

31<sup>st</sup> May 2019

James Norman,  
Head of New Transmission Investment,  
Ofgem

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Dear Sir,

**Shetland transmission project: Consultation on Final Needs Case and Delivery Model**

I am a resident of the Shetland Islands, and have lived at this address with my wife, for over 42 years. We are both opposed to the Viking Energy Windfarm, and are members of Sustainable Shetland, of which I am currently Vice-chair. I have no objection to my views being published without confidentiality.

I have made the following observations (outlined in red) on your consultation document:

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

Yes. But there are alternatives to the provision of a 600MW (or 800MW) transmission link to the Scottish mainland as proposed by SHE-T. For example, I refer to the excerpt below from a briefing paper to the Scottish Parliament of 2004:

*"Embedded energy generation is often used to power local networks, such as in Shetland, where, in the light of planned commercial renewable energy developments, and in the absence of an inter-connector cable to the mainland, embedded generation offers the only means of establishing new renewable energy schemes on the island. Examples of the opportunities that exist for embedded generation are renewable energy schemes which aim to meet the power requirements of schools, leisure centres, industrial estates, commercial premises or even single domestic properties. Such embedded generation systems can extract a higher return from the sale of electricity to their dedicated customers than from the sale of a limited amount of power to the Shetland grid"..."The construction of new embedded generators will necessitate a local upgrade of the distribution network. This process is not difficult technically, involving the 'restringing' or 'reconductoring' of wooden poles and/or the introduction of new distribution lines; it does however incur significant cost."* <http://www.scottish.parliament.uk/business/research/briefings-04/sb04-07.pdf> [Please note that this link is no longer viable.]

Also to this study of 2007:

[https://www.researchgate.net/publication/292976229\\_OPTIONS\\_FOR\\_DEVELOPMENT\\_OF\\_COMMUNITY\\_WIND\\_ENERGY\\_PROJECTS\\_IN\\_THE\\_NORTH\\_ISLES\\_OF\\_SHETLAND](https://www.researchgate.net/publication/292976229_OPTIONS_FOR_DEVELOPMENT_OF_COMMUNITY_WIND_ENERGY_PROJECTS_IN_THE_NORTH_ISLES_OF_SHETLAND)

It would appear to me that such alternatives have never been seriously examined, or compared cost-wise with a transmission link to the Scottish mainland, by anyone in the whole decision-making process. There has been a collective impression conveyed to the public, by the Scottish Government, the local authority, and interested stakeholders (aka prospective developers and interested parties) that there is no alternative to a HVDC link. For example, SHE-T considers in its GHD CBA report to

this consultation that there is a “Catch 22” situation, viz: *“The ‘need’ for the transmission reinforcement is dependent on the development of generation capacity on the islands, but generation development on the islands cannot occur without the transmission reinforcement. The case for either transmission or generation development is entirely predicated on the other.”*

SSEN/SHEPD have stated that should approval not be given to its ‘Whole System’ proposal, involving a transmission link to Scotland, then:

*“Without a transmission link, we must secure an alternative security of supply solution. Our analysis shows the best value alternative is a distribution link, which will cost at least £140m more than the recommended contribution and will not deliver the same level of export potential.”* (From SSEN’s summary on its website 5/4/19). It is not clear what this “distribution link” entails. It would have been useful to have some clarification.)

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 on the Shetland developing to the levels predicted by SHE-T’s scenarios.

It is highly likely that should Viking Energy (VE) be successful in the CfD auction, other large scale, or industrial, onshore windfarms – some already consented, others in the planning stage – will be constructed in Shetland, at great economic cost to electricity consumers (and at great cost to the environment, to tourism, and to local communities’ well-being, all of which have an economic value). At least that is the prospect.

I note that SHE-T’s GHD report, it is stated that there is no opposition to industrial-scale windfarms in Shetland: *“SHE Transmission are required to connect customers where they want to be connected and the generation scenarios developed in our CBA are a reasonable reflection of the known (not speculative) demand and appetite for building wind generation on the islands if a link were available. This demand/appetite is driven by the high capacity factors not available elsewhere on the mainland, a lack of opposition from residents and local councils from building onshore wind farms and the Council and community’s desire to tap into the economic benefit the investment would bring.”*

This is far from the truth, as is well attested by continuing media comments that the VE windfarm is “controversial”. Opposition to the VE windfarm and further industrial development has been at an unprecedented level in Shetland, and has included Judicial Review as far as the UK Supreme Court and presence at the Scottish Land Court.

Question 3: What are your views on SHE-T’s approach to optioneering, are there other options that SHE-T should have considered?

Please see above, answer to Q1.

Also, I note your comment in 2.16: *“However, in this case we consider that the overall CBA results support the option prioritised by SHE-T (the 600MW link). Nevertheless, SHE-T’s approach to optioneering for Shetland could have led to a situation where it would not have been possible for the most efficient option to be taken forward in time, which could have led to consumer benefit being lost.”*

This would seem to imply that SHE-T has not acted in the public interest.

