

28 May 2014

OFGEM
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Dear Kersti Berge

Aquateira welcomes the chance to comment on the proposed transmission project between Caithness and Moray in Northern Scotland. We are a company that is based in Orkney and have been involved in discussions on grid issues for a number of years. We have held positions on Scottish renewables the Orkney grid steering group and OREF. We regularly discuss grid with our clients who include a number of the main wave and tidal energy developers as well as a range of onshore wind developers in Orkney, Shetland and Caithness. We are very surprised that this option of an overland grid connection has appeared at what we consider a very late stage in the process. In our years involved in the project including numerous meetings with OFGEM both in Orkney and London this option has not featured since very early days when it was discounted because of the planning issues as well as the difficulties from Beaulieu south.

1. Do you consider SHE Transmission's proposed standalone subsea cable project to reinforce the transmission system in northern Scotland is an appropriate option for consumers at this stage? Please explain the reasons behind your views.

We consider this is entirely appropriate. It is important that the renewable resources available to the consumers include the areas of greatest efficiency. These exist in Northern Scotland and the Northern Isles. The capacity factors experienced within these regions are much higher than more southern regions. The emerging wave and tidal industry is close to commercialisation and if no cable exists to the areas with the greatest resource then this industry will leave the UK and be developed abroad with better grid opportunities. This is not in the longer term interests of the UK economy or the consumer.

On an economic and sustainability front this connection is vital to the economies of the northern regions. The benefits as described in the report that Highlands and Islands Enterprise commissioned from Grangeston have clearly shown the economic impacts are much enhanced by developing the undersea cable project. Against the overland route

2. What are your views on the timing and scale of SHE Transmission's proposed subsea link to reinforce the transmission system in the Caithness Moray area?

Orkney has over 300 people employed within renewables this is a key component of our economy we are also exporting some of this expertise but the continuing development requires the industry to commercialise which it is close to doing and the real threat of having no grid until 2026 is going to force people working within the industry to move and develop projects outside the UK. We as a company do a major

part of our work internationally and there are a number of country's catching up on the UK's lead and willing to take the industry to their countries. This is surely losing first mover advantage and leaves the UK at a commercial disadvantage again not good for the consumer in the longer term.

3. What are your views on the future costs of generation constraints in northern Scotland?

Although we do not have detailed information we believe that taken as a whole the real benefits of connecting areas with high energy resource to areas of high demand is key to the new energy economy. The country needs to take renewable energy production seriously and this requires committing to new grid infrastructure to connect these areas of high resource and efficiency to the national grid.

4. What are your views on the potential wider benefits of SHE Transmission's proposed subsea link? How should wider benefits be measured and evaluated in the Needs Case assessment for a proposed transmission project?

Return on investment: There has been well over £500M invested in infrastructure, technologies, planning and site development for renewables in Orkney since 2000, some 150M of that has come from local businesses, local authority and local people. At present the return on that investment has been around 30M. Without a connection for exporting energy the payback on that investment will be delayed a further 8 years that has both a real financial and wider confidence in investment cost

We have already mentioned the wider benefits with regard jobs and GVA benefits. The social benefits to rural and remote areas are also key. Job creation and retention is important to keep these areas viable. The types of jobs that are being created in Orkney around the testing of devices at EMEC gives a real opportunity for people to have high level well paid jobs be they locals or new people relocating. This would increase tenfold once these machines reach commercialisation. It also allows for the export of these skills adding to the UK skills mix and export of talent in a world leading industry.

The question is probably quite simple does the UK want a wave and tidal industry? If it does then these remote island locations must be connected.

5. Do you consider we (and our consultants) have identified the relevant issues to the Needs Case assessment for SHE Transmission's proposal? Are there any other factors you think we should examine in order to inform our views on the proposed reinforcement?

The socio economic benefits highlighted within this letter give our understanding of the wider needs case that is not fully covered. There needs to be an assessment on a UK scale of what would happen if the lead we have in wave and tidal goes away. There is tremendous power in the waves and tide. We are reaching capacity as far as onshore wind is concerned so this industry will develop and we should maintain our share and our advantage.

We believe that the delay in providing grid until 2026/8 would have a serious impact on the wave and tidal energy industry within the UK. It will send out very poor signals to potential investors and force them to look elsewhere to invest. The long term UK energy portfolio should

have the ability to tackle climate change and without more diverse source of renewable energy efficiently delivered this will not happen. We urge OFGEM to reject the overland option and return to developing the subsea link to Caithness.

Yours sincerely

Ian Johnstone (Head of Communities)

