



Development and Infrastructure
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Ask For: Audrey Martin

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Dear Mrs MacKenzie,

CONSULTATION ON THE NEEDS CASE FOR THE PROPOSED KINTYRE-HUNTERSTON TRANSMISSION REINFORCEMENT UNDER THE RIIO-T1 STRATEGIC WIDER WORKS PROCESS

Argyll and Bute Renewable Alliance (ABRA), Highlands and Islands Enterprise (HIE) and our partners within the Highlands and Islands Transmission Working Group (HITWG) - the democratically elected local authorities of Shetland Islands Council, Orkney Islands Council, Comhairle nan Eilean Siar, and Highland Council - strongly support the needs case for the proposed Kintyre – Hunterston transmission reinforcement.

ABRA brings together key partners - including Argyll and Bute Council, the Scottish Government, Highlands and Islands Enterprise, Marine Scotland, Scottish Power Renewables, Scottish and Southern Energy, Crown Estate, Scottish Natural Heritage and Skills Development Scotland - to ensure a greater awareness of all the issues relating to renewable development across Argyll and Bute, and to act as a key mechanism to assist with delivery of the Argyll and Bute Renewable Energy Action Plan (REAP), developed by the Argyll and Bute Community Planning Partnership.

The strategic objectives of ABRA are to:

- Act as a catalyst to promote the optimal development of the renewables industry across Argyll and Bute, especially in regard to marine/offshore wind and onshore wind renewable development.
- Foster a partnership approach to securing local socio-economic and community benefit for the communities across Argyll and Bute.
- Develop the industry in Argyll and Bute in a manner that promotes sustainable economic development and recognises the need for co-existence with other economic activities, our environment and our communities.

- Work with partners to secure capacity within the transmission network in order to unlock future potential of our considerable renewable energy assets and provide confidence to investors.
- Assist in the prioritisation and promotion of supporting physical and transport infrastructure investment to enable the growth of the renewables sector.

With these objectives in mind, ABRA is taking a keen interest in the grid upgrade programme for the north of Scotland. Recent developments in this programme have re-doubled focus on timely delivery of grid and the need for all parties involved in delivery to work collaboratively and maintain good channels of communication. Given that most major developments in Scotland are being delivered through the Strategic Wider Works (SWW) process, we are particularly interested in understanding and optimising the process from the outset.

ABRA welcomes the opportunity to respond to Ofgem's consultation on the Kintyre – Hunterston reinforcements. Our response is twofold. First, we have responded on the needs case for Kintyre-Hunterston. Second are some more general observations and questions on the Strategic Wider Works (SWW) process (as is evident from the approach taken to Kintyre-Hunterston).

In summary, our comments are that:

- We agree the needs case for Kintyre-Hunterston is sound
- Argyll and Bute Council have been working closely with SSE on the provision of background information to inform the needs case for over 5 years. We recognise that much of the intervening period has been spent managing constraints and while the proposed reinforcement is very welcome, it would have been preferable, indeed optimal, to have built it sooner. We believe the evidence submitted in the needs case supports that view. That said, since the decision to progress with the upgrade, we welcome the direct approach by Ofgem to enable works to commence.
- The proposed solution is well progressed, with consents already secured, hence it seems a little late in the day to be debating alternative options. Whilst we do not disagree with the proposed solution, we feel the needs case should have been well established before now and the entire process has contributed to unnecessary delay in delivering the project.
- The material presented in this consultation is rather sparse and the provision of SSE's needs case would have provided a more informative consultation.
- There are a number of questions on the SWW process itself, which we hope will be taken on board by Ofgem for future assessments.

Kintyre-Hunterston needs case

The reinforcement largely appears to be catch-up against infrastructure that currently has a temporary NETS SQSS derogation. In that respect the need *per se* seems pretty water tight, and we have no substantive comments to make.

