

Date: 19th July 2007

Our Ref: DT/VEL/Ofgem/ConnectIslands
Your Ref:

Attn: Robert Hull

Ofgem
9 Millbank
London
SW1P 3GE

By email and by post

Dear Robert,

Connecting the Islands of Scotland – Open Letter dated 5th June 2007

Thank you for the invitation to comment on the above open letter.

In 2005 the company formed to represent the wind energy interests of Shetland Islands Council (Viking Energy Ltd) agreed to work with Scottish and Southern Energy plc to merge two separate projects in to a single 600MW windfarm proposal in central Shetland. The Viking Energy Partnership is the result of that agreement.

Our summary comments are as follows:

The Scottish islands have this country's best renewable energy resources.

There are two projects in Shetland with existing transmission connection agreements (one each with the partners of Viking Energy). Design work for the infrastructure to provide these connections has been underway for a number of years and SHETL has covered a range of technology options, settling on what appears to be a ready, cost-effective solution. Dates for connection of 2013 or earlier have been offered to the applicants.

Viking Energy welcomes Ofgem's initiative to encourage timely, cost-effective transmission connections to Scotland's island groups.

Viking Energy welcomes competition as a mechanism to reduce the cost and timescales of creating connections provided the process does not lead to delay in the provision of the connections for existing applicants.

Given that the work relating to Viking Energy's Viking Windfarm project is already well advanced, competition to develop these ongoing connections may not be the most appropriate option. Ofgem must examine existing connection designs, which are responding to existing connection applicants, to see if the most cost-effective way

forward for existing connection applications is not to continue and re-open the current Transmission Price Control Review.

In recognition of current proposals to manage the GB Transmission System Connection Queue, where ready projects could be invited to use available capacity within the transmission system, marginally reduced costs for island connections would not be a successful outcome if associated delay in committing to build the connections resulted in an inability to take advantage of opportunities to gain earlier connection.

Transmission Network Use of System Charges covering Island connections should be improved by reduced costs (through competition) but could also be improved by a more cost reflective calculation methodology. Ofgem is responsible for scrutinising National Grid Company's charging methodology proposals.

Viking Energy urges Ofgem to engage with The Department for Business, Enterprise & Regulatory Reform regarding the Electricity Act Section 185 capping power.

Viking Energy advocates consideration of the recommendations within the report "Grid Connection of the Scottish Islands; A Strategic Viewpoint" prepared by Xero Energy.

The concept for onshore wind energy development in Shetland to qualify for enhanced Renewable Obligation Certificates following the Renewable Obligation Review is endorsed by Viking Energy. The concept is that wind energy generators in Shetland would be placed on a similar basis to offshore wind energy developers who are being assisted to encourage contributions from renewable sources that are currently more expensive. This would be consistent given the current high costs to island generators of accessing the GB Transmission System. It would also potentially negate the requirement for the use of the Section 185 capping power. Endorsement of this proposal by Ofgem would strengthen the case under consideration by The Department for Business, Enterprise & Regulatory Reform.

Viking Energy looks forward to contributing to further discussions on the issue.

If you have any questions regarding Viking Energy or the details of this response, please do not hesitate to get in touch.

Yours sincerely,

David Thomson
Project Officer