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Dear Kersti,

Thank you for our call on 21 June to discuss the SSEN-Ofgem led process to identify a new energy solution for Shetland. The proposal to connect Shetland to the mainland distribution network has the potential to enhance the security of island demand, and in a way that reflects the best interests of consumers.

As we discussed, the deployment of large-scale renewables on the Scottish islands remains a key strategic outcome for the Scottish Government. The new UK Government's commitment to the "development of wind projects on the remote islands of Scotland, where they will directly benefit local communities" was confirmed in the Conservative Government's manifesto in May 2017.

Of course, Shetland must continue to have a reliable energy supply in the meantime, and shorter term constraints on the operational life of the Lerwick power station have led to the distribution cable proposal and consultation.

I'm aware that this has caused some concern; however, I welcome your helpful confirmation that Ofgem views the business cases for the two cables as distinct. The proposed 60MW distribution cable will address island security of supply in the short- to medium-term; it should be designed to dovetail with the any transmission cable required to unlock the future development of large scale wind on the island, allowing for an economic transformation of the local economy.

My ask is that sufficient flexibility and contingency planning is built into delivery plans for the new Shetland energy solution to allow for more cost-effective solutions to be considered and deployed as policy and the project develop. At yesterday's roundtable discussion on Remote Island Wind in Aberdeen, Richard Harrington, UK Minister for Energy and Industry, confirmed the UK Government's intention to hold a CfD auction that will include the islands by Q1 2019 at the latest. With the prospect of a 600MW Shetland HVDC link by 2023 looking

ever more probable, an indication that delivery of the 60MW cable may extend beyond end 2020 would be helpful, and should allow for consideration of a potentially more optimal, one-cable solution which would support both island demand and Shetland's ambitions for local economic development.

I thank you again for the positive engagement Ofgem have provided on this issue and look forward to hearing about the outcome of your consultation exercise.

Kind regards



Paul Wheelhouse