

25 February 2019

Orkney transmission project: Consultation on Final Needs Case and Delivery Model
Non-confidential consultation response from Hoolan Energy & Low Carbon

1. Introduction

- 1.1. Hoolan Energy and Low Carbon welcome the opportunity to participate in Ofgem's consultation on the Final Needs Case for the Orkney project, a transmission connection that SSEN is proposing to construct between the Orkney islands and Scottish mainland by April 2023. We are strong supporters of the Needs Case for Orkney.
- 1.2. Hoolan Energy is a renewable energy developer based in Edinburgh. We are members of Scottish Renewables, the Orkney Renewable Energy Forum (OREF), and committed to the responsible development of renewable energy power production in Scotland across a range of technologies.
- 1.3. Hoolan Energy is part of Low Carbon, a privately-owned UK headquartered investment company. Low Carbon is focused on developing, financing and operating renewable energy power projects. Since its formation in 2011 Low Carbon has funded and is funding development activities in solar PV, onshore wind, energy storage, anaerobic digestion, concentrated solar power and waste to energy.
- 1.4. Hoolan Energy was established by Low Carbon in 2015 to take forward a portfolio of Scottish renewable energy projects, including commercial scale onshore wind developments in Orkney. Low Carbon is the investor in the projects and Hoolan Energy provides development services and expertise.
- 1.5. In 2016, applications were made and accepted to secure Transmission Entry Capacity (TEC) for three commercial scale onshore wind projects on Orkney, totaling 61.2MW: Costa Head Wind Farm Ltd, Hesta Head Wind Farm Ltd and Halcro Head Wind Farm Ltd.
- 1.6. In 2017, Hoolan Energy ceased development of Halcro Head Wind Farm due to environmental constraints. The two remaining Orkney projects continue to secure TEC as follows:

Costa Head Wind Farm Ltd (20.4MW)
Hesta Head Wind Farm Ltd (20.4MW)

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- 1.7. Orkney Islands Council (OIC) Planning Committee refused both planning applications in August 2018, despite the projects receiving no statutory consultee objections and Costa Head being recommended for approval by OIC's own planning officer. Appeals were lodged with the Department of Planning and Environmental Appeals (DPEA) in October 2018, and the DPEA have publicly confirmed that a decision is expected in March 2019.
- 1.8. Both projects are transmission scale projects: i.e. the company provides financial securitisation and underwrites grid connections at risk and pays Transmission Network Use of System (TNuoS) charges over the operational lifetime of the projects. Grid connection dates for both projects are April 2023. If consented in time, both projects are expected to compete in the next Contract for Difference auction.

2. *Ofgem Question 1: Do you agree that the current network on Orkney needs reinforcing in order to connect additional generation?*

- 2.1. We agree with Ofgem and SHE-T that the current network on Orkney needs reinforcing in order to connect additional generation. Current electricity generation is curtailed and, whilst Orkney has been innovative in maximising the existing grid infrastructure and continues to deploy ANM (Active Network Management), the existing network has been at capacity for some time. There is significant renewable generation potential on Orkney. Without a link this generation will not be able to export power, and therefore no associated benefits to GB consumers or the Orkney Islands can be realised.
- 2.2. We support the progression of a timely upgrade to the connection to Orkney to alleviate current and future constraints and continue to work collaboratively with SHE-T and other Orkney developers to that end. We also believe that any conditionality tests proposed by Ofgem must not act as a barrier to meeting this reinforcement need.

3. *Ofgem Question 2: What are your views on the generation scenarios developed by SHE-T? We are particularly interested in views on the likelihood of wind generation progressing without subsidy support and the likelihood of tidal generation around Orkney developing to the levels predicted by SHE-T's scenarios.*

Overall approach to generation scenarios

- 3.1. We have worked collaboratively with SHE-T to ensure our projects are considered and included in the generation scenarios. Eleven generation scenarios, including those without tidal, have been developed throughout the Needs Case. We believe that the methodology adopted by SHE-T is robust and we support the conclusions SHE-T have reached.

