Transmission Network, with links originating from Shetland, Orkney and the Isle of Lewis. On Wednesday 23rd July we are meeting David Gray and Colin Green of Ofgem to report in detail on the findings and discuss a way forward. The report looked at what can be connected and where, with timescales and costs supplied estimated. The report was kicked off on the premise that delays in land infrastructure, such as Beaully-Denny, may require a ‘marine’ solution. I do not plan to go into detail on the report but would be happy to make it available if you thought it helpful. It accepts that cost to the consumer is a feature, whilst not assessing how much this will be.

The Crown Estate welcomes this consultation now since it is clear that in order to meet renewable targets a strategic solution, clearly at best cost to the consumer, is required and delays in dealing with infrastructure requirements will mean that hitting the targets will not be attained.

In respect of the approaches that you outlined The Crown Estate does not strongly feel one method has to be approached over another, so the comments below are kept to a minimum; our work with Econnect did not analyse this. However, time would appear to be paramount and crucially whatever choice needs to deliver certainty to the renewable project owners.

The regulated approach (option A) seems to offer a sound and viable solution and allows Ofgem to maintain control, thereby maintaining a strategic overview. It is a system that can currently deliver grid reinforcement and arguably the delay at present lies with the time it takes to receive project consent rather than the ability to arrange contracts with the grid. Options B (Merchant) and C (Tendering) could both work as well. A concern with B is that the risk level imposed may lead to higher rates of return being required, so prices could be higher than the regulated regime given the location of the assets being discussed. Option C could be beneficial if the tender gave rise to a low cost bid but will this in itself ensure delivery of infrastructure; The Crown Estate is not convinced that this possibility outweighs the current regime.

In summary The Crown Estate believes that all the options are workable with the regulated approach probably being the best method for deliverability, since it has fewer imponderables than the others. What does appear certain is that the demand for renewable projects in the islands is strong but cannot be achieved without grid connections.

Yours sincerely

Jason Golder
Business Planning & Development Manager