

Orkney Islands Council

Project TransmiT: Further consultation on proposals to change the electricity transmission charging methodology

The Council is grateful for the opportunity to respond to this consultation document. Renewable energy resources from the wind, sea and tides constitute a significant concentration of potentially exploitable renewable energy resources in the UK and the region is well placed to contribute to UK and European carbon reduction and renewable electricity generation targets if key regulatory barriers can be effectively addressed to facilitate deployment of renewable technologies on the Scottish islands.

The islands will in future be a key part of meeting the UK's energy needs, collecting power from a range of different technologies located on land and in the waters around them.

Orkney Islands Council has been working on issues associated with delivering effective Grid Infrastructure for Orkney. Considerable progress is being made in the commercialisation of marine renewable energy in Orkney with developers within the Pentland Firth and Orkney Waters progressing towards the consenting of first arrays.

In terms of scale, demand for renewable generation in Orkney exceeds grid capacity. A trial of active management of the Orkney distribution network has permitted over 20MW of additional renewable energy to be connected to the Orkney network. Orkney now produces more than 100% of its electricity needs from local renewable resources.

These developments are a core part of Orkney Islands Council's strategy for Orkney's future, building on the expertise which has already been built up in a cluster of private companies, including EMEC, with academic and public sector support. An estimated 400 jobs in Orkney depend on renewable related activity.

To support this strategy, the Council has invested some £20 million in marine facilities at three locations in the County, Hatston, Lyness, and Stromness, to ensure that the needs of the marine energy industry developing around Orkney can be met. This commitment makes the Council a substantial stakeholder in its own right in the development of renewables.

The Council remains concerned that the current procedure on how grid is underwritten, accessed and charged for in the Scottish islands remains a deterrent for investors.

The need to settle a charging structure within TNUoS for the Scottish Islands was a major plank of Project TransmiT both to unlock our islands' potential for renewable generation to assist in the decarbonisation of the UK generation mix and establish stability in use of system costs (where expansion factors had been previously undecided). The Council is extremely disappointed, that Ofgem's Impact Assessment, and 'minded to' proposals still do little to mitigate high indicative charges to the Islands.

I refer to our consultation response to **CMP213 - Project TransmiT TNUoS Developments** provided in January 2014. We remain of the view that there remains a barrier to investment in new generation on the Islands given the widening disparity in TNUoS between the Islands and the nearest Mainland charging Zone.

The UK and Scottish Governments have recognised that the potential for renewable energy in the Scottish islands is considerable. In October 2012, The Rt. Hon. Edward Davey and the Scottish Government set up a joint independent study to address concerns that renewable projects on the Scottish islands (onshore wind and marine projects) were not coming forward quickly enough. The latest report **Scottish Islands Renewable Project Grid Access Study** published by Xero Energy (April 2014) considered issues around grid connection and charging. The recommendations arising from the study will require Government's, developers and regulators working together to support measures that will facilitate delivery of Scottish island grid connections. As the local authority for Orkney we will continue to support these efforts and would welcome the continued active participation of Ofgem in developing some of the regulatory solutions identified in the report.

Orkney Islands Council, 27 May 2014