- 3.2. Any approach to forecasting future generation capacity will face inherent uncertainty. At the beginning of 2010 the total installed capacity of wind and solar in the UK was less than 4.5GW; just seven years later that amount had risen more than seven-fold to over 32.5GW (comprising 7GW offshore wind, 12.8GW onshore wind and 12.8GW of solar)¹. This growth was partly fuelled by supportive policy but in the main has been driven by rapid falls in the cost of renewable energy generation. These cost falls are widely expected to continue and therefore any prediction of future growth of renewable generation capacity, particularly in areas which have the best resources such as Orkney, should not underestimate the capacity of renewable energy to increasingly become the cheapest form of energy by some distance. At that point, coupled with expected technological advancement and capex declines in energy storage, there is no limit on what can be achieved by renewables.
- 3.3. There is also a broader macro perspective that needs to be taken into account. Existing nuclear plants will encounter difficult decisions in the early-mid 2020s and are due to go off-line during the next decade. In the past six months the prospect of further new build nuclear beyond Hinkley Point B (which is already facing significant delay and commissioning risk) has diminished significantly following the decisions to terminate development of the new nuclear power stations at Wylfa and Moorside. Both projects were deemed unviable notwithstanding an offer of subsidy significantly in excess of the expected clearing price in the next CfD auction round and highly favourable government funding. The government has been unable to incentivise construction of new large- scale gas generation through the capacity market (which has been further undermined following its suspension following a European Court of Justice decision) and remains fully committed to closing coal power stations by 2025 if not before.
- 3.4. There is currently a good albeit limited pipeline of offshore wind projects in the UK. Industry projections widely recognise that a balanced portfolio of low carbon generation sources will be required. National Grid produced analysis as part of its 2018 Future Energy Scenarios (FES) which showed that for its “Two Degree” case, there is a 107GW gap between the 53GWs of low carbon capacity that we have today and the 160GWs that may be required in 2050. It is expected that by 2050 every renewable power plant currently operational or committed to today will have exceeded their useful 25-year asset life. It is therefore conceivable that all the 160GWs under National Grid’s “Two Degree” FES scenario in 2050 will need to raise new investment.
- 3.5. In that context, it is reasonable to assume that new build onshore wind will be required to contribute to the UK’s generation mix to supply increasing demand and keep the lights on. It is important that only the best projects come forward, and wind projects based in Orkney offer the most economic and deliverable projects in the entire UK.

¹ Source: BEIS data

Wind generation – support in Orkney

- 3.6. Orkney has a long and deep heritage in renewable energy which has historically provided the islands with a diverse energy mix. The first utility grid-connected wind turbine to operate in the UK was built in 1951 on Costa Head in Orkney. The islands now host over 700 wind turbines generating a total installed capacity of over 50MW, providing up to 120% of Orkney's electricity demand. Onshore wind continues to have the support of 70% of inhabitants as illustrated by an independent ComRes survey undertaken in 2017 by OREF, with 89% of residents supporting renewables and 94% supporting an upgrade to the interconnector².
- 3.7. The existing grid constraint has dampened the growth of the renewable energy industry in the Orkney Islands, in particular onshore wind development. The development and construction of a new interconnector between the islands and mainland Scotland has therefore been a strategic priority for OIC for many years. Orkney's Sustainable Energy Strategy 2017-2025 notes the constraint imposed on Orkney by inadequate grid infrastructure³. There is deep rooted political support for a new interconnector, renewables and onshore wind on Orkney.
- 3.8. Work to secure an upgraded interconnector has been ongoing for many years, and a Scottish Islands Delivery Forum was established by Scottish Government and UK Government to overcome barriers to grid access for Scottish Islands. In 2016, Remote Island Wind was prevented from participating in the CfD auction.
- 3.9. As a result of efforts by members of the Islands Delivery Forum, OIC, MPs, MSPs, and other stakeholders, in 2017 BEIS consulted on the treatment of Remote Island Wind and subsequently published a recommendation that island-based onshore wind schemes of over 5MW could compete for a CfD. BEIS confirmed that the inclusion of such projects would increase diversification of the UK electricity supply and increase competitive tension within subsidy auctions, helping to cut the costs of green energy whilst improving energy security.
- 3.10. Ofgem should not therefore be under the impression that onshore wind is not politically supported in the Orkney Islands based on a 2018 planning decision by local Councillors who refused to grant planning permission for the Costa Head and Hesta Head developments. Locally elected individuals are unlikely to support any proposal that may risk votes in future Council elections. This dynamic is consistent with most onshore wind planning applications in the UK where projects have a lower success rate of approval at a local level than at appeal. Scottish planning policy remains extremely favourable for onshore wind located in the right places.

