

James Norman.
Head of New Transmission Investment,
Ofgem.
10 South Colonnade,
Canary Wharf,
London.
E14 4PU.



8th February 2019.

Dear James,

Ofgem: Orkney Transmission Project – Consultation on Final Needs Case:

Thank you for your letter of March 8th 2018, and for the opportunity to participate once more in this consultation process. As before, I do so on behalf of Northwind Associates Ltd an Orkney based Developer and Project Management Consultancy with a 30MW project at Rothiesholm Head on the island of Stronsay. Our project is at an advanced stage of preparation and we are ready to lodge a planning application as soon as we have some degree of certainty as to whether or not our grid connection (offer accepted December 2017) can reasonably be expected to materialize. This, in turn, is dependent upon the outcome of this consultation and the parallel consultation on SSEN's Derogation request for an Alternative Approach to queue management, to which I have made a separate response.

As you observe, in your letter of 08/03/18, the two outcomes are interdependent. We could muddy the waters further by referring to Ofgem's Significant Code Review launched on 18/12/18 into TNUoS/DNUoS charging regimes (decision: autumn 2020?)... which will have a retrospective bearing on the viability of all of the projects comprising the connection customer base for SSEN's Orkney proposal. I am reminded of a light-hearted work called "Microcosmographia Academia" by the Cambridge scholar F.M. Cornford (husband of Frances, father of John – both poets of note - and grandfather of James – my tutor at Edinburgh), which describes the operation of the Governance and Regulatory institutions at Oxford & Cambridge in the early 20th Century in terms which makes it clear that their overriding mission in life is to ensure that nothing ever happens.

I have been involved in the wind energy industry, in Orkney, since 2005, when I initiated the Hammars Hill Wind Energy Project as Landowner and Chairman of Hammars Hill Energy Ltd (2005 – 2014). Hammars Hill, consented in 2009 and commissioned in 2010, is an exemplar of what Orkney has to offer the national grid, and the UK energy consumer, in terms of **productivity** (over eight years of generation we have achieved an average annual capacity factor of 47%, in spite of 5% annual curtailment) and **value** (our output is "asynchronous" to the vast preponderance of mainland UK renewable generation, by reason of our remoteness).

Thus, our generation is characteristically at its most productive at precisely those times when the very costly "Capacity Market" is activated to compensate for lowered production from becalmed English windfarms. If we are to believe that there is such a thing as a coherent "Energy Policy" in the UK today, then it must surely require that a strategic resource of such demonstrable value should be put to work, without further delay, in the best interests of the UK energy consumer. I feel obliged to point out that, while concern for the interests of the UK consumer is a central tenet of Ofgem's mission, electricity bills in the remote Scottish islands are characteristically 2p per unit higher than on the Scottish mainland and that "fuel poverty",

ironically, is endemic to communities with enormous electricity generating potential but no access to the UK's Transmission infra-structure. Far be it from me to suggest that Ofgem's concern for the interests of the consumer is somewhat selective, but I would like to think that the remedying of this disparity might be a happy, if unintended, consequence of this process.

We, the Orkney Developers, have been engaged in interminable discussions/consultations with SSE (D) (T) & (N), Ofgem, National Grid, DECC, BEIS, etc, over the last fifteen years, in an attempt to bring Transmission Grid access to the Islands. From my personal perspective, this process has been time-consuming, expensive, frustrating and disillusioning. There has been a high rate of attrition amongst potential developers and projects, both on land and in the marine renewables sphere, due, to a significant degree, to uncertainties exacerbated by infirmity of purpose amongst policy makers and regulators. The fact that we are still here, after the experience of the last fifteen years, should suffice as proof of our commitment to deliver the critical mass of generation required to justify SSSEN's Needs Case... but, given a reasonable outcome to Ofgem's parallel consultation around SSSEN's derogation request for an Alternative Approach to Queue Management and Adjusted Liabilities, we stand ready to make good on our undertakings.

Questions:

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

Self-evidently, Yes.

The current network on Orkney is inadequate to the needs of existing generation as is demonstrated by the levels of curtailment experienced by generators connected to the RPZ's ANM system and by the current moratorium on new connections.

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.

All assessments of this kind are dependent upon the assumption of a stable policy and regulatory environment (viz: the Significant Code Review referred to above), but, given that sanity prevails, I am satisfied that well conceived and executed Orkney projects are likely to be viable without CfD and that SHE(T)'s scenarios are realistic. If I did not think so I would not be here.

As to the prospects for commercial scale tidal generation, I have no "skin in the game" and comment with less authority, but I believe that the technology has now developed to a viable stage and that the tidal resource in Orkney waters is amongst the best in Europe. With the provisos contained in the paragraph above, I believe that SHE(T)'s scenarios in respect of tidal generation are realistic.

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

I am not qualified to comment beyond the parameters of the estimated grid connection costs and underwriting obligations which bear on our own project at Rothiesholm Head. These are significant but are consistent with the project's viability.

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

My understanding is that SSEN's CBA employs industry standard methodology and that Ofgem has already required further analysis. I have referred, above, to the process of attrition to which Orkney projects and developers have been subject over the last 15 years of hesitation, obfuscation and prevarication, and I am confident that, given the certainty that will follow from a clear commitment to develop a robust transmission link between Orkney and the Scottish mainland, SSE(N)'s minimalist scenarios will quickly be rendered redundant and that we shall move on to a discussion around phases II & III.