Question 4: What are your views on the CBA put forward by the ESO?

Please see comments below (Q9).

Question 5: What are your views on the technical design and costs of the proposed Shetland link?

The proposed link would be extremely expensive, and given the unpredictability and potential severity of weather, costs may well rise above SHE-T's forecast £709 million (I am extremely dubious that the capital cost would be approximately half that, as you believe (2.35) . It would have a severe landscape effect on land (between the site of the proposed converter station, and landfall of the interconnector cable in Weisdale Voe). There is moreover always the risk that damage may occur to the cable, affecting security of supply, and incurring costly repair. I am also concerned that constraints on generation (and payments) may have to be applied due to restrictions on the National Grid— as I understand is currently the case, for example, in Caithness.

Question 6: What are your views on our minded-to position to conditionally approve the Needs Case? Specifically do you agree with our proposal to approve a 600MW link if Viking Energy Wind Farm secures a CfD in 2019?

I remain totally opposed to this project, and am disappointed by Ofgem's "minded-to" position, conditional though it is on the outcome of the CfD.

In this respect, I note the following in your consultation document:

*2.13. We acknowledge that the Shetland Isles are an area of significant wind potential, however, we consider that the future of generation on the Shetland Isles beyond the VEWf and Beaw Field projects may be more uncertain than outlined by SHE-T in its submission .*

*2.14. As such, we consider that even if a link is built there is uncertainty at this stage around how much generation will progress to full commissioning by 2024 (the year by which SHE-T propose the link would be completed) or 2035.*

In view of such uncertainty it is hard to comprehend Ofgem's "minded-to" position.

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

No comment.

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

See below, Q9.

Question 9: Do you agree that the Competition Proxy Model would deliver a favourable outcome for consumers relative to the status quo RIIO SWW delivery arrangements?

I note the following paragraph in your consultation document:

*"3.29. We recognise that there is a possibility that GB consumers may pay more – on average around £2.2m on an annual basis during the 25-year operational period of the CPM relative to the 45-year RIIO counterfactual. However, we consider that consumers will benefit overall by paying significantly less (on average c.£4.4m) annually beyond the 25-year operational period of CPM. We do not accept that the limited impact on intergenerational equity transfer that the CPM may have is sufficiently material to justify not pursuing the overall level of savings available."*

While I confess to not fully understanding the latter part – especially as the VE windfarm has an expected life-span of 25 years – I am concerned that GB consumers may have to pay more. This seems to be entirely unjustifiable.

I note also the following (from SSEN's website of 19/3/19):

*"SSEN continues to have significant concerns with this proposed delivery model which is fundamentally flawed and effectively re-opens a regulatory price control for no consumer benefit. Additionally, there has been no regulatory impact assessment undertaken specific to the application of this untested model to these projects. SSEN will continue to engage with Ofgem on this issue and is considering all options available to address these concerns."*

It would appear that any disagreement between SSEN and Ofgem has not yet been resolved. This does not inspire confidence in the consultation. I also note the following from SSEN's website (5/4/19), regarding its 'Whole System' proposal:

*"We await Ofgem's view of our Shetland recommendation. In its consultation, 'Shetland transmission project: Consultation on Final Needs Case' Ofgem has committed to publish its views of our proposal and to seek wider stakeholder feedback. Ofgem has acknowledged that our proposal will impact the networks charges of transmission-connected generation. We continue to emphasise that clarity for developers and SHEPD is essential ahead of the May 2019 CfD window. In order to provide this clarity, we believe that Ofgem's publication should include:*

- *Confirmation that Ofgem supports our whole system approach*
- *Confirmation that, as a beneficiary, a contribution to the cost of the transmission link by SHEPD is justified*
- *Confirmation of the range of contribution values that are justified based on the extensive evidence already provided by SHEPD. If this recommendation is accepted and developers are successful in winning a CfD award in the 2019 auction, SHEPD will begin the process of tendering for a suitable backup power station. Conversely, if the fair value contribution is not approved, the costs of the link are not shared, and Shetland developers are not able to submit competitive bids in the CfD auction, it is likely that the transmission solution will not progress and an alternative solution will be required. SHEPD's analysis indicates that the alternative solutions likely to come forward are estimated to cost in the region of £400m+, costing GB electricity bill payers substantially more (£140m) than SHEPD's whole system recommendation. An enduring solution must be ready to enter service prior to the Lerwick Power Station backstop date of 2025."*

Nothing has been published by Ofgem about this, and as I understand, the 2019 CfD auction is either underway or about to occur. Again, this does not give confidence in the efficacy of the consultation, especially as far as the public and/or consumers are concerned.

The fact that Shetland Charitable Trust announced yesterday that it has withdrawn from any further investment in the VE windfarm, is likely to be no coincidence, and adds to the uncertainty of the project.

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 Shetland project?

No comment.

Yours faithfully,