



## **Submission to Ofgem consultation on Shetland New Energy Solution**

Thank you for the opportunity to contribute to this consultation. Energy Isles is a consortium of 37 Shetland companies formed to develop a 150MW wind farm in the island of Yell. We are undertaking our EIA work in line with Section 36 planning guidance and expect to submit a planning application by late 2018.

Ofgem's own documentation states that the cost of the Shetland New Energy Solution will be £582 million over 20 years, £450 million of which will have to be met by UK electricity customers.

It is very clear that to proceed with the Shetland New Energy Solution would amount to a dereliction of Ofgem's role as custodian of electricity consumers' money.

But the solution is at hand – if Ofgem stops ignoring the elephant in its own room next door.

Ofgem appears to have developed a blind spot about the parallel process for a much larger 600MW transmission cable to allow the export of electricity from the consented Viking Energy Wind Farm project, a 50:50 joint venture between the Shetland community (principally through the Shetland Charitable Trust) and SSE Renewables, and ultimately from projects such as ours if we are successful in gaining planning permission.

At no extra cost this cable would (i) perform the function of the smaller cable, (ii) provide much greater value for money to electricity consumers and (iii) allow Shetland to become a nationally significant producer of renewable energy while also helping to diversify a marginal economy, creating up to 800 jobs and generating income of up to £233 million (including potentially £82 million in community benefit).

The Conservative Party election manifesto committed the government to a policy of supporting "the development of wind projects in the remote islands of Scotland, where they will directly benefit local communities". In discussions, civil servants and ministers have suggested a possible timetable that could allow projects such as Viking to bid for an electricity contract under the Contracts for Difference (CfD) system in late 2018 or early 2019, which could lead to the large interconnector cable being commissioned in 2023.

The cost to electricity consumers of the 600MW cable is estimated to be £885 million over 15 years (and could conceivably be lower), which means that together the two cables would cost £1,467 million.

The cost of the large cable (£855 million) and the back-up generators (£132 million) amounts to only £1,017 million.

With such a huge potential saving available, it is difficult to believe that the government could allow the small cable to proceed unless it has already decided that it sees little or no likelihood of onshore wind farm development in Shetland, which would be extremely disappointing given our world-class wind resource.

In the event that remote island onshore wind is deemed eligible to bid into the next CfD auction round, no final decision on the small cable should be made until the outcome of the auction is known.

Until then, the two links could be progressed in parallel and, if it became clear that the larger interconnector could proceed, the Shetland New Energy Solution should be cancelled and NGSLL be allowed to exit on a “financially whole” basis. Under these circumstances, long term security of supply for Shetland would be provided by the 600MW transmission link, backed up by standby generation. And the cost burden on electricity consumers would be lessened, significantly.



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