² Source: ComRes survey report, Renewable Energy in Orkney, January 2017 (available on request)

³ Orkney's Sustainable Energy Strategy 2017-2025

Wind generation – Contracts for Difference and alternative routes to market

- 3.11. As outlined in paragraph 3.8 above, along with a wide range of other stakeholders, we lobbied for Remote Island Wind projects to be eligible to participate in future CfD auction rounds. A CfD provides certainty of revenue for the initial 15 year life of a project and enables a low cost of capital to be used to finish construction of the projects. This assists Remote Island Wind projects in overcoming the inherent disadvantage of having higher grid connection costs than other onshore wind projects (and offshore wind projects). Therefore, provided we receive planning approval on appeal for both of our Orkney projects prior to the pre-qualification deadline, Costa Head and Hesta Head Wind Farms will submit bids into the next CfD allocation round which is scheduled to take place later in 2019.
- 3.12. In the event that we do not receive planning approval in time for the 2019 CfD auction or our projects are unsuccessful in securing a CfD contract in that auction, we will seek to secure an alternative route to market for both projects. This route to market is likely to take the form of either a long term “corporate” power purchase agreement (“PPA”) with a large consumer or a long term PPA with a utility. Given that the subsidy support schemes which delivered all the renewable energy projects constructed in the UK to date have only recently closed, both of these routes to market are at a fairly early stage. However, both of these options are developing rapidly: in the past twelve months we have participated in an increasing number of tender processes for corporate PPAs for large volumes of energy and have secured contracts for other projects we are developing in the UK so that they can be built on a PPA basis rather than a contract with the UK government; in addition we are discussing PPA structures and terms with a wide range of utilities and suppliers with a view to securing longer term contracts (10 years or more) to enable our future projects to be built and there is a strong commercial interest from those utilities to provide solutions to unlock further deployment of projects. We are pleased to provide more detail on the PPA market.⁴
- 3.13. It is important to recognise that the Orkney Islands host some of the best wind resource in the world. The average capacity factor of a wind farm in Scotland is 27.6% (higher than the UK average). The capacity factors at Costa Head and Hesta Head are significantly higher than this and are likely to be representative of capacity factors available for projects on most parts of the Orkney Islands⁵.
- 3.14. Excluding the cost of the grid connection, the capex for projects in the Orkneys will not be materially higher than projects located on the mainland UK. Given the importance of the capacity factor to the overall economics of onshore wind projects, onshore wind projects in the Orkney Islands will therefore have a very competitive levelised cost of electricity.

⁴ Further detail provided in confidential Appendix 1 – Part 2

⁵ Further detail provided in confidential Appendix 1 – Part 1, section 1

- 3.15. We therefore disagree with Ofgem's scepticism at paragraph 2.16.4 of the consultation document that projects can be built without a CfD. The Scottish onshore wind industry is already developing subsidy free onshore wind projects. Other Orkney developers have confirmed to SHE-T and in person to Ofgem that their projects are viable without a CfD. Onshore wind is already the lowest cost renewable technology in the UK. Whilst the CfD remains the preferred route to market for our own projects as it is an established structure that has enabled the construction of over 7GW of wind generation in the UK, alternative structures which would enable the construction of additional generation capacity in the UK are developing at a fast pace⁶.

Wind generation – impact of TNUoS and network charging reforms

- 3.16. We would challenge Ofgem's assertion at paragraph 2.16.5 of the consultation document that changes to charging methodology would impact on the financeability of distribution connected projects. By implication this view would suggest transmission connected projects which pay the full amount of TNUoS would equally be hindered on achieving finance.
- 3.17. Our projects have always factored in TNUoS charges and have paid to secure TEC since 2016 – long before we had any planning certainty.⁷ Therefore, even accounting for some form of transmission charges pending the outcome of Ofgem's Network Access and Forward-Looking Charges SCR, we believe that distribution connected projects will continue to be financially viable.

Tidal generation

- 3.18. Neither Hoolan or Low Carbon are actively involved in the development of any tidal projects in the UK. While we are keen to see that technology develop in the UK, we are not best placed to comment on the generation scenarios and are sure other more experienced stakeholders in the tidal industry will respond in detail. However, we would make the following observations:
- 3.18.1. We are aware that SHE-T have consulted stakeholders on the likelihood of tidal generation and, given the current contracted background and analysis carried out by economic consultants GHD, agree with the conclusion that there is potential for tidal generation on Orkney, albeit in a slightly longer timeframe than onshore wind;
- 3.18.2. Given the impressive learning curves demonstrated in onshore renewable technologies over the previous ten years, we believe that tidal generation will become commercially viable in the short to medium term.

