

FINANCE AND HOUSING DEPARTMENT
FINANCE DIVISION

Director of Finance and Housing: Albert Tait, OBE, CPFA, FCCA
Council Offices, Kirkwall, Orkney, KW15 1NY

Tel: (01856) 873535

Fax: (01856) 876158

(If telephoning or calling please ask for: **Mr A Tait**

Ext: 2103)



OUR REF: AT/OH

YOUR REF:

5 October 2009

Cheryl Mundie
Senior Manager - Electricity transmission Policy
Office of Gas and Electricity Markets
9 Millbank
LONDON
SW1P 3EG

Dear Ms Mundie

Transmissions Access Review - Enhanced Transmission Incentives: Update and Consultation

The opportunity to comment on this consultation is welcomed by the Council and we do so from the viewpoint of the expectation in Orkney, that we can build in our islands a significant renewable energy industry which is a global leader in the development of wave and tidal energy, and contributes to Government renewable energy targets.

The Council questions whether it is right to focus on projects where construction is to commence within the current transmission price control period (question 3 in chapter 3.)

Indeed we question whether it is right to focus so much on the projects nominated by Transmission Owners. We question whether these projects can truly be defined as anticipatory investment, in the sense of the existence of significant uncertainties about whether or not there is sufficient demand for them, as opposed simply to some uncertainty about the speed with which capacity provided will be taken up by new projects.


Anticipatory investment needs to be seen in the context of opening up areas of high renewables potential with investment which will in itself generate demand. This is a concept with which peripheral areas such as Orkney are very familiar, for example in the field of transport where provision of new transport links has been proven to generate new demand from existing sources, and also demand from new sources of development.

In this context we believe that Orkney is an area of high potential, given the extent of proven wind, wave, and tidal resources. Realising this potential requires anticipatory investment in new transmission capacity from Orkney to the national grid. Such investment will enable developers to instigate a range of projects, some of which are in the planning stage but others which will be generated by the combination of a rich resource and available transmission capacity.

It is anticipated that developers given leases by the Crown Estate in the Pentland Firth and Orkney Waters, will require new transmission capacity, serving areas to the north and west of Orkney mainland, by 2116. At the very least pre-construction work should commence now, to reduce uncertainties for these developers (question 5 of chapter 3.) Orkney already hosts the European Marine Energy Centre and a cluster of innovative companies interested in marine energy. The islands are well placed to contribute to renewable energy targets, and also to be the base for innovative developments in wave and tidal energy, which will have wider application in the UK and beyond.

In this sense we believe that the terms of the discussion set out in the consultation paper are too narrowly drawn, and that anticipatory investment needs to better reflect wider strategies, targets, and imperatives to develop renewable energy in the UK, and in particular to recognise the marine energy potential offered by Orkney, if transmission capacity can be provided.

Yours sincerely



for Orkney Islands Council

c.c. Stephen Hagan, Convener, OIC
 James Stockan, Vice Convener, OIC
 Councillor I Johnstone, OIC
 Jeremy Baster, Consultant
 Gareth Davies, Aquatera
 Neil Kermode, EMEC
 Alistair Buchan, Chief Executive, OIC
 Shona Croy, OIC
 Jackie Thomson, OIC
 Ken Grant, HIE