

Robert Hull
Director – Transmission
9 Millbank
London
SW1P 3GE
robert.hull@ofgem.gov.uk

09 August 2007

Dear Mr Hull

Connecting the Islands of Scotland - Scottish Renewables response

Scottish Renewables is the trade association for Scotland's renewable energy industry. We work on behalf of more than 200 members across the range of renewable energy technologies. If you would like to find out more about Scottish Renewables log onto our website www.scottishrenewables.com.

The social, economic and environmental benefits of developing renewable energy in Scotland are clear and they are the principle drivers behind renewable energy policy in Scotland and the UK. It is with full consideration of these benefits that Scottish Renewables makes this representation on behalf of its membership.

I would like to thank you for the opportunity provided by the open letter to enter the debate on this important issue. This response has been drafted in collaboration with the Scottish Renewables membership and in particular the Scottish Renewables Grid & Regulation Work Group.

Scottish Renewables published an important contribution to the discussion about managing the grid in Scotland, *Making Connections*¹, at the All Energy conference in Aberdeen this year. It is a wide ranging discussion focussed on the twin problems of connecting well advanced renewables projects and how to maximise the potential green generation from the wave, tidal and other emerging technologies. It outlined five key principles² required to ensure timely and cost effective connections for renewables projects.

They are:

- Proportionality of cost
- Clarity of approach
- A shared approach – commonality between parts of the system
- Recognising the benefits of renewables
- Future proofed and sustainable energy systems

¹ Go to www.scottishrenewables.com/MultimediaGallery/4b125889-8412-4945-9c7f-f691de33c66.pdf for a copy.

² Making Connections (2007), pp10



Making Connections considers how best to approach the problem of connecting islands and marine projects off Scotland's mainland³. It outlines the issues that should be considered in making island and offshore connections.

They are:

- The connection of island projects needs to be timely and environmentally acceptable
- The widest practicable strategic, regional, technological and national imperatives should be considered
- Solutions need to be 'cost effective' and co-ordinated
- Solutions need to be consistent with a planning framework for marine development
- The interests of island electricity consumers should also be considered
- Only change the *status quo* if there are clear benefits
- Innovative connection and security standards and use of system products, what we call *Connect then Manage*, should be considered

It is against these principles that we consider Ofgem's open letter on connecting the islands of Scotland.

The islands of Scotland are home to an enormous amount of renewable electricity potential but its distance from demand centres poses a problem regarding the export of power to where it is needed. In resolving this issue Scotland will be able to fully tap its huge potential and supply not just consumers to the south but also potentially its European neighbours. As such, Scottish Renewables believes that connecting this potential is fundamentally important to the growth of Scotland's renewables industry and in establishing its marine power sector as a world leading industry. The climate change and economic benefits would be considerable.

Given this level of recognised potential that will be used by a variety of technologies in a variety of locations and potentially supplied to a variety of markets it is important to ensure the efficient capture of that resource and the requirement of an early strategic approach that is co-ordinated.

Scottish Renewables believes that the Open Letter would have benefited from an understanding of the approach that is currently being taken by the Scottish Executive, the UK Government and Planning Authorities, and other stakeholders on developing the island and marine renewable electricity potential.

As you have noted, we agree that where practicable the wider positive economic, social and environmental issues should be considered. Whilst this may mean a more technically expensive option is considered more appropriate it may prove the correct option given that *value* could potentially exceed *cost*. This might, for example, have implications in terms of a route or whether an AC or DC cable is used or in terms of maximising carbon reduction. We note in your discussion of each option that this principle of value vs cost has not been considered and Scottish Renewables believes that a mechanism for assessing this value might be appropriate, albeit one that is considered with other stakeholders.

Considering a range of the issues outlined above, Scottish Renewables believes that there *is* some urgency in providing clarity on the regulatory regime that will govern island connections, although when that investigation takes place is important.

We believe that there needs to be some recognition that work is already underway on connections to the Western Isles, Orkney and Shetland. Whilst at the same time acknowledging that the status quo option already involves significant levels of competition in the design and procurement process.

³ Making Connections (2007), pp25 to 30

However, the scope of these proposed works by SHETL are limited and may not provide all the answers to connecting the rest of the considerable potential on and around the Scottish islands. It is important that renewable project developers are given a strong lead from key decision making bodies on what infrastructure will be available when so that the process is in step with project development.

If, like the current delays on the Beaully to Denny upgrade, there are delays in the deployment of new infrastructure the development community will face a significant problem.

We also believe that the lessons learned from the Registered Power Zone on Orkney could prove helpful in understanding the appropriateness of current security standards on networks. If renewables generators in a variety of technologies can use a cable that does not require the usual level of capital investment because a 1000MW cable could theoretically carry the capacity of 1000MW of wind and 1000MW of wave power due to the complimentary elements of both technologies then, coupled with appropriate constraints, an innovative connect then manage approach could provide major benefits to the Scottish islands.

We note, for example, that Option One states that the TO would operate under existing security standards. Of course 'existing' in the future might be different to current standards nevertheless it appears that Ofgem has closed off discussion of this kind of innovation inappropriately.

In conclusion, Scottish Renewables believes that Ofgem has correctly identified three options that may be considered in regulating the connections of the Islands. However, we believe that without strategic direction provided by Government in association with all stakeholders it is difficult to select a preferred option at this stage and indeed there may be opportunities to consider further options in the future.

We look forward to further consultations on this issue and being offered the opportunity to provide comment. If the comments above prompt any questions or the need for clarification please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jason Ormiston', written in a cursive style.

Jason Ormiston
Chief Executive
Scottish Renewables