⁶ Further detail provided in confidential Appendix 1 – Part 2

⁷ Further detail provided in confidential Appendix 1 – Part 1, section 2

3.18.3. Therefore we do not consider it appropriate for no weight to be given to the benefit of future tidal deployment for GB consumers as part of the needs case assessment.

4. *Ofgem Question 3: What are your views on the technical design and costs of the proposed Orkney link?*

- 4.1. We agree with Ofgem’s minded-to decision that the SHE-T proposal for 220MW is the optimal solution and that the link is deliverable based on the generation scenarios put forward by SHE-T. We note Ofgem’s comment that “costs are consistently higher than we expect” and ask Ofgem to continue to interrogate all costs including those of the sub-sea cable and seek the best possible cost outcome for consumers wherever possible. This is in the best interest of GB consumers. We believe a more competitive procurement model would result in cost savings and increase the prospects of the project advancing and new generation being built.
- 4.2. We also note that in the event that the conditions for a 220MW cable were not met, alternatively sized links including those set out in the needs case submission should not be disregarded, in particular the 132MW cable which is referred to in paragraph 2.35 of the consultation document.

5. *Ofgem Question 4: Do you agree with our concerns that a constraints-based CBA may not robustly demonstrate the true customer cost/benefit of a radial extension to the transmission network?*

- 5.1. We do not agree. We believe the constraints-based CBA is the industry standard methodology for transmission reinforcements and that Orkney should not be treated differently to precedent projects.

6. *Question 5: What are your views on the ‘additional CBA’ outlined in this chapter, which has been used to sense check the results of the original constraints-based CBA?*

- 6.1. SHE-T have provided Ofgem with a Needs Case which is driven by analysis from independent economic consultants and is supported by National Grid as the System Operator, with National Grid’s own cost benefit analysis supporting a ‘tipping point’ of 70MW. The Needs Case submission including the CBA was based on well-established, industry best practice, used to assess similar transmission investments across GB. We support this analysis.
- 6.2. We would seriously question the Additional CBA methodology set out in paragraphs 2.38 to 2.44 of the Ofgem consultation document, in particular:

- 6.2.1. The strike price of £70/MWh (£63/MWh in 2012 prices) used is now highly unrealistic as it is significantly higher than the administrative strike price of offshore wind (set at £56/MWh and £53/MWh for delivery year 2023/24 and 2024/25 respectively). We appreciate this was set prior to the publication of the draft budget notice for the third CfD allocation round.
- 6.2.2. Alone there is approximately 8GW of consented offshore wind in the UK that should be eligible to bid for a CfD in the next allocation round. Remote Island Wind projects such as ours are not ring-fenced and will therefore need to compete with offshore wind projects in order to obtain a contract. With an auction capacity cap of 6GW, the auction will be highly competitive and the additional CfD cost of Orkney projects securing a CfD is likely to be zero or negligible.⁸
- 6.2.3. The current Ofgem methodology has included all of the potential costs (including the cost of subsidies for the new build generation) but does not take into account all of the benefits which derive from the construction of the new interconnector, including the carbon emission savings contribution of building the link, as evidenced by SHE-T. This should be included in Ofgem assumptions to accurately assess the net consumer impact. We understand that carbon emission savings have already been accepted by Ofgem in the development of CBAs which support investment decisions.
- 6.2.4. Taking into account a realistic strike price as set out at 6.2.1 above, we agree that Ofgem's assumptions should reflect the additional CfD cost of Orkney projects. However, taking this principle further, if the cost of Orkney projects is taken into consideration, then the benefits of Orkney projects must also be factored in. All Orkney projects will deliver benefits, but by way of an example our projects would deliver the following benefits⁹:
- Clean renewable energy generation of up to 40.8MW, and material contribution to Orkney and Scottish Climate change targets. Due to capacity factors of nearly double the Scottish average, this is the equivalent to a wind farm of 73.4MW elsewhere in mainland Scotland.
 - Economic benefit to the Orkney economy of up to £7.5 million during the construction phase;
 - Economic benefit to the Orkney economy of up to £1.1 million per year during 25 year operational phase;

⁸ Further detail provided in confidential Appendix – Part 1, section 3

⁹ All figures independently verified; further information provided at Appendix 2 – Biggar Economics – *Economic Benefits of Costa Head & Hesta Head Wind Farms*