The main points of debate appear to be around whether the particular design solution is the most economic and efficient option for the desired capacity and delivery timescale. We note that the twin subsea AC cable solution does not appear to be the cheapest per MW in capital cost terms, but that it can provide the desired capacity in the most timely manner. This may prove itself in NPV terms if constraint costs for cheaper but substantially delayed options were run through a Cost Benefit Analysis. We acknowledge the sensitivity of onshore OHL reinforcements in the area and the very likely delay and threat to deliverability.

Poyry's report debates whether more headroom might usefully be provided, concluding that SHE Transmission's solution could be augmented in later phases with a third subsea cable. We agree that this should be examined. We are disappointed that SHE Transmission's needs case is not published and that Poyry's report is lacking in detail and redacted in places, which makes it difficult to comment on the detail.

For example as the needs case is predicated on the generation projects triggering the investment it would have been helpful to publish the details of projects considered.

A percentage attrition applied on MW is highly subjective when project consents are awarded by project. Developers may re-submit at lower amounts but this takes time, which in turn impacts the needs case. And there may be projects that will not proceed below a certain level. However, we recognise that SHET, local planners and the consultants have applied a reasonable yet cautious rate of growth of non-contracted generation based on current policy.

The treatment of embedded generation in the needs case also merits further explanation. The Poyry report quotes SHE-Transmission as saying "Significant numbers of very small generation developments are being pursued within the South West area. However, the MW volumes are assumed to be small and they have been excluded." We would note that in other circumstances e.g. underwriting, waiting for reinforcements – small projects are not usually treated as insignificant in SHE-Transmission's area, and so this treatment is a little inconsistent. Of course it depends how small these projects actually are, and we would welcome some clarification on this point.

Overall whilst we feel the needs case is strong, we think the evidence base as presented is pretty high level and lacking in the kind of analysis we would expect to see. We do not know whether this reflects an actual lack of detail or just that this has been (unnecessarily) restricted for public consumption.

Strategic Wider Works process

Term Strategic Wider Works

Our first comment is that it is confusing to refer to “Strategic Wider Works” when the actual definition appears to be not whether the works are classed as ‘wider’ or ‘local’ in SQSS or charging terms, but rather it defines here works that do not have baseline funding from Ofgem and need to go through a case-by-case approval process with Ofgem. SWW includes then, local connections to the Scottish islands. Furthermore, some elements of the same SWW reinforcement are treated as baseline – see below – which adds to the confusion.

Delivery timescale

Given recent delays in SHE-Transmission’s reinforcement programme, keeping to planned timescales – and maintaining lines of communication with customers – has a renewed importance. It is not clear, what, if any, financial incentives will be put in place to deliver on schedule, although we understand there could be penalties imposed for a breach of licence condition. For clarity we do not expect SHE-Transmission to bear risks that are outwith their control, but do believe there should be incentives on project management and staffing such that projects can be delivered efficiently at a time when SHE-Transmission is progressing a number of other critical reinforcements at the same time.

Transparency

As noted above, the information presented via the Poyry report is sparse in comparison to what we would expect to have been submitted to Ofgem.

Timing of needs case

In this instance the needs case is very strong (and straightforward), which is mostly because generation triggering the investment is already connected and the consenting for the proposed infrastructure is already in place. At this stage we should really be well into the project assessment. We feel that this indicates that the needs case is being undertaken later than it probably should have been, and we would hope to see more timely consideration of investments going forward.

Baseline versus SWW

It’s difficult to understand why SPT’s part of the Kintyre-Hunterston reinforcement is considered baseline, whereas SHE-Transmission’s is SWW. Surely this causes issues for SPT’s works if SHE-Transmission’s is refused by Ofgem?

I hope you find these comments useful. If you would like any further clarification please do not hesitate to contact me. I would also appreciate some feedback on the questions we have raised for Ofgem on the SWW process.

Yours Sincerely



Sandy Mactaggart

Executive Director of Development and Infrastructure

