

FAO: Anna Kulhavy or Adam Lacey

21 May 2014

Consultation on Scottish Hydro Electric Transmission's Proposed Transmission Project between Caithness and Moray in Northern Scotland

Please find below our response to the questions posed in the above consultation:

- *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.*

Yes, Community Energy Scotland believes that the standalone subsea cable is the best option for consumers. The subsea option is the only option which enables community energy development to continue in North Scotland, Orkney and Shetland over the following 10 years. All on-shore alternatives are based on time-scales which halt current development and threaten any future development due to significant uncertainty over the subsidy rates for renewable energy and wider political change.

We recognise that Ofgem's analysis identifies Option 1b and Option 2b as having a greater NPV than the standalone sub-sea cable option. However, we believe that timing is critical for the successful development of renewable energy in North Scotland and therefore Option 1a, the standalone subsea cable, should be progressed as quickly as possible. This option also leaves open the opportunity to develop Option 1b at a later date, which has comparable NPV to Option 2b.

- *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?*

The time-scales for the subsea link are significantly less than the on-shore options, which have a completion date approximately 8 years later than the 2018 subsea option. However, it is also important to note that unless approval for the subsea option is granted by Ofgem this June, the subsea option will be delayed by at least one year due to SHE Transmission missing a production window for the subsea cable.

2b Fodderty Way
Dingwall Business Park
Dingwall
Ross-shire
IV15 9XB

10 York Place
Edinburgh
EH1 3EP

Taigh Cheann a'Locha
Lionacleit
Isle of Benbecula
HS7 5PJ

The Bridge
1 Veitch's Close
Jedburgh
TD8 6AY

Community Energy
Scotland
c/o Langholm Initiative
Buccleuch Mill
Glenesk Road
Langholm
DG13 0ES

Avonlea
Finstown
Orkney
KW17 2EG

Algo Business Centre
Glenearn Road
Perth
PH2 8BD

James Square
9 James Street
Stornoway
HS1 2QN

Achieving the 2018 completion date is very important for community renewable energy due to FiT degeneration and other future uncertainties. A one year delay beyond 2018 could have significant impacts on the viability of many planned community renewable energy projects. We estimate that 65% of planned community energy projects in Scotland cannot get a full or firm connection due to constraints in the distribution and transmission system. The timely delivery of network upgrades is therefore not only important to meet national targets for renewable energy deployment, but also to meet Scottish Government's 500MW of community and locally owned energy by 2020.

- *What are your views on the future costs of generation constraints in northern Scotland?*

We have some concern over the difference in cost of generation constraint between SHE Transmission's central case estimate of £130/MWh and Poyry's estimate of between £40-90/MWh.

This range in estimated costs reflects the significant uncertainty in future policy such as CfD. This uncertainty is likely to increase significantly with time and therefore it is difficult to apply equal constraint costs to both the onshore and subsea options.

There is no NPV value based on Poyry's estimate, however we believe this estimate is probably too low.

- *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?*

Community Energy Scotland's purpose is to realise the wider social benefits of community-based renewable energy development in Scotland. Community-owned projects have the potential to bring communities together, build capacity and confidence, provide employment and raise awareness, as well as achieving annual revenue in the order of £100,000/MW. This reliable and long-term income is incredibly valuable for communities to make strategic investment decisions to address other social challenges.

Delay to the development of community renewable energy not only has an economic and environmental impact, but a significant social impact too. Such impacts should be considered when deciding on the subsea cable proposal.

- *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?*

Whilst the consultation acknowledges that there is increased uncertainty about the onshore options, we believe there are a number of negative impacts of the onshore options which have not been emphasised enough. This includes increased outages during construction, escalating costs due to mitigations such as undergrounding and environmental and visual impact.

- *Do you have any other comments on our initial views set out in this letter?*

In conclusion, we believe the subsea option should be taken forward with least possible delay. However, there may be significant opportunity to realise larger NPV through Option

1b at a later date, whilst maintaining timely connection for the large number of community energy development in North Scotland, Orkney and Shetland.

Yours faithfully,

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

Nicholas Gubbins
Chief Executive