I would question whether Ofgem has a clear understanding of the degree to which the history of handling of this project has had a profoundly negative effect on the project's credibility and, consequently, on developers' motivation and confidence. When you dwell, morbidly and obsessively, on fears of "stranded assets", you are propagating a self-fulfilling prophecy.

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?

I am confident that the 70MW tipping point can be achieved within the time-line of SSE(N)'s project development proposal, but, given the attrition referred to above, and the lead-in time required to bring a project to fruition, I would question the practicality of meeting a 135MW tipping point by even the end of 2020. However, with the same degree of conviction, I believe that the 135 tipping point will very rapidly be exceeded once certainty, clarity and confidence are restored to the commercial environment in which Orkney developers operate. If Ofgem persists in its "minded to" position its conditionality will constitute a refusal.

Question 6.i: Do you agree with the view that the information available does not demonstrate that building a 220MW connection to Orkney would be beneficial for GB consumers if only 70MW came forward to use the link? Do you agree with our proposal to set a minimum generation threshold of 135MW?

This is a remarkably convoluted question, worthy of "Microcosmographia Accademia", but it is the wrong question:- If only 70MW ever came forward to use the link, then SSE(N)'s CAB suggests a neutral benefit to the consumer (neither positive nor negative), but that is an extraordinarily unlikely outcome. Within the time-line envisaged in SSE(N)'s needs case, which requires that projects be ready to assume significant liabilities by April 2020, it may very well be the case that only 70MW worth of generation proposals are in a position to do so.... but that does not mean that once confidence in grid access is restored, and once the time-line implicit in the realities of project development is accommodated, a very much greater body of generation will not come forward to use the link.

SSE(N)'s CBA, using of standard industry methodology, has produced a "tipping point" of 70MW. Ofgem is wrong to supersede this with a figure plucked from the ether, and wrong to fail to take into account the divergent time-lines of wind energy project development, on the one hand, and a major infrastructure project on the other. I have no doubt that within five years of construction the 220MW cable will be deemed inadequate and we will be discussing another CBA, with another tipping point, for another cable.

Question 6.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 proceed to full commissioning?

No, I do not agree with this proposition. Certainty is not, sadly, in the gift of either regulator, policy maker, network operator or developer. However, by signing up to SHE(T)'s "Alternative Approach" the developer is assuming a level of liability which, in the Orkney context, has to be taken as a very serious measure of commitment (less so on the Scottish mainland). Does this mean that Scottish mainland Transmission Grid developments are vetoed by the regulator? Evidently not... is the effect of this misalignment of expectations, on the part of the regulator, discriminatory and anti-competitive? On the face of it...Yes.

SSE(N)'s Alternative approach is an attempt to break up a Bureaucratic and potentially Legal Log-jam, and to overcome gratuitous formulaic obstacles to the delivery of a worthwhile project, for the benefit of UK consumers.

Question 6.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?

It would be a pretty good indication that the generator is likely to progress to full commissioning, but is irrelevant to the matter at hand since no CfD auction in which any Orkney Developer has any intention or possibility of participating is scheduled before 2021.

There are other objections to this as an element of conditionality:

*CfD, as presently constituted, is unsuited to smaller scale applicants.

*CfD is not every developer's preferred option as far as PPA is concerned.

Question 6.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 of progressing to commissioning?

It would be a pretty good indication that the generator is likely to progress to full commissioning, but I am not aware that it has been included in the conditionality of any mainland UK Grid developments... would that be discriminatory and anti-competitive? On the face of it...Yes.

If you have 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?

Industry standard methodology for security and liabilities should apply equitably to all UK projects.

Question 7: Do you agree with our assessment of the Orkney project against the criteria for competition?

I remain convinced that the interests of the UK consumer will benefit significantly from the development of the Orkney project, and will, conversely, be ill-served by the failure to proceed with it.

Question 8: Do you agree with our proposal not to competitively tender the Orkney project using the SPV model or under our CATO framework unless there are significant delays to the delivery timelines?

No comment.

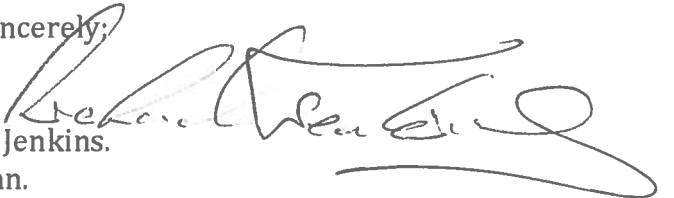
Question 9: Do you agree that the Competition Proxy Model would deliver a favourable outcome for consumers relative to the existing SWW delivery arrangement?

No comment.

Question 10: What are your views on the way in which we have applied project specific updates to the Competition Proxy Model methodology to account for the specific characteristics of the Orkney project?

No Comment.

Yours sincerely;

A handwritten signature in dark ink, appearing to read 'Richard Jenkins', with a large, stylized flourish extending to the right.

Richard Jenkins.
Chairman.
Northwind Associates Ltd.