

Olivia Powis.
Ofgem.
10 South Colonnade,
Canary Wharf,
London.
E14 4PU.



7th February 2019.

Dear Olivia,

Ofgem: Consultation – SSEN Derogation request for Alternative Approach on Orkney:

Thank you for the opportunity to respond to this consultation.

My name is Richard Jenkins and I make this response 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. This project is at an advanced stage of preparation and will be 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 Ofgem's deliberations on the Orkney Transmission Needs Case, and on SSEN's Derogation request which is the subject of this consultation and, indeed, of this letter.

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 capacity factor of 47% per annum, 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 the same time that the very costly "Capacity Market" is activated to compensate for lowered productivity from becalmed English windfarms. If there is such a thing as a coherent "Energy Policy" in the UK, today, then it must require that a strategic asset, of such value as that offered by the wind resource of the "Remote Scottish Islands", should be deployed in the best interest of the UK electricity consumer. It may be worth pointing out that while concern for the interests of the UK consumer is a recurrent mantra for Ofgem, electricity bills are characteristically 2p per unit higher in the Scottish Islands than on the 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.

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 point of view, this process has been time-consuming, expensive, frustrating and disillusioning. There has been a high rate of attrition at work 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.... and it is in response to this "attrition", amongst the original "Consortia" Grid Connection Process applicants, that SSE has felt obliged to develop its Alternative Approach.

From the point of view of the developer, it is less than ideal but understandable, rational, and viable. In the context of the "Needs Case" it has our support.

Questions:

Question 1: Do you agree that SSEN's "ready to connect" trial will provide valuable learning in line with the ENA's proposals on interactivity and queue management?

I agree that trialing alternative arrangements for queue management will provide a learning opportunity, and that a complete understanding of the consequences may lead to improved queue management elsewhere.

Question 2: Do you agree that the proposals (subject to all customers agreeing to sign up) allocate the available capacity in a fair and transparent way?

Yes. This is a pragmatic response to an existential problem. As so often, the established system is acting as an obstacle to development. The Alternative Approach has been clearly explained to all stakeholders, and can only proceed with their consent. Since oversubscription is not an issue, and no "rationing" of capacity is involved, I can see no objection.

Question 3: Do you agree with our minded-to position that if this process is implemented in a clear, fair and transparent way, there is no significant impact on consumers, competition, sustainable development, health & safety or other parties?

It is my firm belief that this unexceptionable set of measures, with the beneficial effect only of breaking up a potential legal/bureaucratic log-jam preventing the timely delivery of an oft postponed, long overdue Transmission Grid Connection between Orkney and the Scottish Mainland, will be to the significant benefit of UK consumers, for reasons touched on above. My only concern is that Orkney consumers may be the last to benefit. If anything, these measures encourage competition and enable sustainable development. As to health & safety, I can see no implications.... and I do not know what is meant by the reference to "other parties" in this context.

Question 4: Do you agree that the proposal to temporarily adjust liabilities will pass unnecessary risk to consumers?

In my view the proposal to temporarily adjust liabilities represents a well informed and appropriate response to the glaring mis-match between the development time-lines of the individual generation projects which will use the cable, on the one hand, and SSEN's Transmission Grid delivery program, on the other. Construction would normally follow closely upon the achievement of planning consent, with the establishment of a revenue stream reasonably close to the assumption of all the financial obligations associated with project development. In the case of this round of Orkney developments, developers are assuming obligations four, five, six years ahead of the expectation of the establishment of a revenue stream...and are being asked to underwrite very significant sums, albeit repayable upon completion. It is unreasonable and unrealistic to expect them to do this in the absence of the assurance of having achieved planning consent, as a minimum. Hence the temporary adjustment of liabilities.

As before, the consumer has more to lose from the indefinite postponement of the Transmission Grid link to Orkney than from the appearance of risk in terms of stranded assets. In the absence of an authoritative report, from the Met Office (why not), that the wind will cease to blow, the tides to flow, and the waves to do whatever it is that waves do.... In 2022, I believe that Ofgem is "starting at phantoms". Caution is laudable up to the point at which opportunity is systematically spurned.

Question 5: Do you agree that the proposal provides an unfair competitive advantage to those customers who would benefit from adjusted liabilities?

The level of liabilities which "customers who benefit from adjusted liabilities" (ie Orkney developers) are expected to assume is enormously greater than that required of mainland UK customers. The adjustment of liabilities envisaged in the SSEN proposal is a modest amelioration of a deeply discriminatory regime, based upon the geographic and historical differences in national infra-structure provision to mainland, as opposed to island, communities. There is no other aspect of national infra-structure provision where such discrimination would be tolerated let alone defended on the basis that modest measures of remedy create an unfair competitive advantage.

Question 6: Do you agree that the proposed mechanism of offering adjusted liabilities (ie by SHET not passing on the unique subsea cost to the ESO, who in turn does not pass them on to the end connection customers) is inappropriate, given the implicit expectation of passing on costs in the Standard Terms of Connection?

I do not agree that the proposed mechanism of offering adjusted liabilities is inappropriate. I find the proposed mechanism to be a pragmatic and reasonable remedy to what could be interpreted as an unreasonable defense of vested interests, and I repeat my conviction that enabling the Orkney Transmission Grid proposal is in the best interests of the UK consumer.

Question 7: Do you agree with our minded to position to reject Part 2 of the derogation request, as it imposes additional risk on consumers and gives some connection customers an unfair advantage?

As above, I believe you are mistaken in your identification of the risk to consumers, and, far from giving some connection customers (Orkney Developers) an unfair advantage, Part 2 of the derogation request is a modest step towards the remedy of an established unfair competitive advantage enjoyed by mainland connection customers over their island equivalents for many years.

Yours sincerely,



Richard Jenkins.
Chairman
Northwind Associates Ltd.