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To Whom It May Concern:

Reply to Western Isles Transmission Project: Consultation on Final Needs Case and Delivery Model

We write our reply as an interested party from two standpoints: first as the new (and original) owner/developer of the Uisenis Windfarm, and second as the long term landowner of the Eishken Estate on which the Uisenis Windfarm is consented to be situated.

May we start by reiterating our commitment to the renewable opportunity provided by the Isle of Lewis, and to confirm what was discussed with Ofgem at the CNES Forum on Thursday 11th April namely that we remain committed to bidding for a CFD for the Uisenis windfarm in the upcoming 2019 CFD auction. As also discussed with Ofgem at CNES, it is our intention that by the time of the actual bid that the Uisenis windfarm will be owned by an established developer who will move to complete the windfarm bid and then construction in line with the CfD deliverables.

We thank Ofgem for taking the time to visit Lewis and hear from the various stakeholders present at CNES.

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

Yes. Without reinforcement, no further generation can be connected.

Question 2: What are your views on the generation scenarios developed by SHE-T? Likelihood of wind generation on the Western Isles developing to the levels predicted by the SHE-T scenarios.

We believe that the generation scenarios developed by SHE-T whilst they contain a range of cumulative MW from low to high, also contain a huge range of probability. We believe that the FES-SS scenario at 222MW is not a plausible scenario for the following reason. Any cable, whether 450MW or 600MW, is conditional on both the Uisenis Windfarm (189MW) and the Stornoway Windfarm (176-180MW) being awarded a CFD. Therefore any cable would have an absolute minimum MW of 365-369MW. Thus a scenario with a minimum of 222MW is not a plausible realistic minimum nor a theoretical possibility.

We are of the opinion that this SS scenario should be removed from the calculations. Whilst we recognise the obligation of Ofgem to consider a wide range of scenarios, we believe their duty can only be to consider theoretically possible ones, which the FES-SS scenario is not.

With specific regard to paragraph 2.10: 'every generation scenario apart from Steady State (SS) assumes that both LWP projects proceed'. The SS scenario is not a generation scenario, as if both the Uisenis and Stornoway projects do not proceed, then there is no generation as there is no cable.

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

As mentioned above, the SS scenario is not a valid scenario for the Western Isles so should not be included in the CBA. Furthermore, this would be consistent with the approach taken on other remote islands where the SS scenario has not been considered.

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

We understand that the cost differential between a 450MW and 600MW link is less than £30m (based on SHE-T estimates), which equates to just 5% of the total cost. Thus 5% of total costs create 150MW or 33% of additional capacity.

We are currently preparing our 2019 CfD application. We understand that moving to a 450MW link would require a full retendering exercise by SHE-T, and that this would take at least 15 months to complete. We have concerns about a delay in the timetable that would ensue.

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

- i. Do you agree to our minded-to position to reject the 600MW link conditional on only the two Lewis Wind Power projects securing CfDs?***

We disagree with this position for various reasons:

- (a) Without the FES-SS scenario for the reasons discussed above, Table 4 (page 20) shows the 600MW to be the preferred outcome
- (b) With specific regard to paragraph 2.11.3: 'no further Western Isles generators have planning consent secured or grid connections in place'. The problem is a chicken-egg one. Professional developers, such as LWP, have development and risk capital at their disposal which enables them to develop projects in anticipation of a cable hence the progress of both the Uisenis and Stornoway projects. This is not true for smaller developers or for community groups for whom the risk and the development capital required is disproportionate in the absence of knowing whether there will even be a cable, let alone whether there will be space on a cable and hence the chicken-egg problem. If a small developer or community group looks at a 450MW cable, and knows the larger projects will take up a minimum of 365-369MW, the smaller developer cannot be sure that there will be space on the cable, 'a seat on the bus', for their particular project. With a larger cable of 600MW, there is that capacity for sure and hence the development risk and capital from groups without deep pockets is reduced to an acceptable level.
- (c) By rejecting a 600MW cable in preference for committing to a 450MW cable in advance of the CFD auction, the chance of the Uisenis and Stornoway farms achieving CFDs is reduced and hence the opportunity for any cable to the Western Isles is reduced. This is due to the impact the 450MW cable would have on the TNUoS and hence CFD bid level as detailed below:

Using the capital cost estimates provided by SHE-T and Ofgem for the 450MW and 600MW options for the Western Isles transmission project, we have been able to examine the potential impact on the levels of local TNUoS for each option. We have calculated using SHE-T's cost estimates, that the 600MW link would see a local TNUoS some £21/kW lower than the 450MW link. This difference reduces when considering Ofgem's capital cost estimates, but we still see that the 600MW link would have a local TNUoS of up to £9/kW lower than the 450MW link option. These differences are material. The 600MW option will not only provide additional capacity, but will also make renewable developments on the Western Isles more competitive by reducing the level at which a CFD bid is viable and hence increasing the probability of success at the CFD auction, and consequently increasing the likelihood of the additional capacity being utilised to its full extent.

Link Option	SHE-T		Ofgem			
(MW)	Capex (£m)	Local TNUoS (£/kW)	Capex (low) (£m)	Local TNUoS (low) (£/kW)	Capex (high) (£m)	Local TNUoS (high) (£/kW)
450	596.4	96.7	317	51.4	361	58.5
600	623.8	75.9	360	43.8	409	49.7
Difference	27.4	20.8	43	7.6	48	8.8

- 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?*

We disagree with this conclusion for various reasons.

- (a) Re paragraph 2.53: Ofgem were presented at CNES with various projects in development which would generate greater capacity than a 450MW cable would provide. Therefore Ofgem is prioritising existing consumers over future consumers. Future consumers would either be subject to significant costs for a second cable, or prevented from accessing increased renewable energy sources as part of their energy consumption.
- (b) Re paragraph 2.54: A 450MW cable final decision increases the probability that either or both of the Uisenis and Stornoway projects fail to win a CFD due to having to bid higher to cover the increased TNUoS costs. Therefore a 450MW final decision increases the risk to existing and future consumers that there is no further renewable generation on the Western Isles, hence exposing existing and future consumers to a missed opportunity cost for increased renewable generation.

- 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?*

Yes we believe that consumers could be appropriately protected with an approval of a needs case for a 600MW link. We understand that SHE-T is prepared to fund the cost differential between the 450MW and 600MW links should insufficient levels of generation come forward to utilise the full capacity of the 600MW link.

Yours faithfully,



Natasha Oppenheim
Director