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Our ref: renew
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Dear Mr Norman

**WESTERN ISLES TRANSMISSION PROJECT
FINAL NEEDS CASE & DELIVERY MODEL CONSULTATION
THE STORNOWAY TRUST: ISLE OF LEWIS**

In response to the consultation exercise, please find attached the Stornoway Trust's view with regard to the "minded to" position adopted by Ofgem, in response to the Needs Case for a subsea grid connection from Stornoway to the National Grid at Beaulieu.

While the Trust may not be best qualified to respond in any great depth on the financial or technical considerations, I am sure others will be keen to address these issues. Nonetheless, I hope that our response will help convey a community landowner's desire to see a 600MW link consented; to enable our world class renewable resources to contribute towards helping our Nation meet its green energy targets, without imposing undue risk on the consumer.

Our desire is fuelled by a belief in our developer partners' undoubted ability to deliver the anchor projects key to the grid operator's Needs Case argument. We are also confident that behind these are a queue of additional Island projects across the renewable sector, aspiring to mobilise once the connectivity constraint is removed. We understand that these smaller projects can be viably progressed by taking advantage of the opportunity and financial attractiveness which we understand that only the 600MW link is able to offer.

The Trust has invested a lot of time and effort in trying to secure a safe and secure financially sustainable future underpinned by an ability to utilise our precious green energy credentials. A consented 600MW cable would have a transformational impact on our Island economic future.

We now hope that Ofgem can play its part in allowing our community to develop that vision and await the outcome of the consultation with interest.

Yours sincerely

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

Yes. The Trust is already suffering financially from the negative effects of local grid constraints on some of the existing developments and is aware of the frustrations being experienced by prospective generators keen to exploit our Island renewable energy potential.

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 Western Isles developing to the levels predicted by SHE-T's scenarios.

The Trust understands the ESO's need to investigate all possible options, but we feel that only the 600MW solution is the correct fit for our situation.

It is however a concern that the SHE-T Needs Case has fallen short in convincing Ofgem of that fact. While the ESO has confidence in the large anchor projects to succeed, the Trust believe that not enough recognition or allowance is given to a list of potential developments currently being held in limbo for want of a grid outlet or even the confidence that one will exist.

It is with that in mind, together with a potential revival of past interest in developing our Island wave and tidal resource, that the Trust feels investing in the alternative 450MW link would be flawed, and ultimately prove to be a costly mistake.

Question 3: What are your views on SHE-T's approach to optioneering, specifically relating to the routes and link capacities considered, and are there other options that SHE-T could have considered?

We are neither aware or able to suggest alternative routes to market, but strongly feel that the case for a 600MW consent has been assessed by Ofgem on a modelling more akin to mainland situations, as opposed to the uniqueness of what we believe is a financially viable Island alternative which can be developed without undue risk to the consumer.

Question 4: What are your views on the CBA put forward by the ESO, particularly in relation to the results it produces?

While the Trust understands the rationale behind Ofgem analysis of the CBA, it is not one we are comfortable with as it does not adequately recognise or take into account the level of mitigation built-in to offset risk to the consumer. We are concerned, from what we have gleaned from protracted developer stakeholder engagement, that the assessment results are borne out of inappropriate modelling which falsely relegates the financial justification of the 600MW link beneath the 450MW "minded to" alternative.

The Trust understands that as a consequence of a 450MW option being consented, projects currently seeking to obtain connectivity via the 600MW link could be less able to progress, thus leaving a void on the cable which may prove to be very difficult to fill.

The Trust is also comforted by the fact that the conditionality introduced by the SHE-T within the Need Case leaves the developer and the ESO rather than the consumer carrying the financial risk, should that risk ever occur.

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

The Trust is of the view that the design and estimated cost of a 600MW cable has been arrived at after the considerable time and effort which SHE-T has expended on it. To revisit it now and delay the process could serve only to rob the Western Isles of what could ultimately prove to have been the most favourable option.

The Trust therefore believes and hopes that reaching mutual agreement on the cost of the cable should be well within Ofgem's and SHE-T's gift to reach an agreed position on, should that be required to enable the delivery of the 600MW link.

Question 6: What are your views on the following points:

- i. **Do you agree with our minded-to position to reject the 600MW link conditional on only the two Lewis Wind Power projects securing CfDs?**
- i. No. The Trust believes it is a short sighted solution which could not only prove to be a costlier proposition in the longer term, but will delay or even end developer interest in progressing further.
- ii. **ii. What are your views on our analysis of the information, which suggests a 450MW link would represent the best outcome for existing and future consumers if only the two LWP projects secure CfDs?**
- ii. The Trust does not believe that the scenario of grid dependency coming from two projects will ever happen and therefore dismiss the relevance of the question other than the answer further serves to strengthen the potential demand argument in favour of a 600MW link.
- iii. **iii. Do you consider that consumers could be appropriately protected from the costs of funding a potentially significantly oversized link if we were to approve the needs case for a 600MW link? If so, how could this be achieved?**
- iii. Yes. The Trust does not envisage the link to be oversized as additional generation already being looked at is more likely to prove it to be undersized in the longer term.

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

Yes. We are not aware of information which would cause us to doubt that the Island scheme meets the criteria required.

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

Yes. The implications of retendering or aspiring to examine the feasibility of a SPV model acting as a TO could seriously impact on existing and potential developers, while exposing us to the risk of higher costs coming into play, than to the costed options we currently understand to be in place.

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

Yes. Insofar as the Trust understands the CPM as things currently stand, together with the ongoing effort to further reduce the CAPEX costs of the consented schemes, with developers focusing on savings which should help reduce the consumer exposure to risk.

The potential reduction in TNOUS which could also be achieved through the 600MW option may further reduce the risk.

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 Western Isles project?

The Trust has not been made aware of any issues related to the above.