- Employment supported including 59 to 67 construction job years and 8 to 9 full time equivalent operational jobs in the Orkney economy;
 - A community benefit fund of up to £4.59 million index linked;
 - Additional community benefit fuel poverty match funding of up to £917,000;
 - Community shared ownership opportunity available (this is not capped at 10%).
- 6.2.5. On a related point, the Ofgem assumption of projects requiring a CfD is high. In previous analysis SHE-T assumed that 100% of developers would seek to secure a CfD. This has been reduced to 50% following stakeholder feedback and Ofgem assumptions should be updated to reflect this.
- 6.2.6. Ofgem have rejected SHE-T proposal that 40MW of TNUoS should be discounted from the link cost. Until Ofgem's Network Access and Forward-Looking Charges SCR is complete there is uncertainty over the contribution to network costs from distribution network connected assets. However, transmission-connected projects, including the 40MW Hoolan portfolio, are liable for TNUoS charges under current policy. This is a material contribution to the capex of the new interconnector that must be taken into account when assessing the benefits to GB consumers.¹⁰
- 6.2.7. Our view is that the threshold of committed generation should take into account the committed generation that is liable for TNUoS charges – this will allow flexibility to include distribution-connected generation, if appropriate, as and when the Ofgem SCR concludes or the direction of travel becomes clearer. It is difficult to agree with Ofgem's comment that consumer are not "exempted from costs associated with network charges paid directly by generators". It is a fundamental part of the TNUoS charging methodology that consumers (demand customers) only pay for the TNUoS costs that are not paid for directly by generators.
- 6.2.8. No value is ascribed to the option of having capacity for a further 150MW of new build generation to come forward at some point during the 2020s. As indicated above, Orkney's natural resource and the ongoing falls in technology costs mean that some new build generation will inevitably be built and utilise the additional capacity, it is simply a question of time.

¹⁰ Further detail provided in confidential Appendix – Part 1, section 2

7. Question 6: What are your views on our proposed conditions of approval? Specifically:

(i) *Do you agree with our view that the information available does not demonstrate that building a 220MW connection to Orkney would be beneficial for GB consumers if only 70MW of generation came forward to use the link? Do you agree with our proposal to set a minimum-generation threshold of 135MW?*

7.1. We strongly disagree. As set out in our response to Question 5 above, we agree with the approach taken by SHE-T in their analysis and have flagged in paragraph 6.2 our concerns regarding the alternative CBA. If Ofgem considers that the capex costs are also high and can be further refined, this adds to our confidence that a 70MW threshold will deliver a link which provides cost benefit to GB consumers.

7.2. We strongly urge Ofgem to reconsider the generation threshold in line with the updated SHE-T CBA and our comments above. We consider the 135MW threshold to be entirely arbitrary.

(ii) *Do you agree that the fact of a generator signing up to SHE-T's 'Alternative Approach' does not provide an adequate level of certainty that the generator will progress to full commissioning?*

7.3. We understand Ofgem's concerns around ensuring developers demonstrate tangible commitment to procuring the new generation that underpins the needs case for the new interconnector.

7.4. Following our meeting with Ofgem in Orkney, we appreciate that Ofgem were unaware of the level of financial commitment required by generators during the development stages of new projects. Ofgem therefore requested developers to provide details of the financial commitment made and required to be made to advance their projects, and we have set that out in relation to our projects below.

7.5. To date Low Carbon has invested significant sums in developing Costa Head, Hesta Head and Halcro Head and Hoolan Energy which has developed those projects. We have separately detailed the significant financial and human capital invested by Hoolan Energy and Low Carbon in their projects in Orkney. Due to the commercial sensitivity of this information, it should be treated as strictly confidential.¹¹

¹¹ Further detail provided in confidential Appendix – Part 1, section 4

- 7.6. All projects are individual and will have their own specific complexities and challenges to overcome. However, the costs to develop our projects (excluding the transmission specific connection costs which are uncertain for distributed generators) are representative of the financial commitment required by a developer of an onshore wind project on Orkney. Ofgem should therefore be assured that to the extent projects are being progressed very considerable time and financial commitment is being made.

Alternative Approach

- 7.7. We believe that the Alternative Approach plays a key role in facilitating new generation comes forward. We support SHE-T's stakeholder driven Alternative Approach to queue management. It provides a practical solution to ensure that those projects ready to connect can connect. We note that Ofgem is minded to approve the derogation request relating to the 'Ready to Connect' process, which proposes an alternative approach to allocated capacity, i.e. those generators able to demonstrate readiness to connect through submission of delivery plans and progress against specified milestones. We believe that this approach to queue management would be a benefit to the GB consumer and, further, that this approach to queue management could further be rolled out across GB to increase efficiencies.
- 7.8. In summary we believe that developers signing up to the AA are demonstrating significant financial commitment to bringing projects forward, such as funding the development activities outlined above, and this provides Ofgem with adequate level of certainty that the generator is serious and will progress to full commissioning.

Timing

- 7.9. Ofgem's current conditionality deadline of December 2019 is entirely unachievable and should be amended to take into consideration a grid connection date of no earlier than April 2023.
- (iii) *Do you agree that the award of a CfD to a generator would provide an adequate level of certainty that the generator will progress to full commissioning?*
- 7.10. Yes, we agree that award of a CfD is one way of providing an adequate level of security. In order to meet the eligibility criteria to bid for CfD, a project must have already secured land agreements, secure a valid grid connection agreement and have obtained planning consent. As we have outlined above, this process involves significant financial and time commitment on the part of the developer. Having a CfD enables a project to secure financing and proceed to construction. This is evidenced by the fact that all wind projects that secured a CfD or FIDER contract have been constructed (save for one offshore wind project (London Array extension) that had to be abandoned for project specific reasons that would not apply in Orkney).

(iv) *Do you agree that, in the absence of a CfD, a generator securing planning consent and finance to construct a project is a good indicator of a project's likelihood to progressing to commissioning?*

7.11. The requirement for generators to demonstrate planning consent and have secured finance by December 2019 goes beyond that required of mainland GB developers and will pose a significant risk to the Needs Case. Without certainty of the grid connection going ahead it would be near impossible for developers to enter into substantive discussions with financing banks and equity investors regarding the construction of the project. Therefore, including a finance condition means the conditionality would become circular and never be capable of being satisfied.

7.12. We noted at our meeting in Orkney with Ofgem that Ofgem were content to remove the requirement to have secured finance. We reiterate that adding a finance condition in the absence of a CfD goes too far and will prevent new generation being built that would otherwise have been able to without that condition.

(v) *If you answered no to questions (iii) and (iv) above, can you propose any alternative ways to assess, to an adequate level of certainty, whether a generation project will progress to commissioning?*

7.13. As set out above significant financial investment is required to reach the point of submitting planning permission for a project.

7.14. Orkney's environmental constraints are well understood, and as such we believe developers can challenge Ofgem's assumption of 50% attrition rate for onshore wind projects. Sites with potential for wind farm development are limited and there is no appetite for 'speculative' sites – the financial commitment required at an early stage is simply too high. We acknowledge that given recent planning decisions Ofgem may seek assurance on this point separately from Orkney Islands Council.

7.15. We therefore support SHE-T's conclusion that Ofgem should issue a final approval of the Orkney Needs Case, applying a conditionality test of 70MW of generation having signed up to the Alternative Approach. If this remains unacceptable to Ofgem we would be happy to discuss what other measures Ofgem would like to see, and hope that we have demonstrated in our confidential Appendix 1 the significant level of commitment we have made to ensure our projects proceed to commissioning.

8. Additional comments on Section 2 of the Consultation

- 8.1. The regulatory and planning timeline proposed by Ofgem is wholly misaligned with Orkney generation, based on 135MW and a grid connection date of October 2022.
- 8.2. The grid connection date has been adjusted by SHE-T to April 2023. We ask that Ofgem's timelines are adjusted accordingly and suggest SHE-T's commercial commitment via the Alternative Approach of 70MW by April 2020 is the most appropriate and reasonable timeline to deliver the Orkney Needs Case whilst providing value to GB consumer.

9. Questions 7-10

- 9.1. Given the delay to the delivery date, currently April 2023 but potentially later still depending on the outcome of this consultation, we believe Ofgem should review all available delivery models. It is essential for GB consumers as well as those parties funding the cost of the connection through the TNUoS charges, including our projects, that the project is built in the most cost-effective manner. The risks associated with these types of project are now much more understood as a result of the UK being the largest offshore wind market in the world, and the benefit of these efficiencies should be shared with consumers and the parties paying the costs.

Fair and cost-reflective use of the electricity networks is fundamental to enabling our industry to deliver; to help meet both the UK and Scottish Government's objectives around clean growth and to meet the legally binding climate obligations. We will be happy to answer any questions relating to this consultation response and look forward to continued engagement with Ofgem ahead of a final decision on the Orkney Needs Case.