

**OUTER HEBRIDES ENERGY GROUP**

per Anne Murray  
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Friday 31 May 2019

Mr James Norman  
Head of New Transmission Investment Networks  
Transmission Competition Policy  
OFGEM  
9 Millbank  
London  
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Dear Mr Norman

**WESTERN ISLES TRANSMISSION PROJECT: CONSULTATION ON FINAL NEEDS CASE AND DELIVERY MODEL****CONSULTATION RESPONSE FROM OUTER HEBRIDES ENERGY GROUP**

Outer Hebrides Energy Group is an industry led grouping whose aim is to identify opportunities for the islands in the area of Energy, from Hydrogen and New Oil and Gas to Floating Offshore Wind and Oil and Gas Decommissioning. Although led by a panel of Energy experts from the private sector, the Group is supported by the local public agencies so that an integrated approach can be taken to any new Energy opportunity which emerges.

The Western Isles Transmission Link is obviously foundational to the Energy aspirations of these islands. We sit on the best wind and wave resource in Europe but, without a route to market, the islands are unable to take advantage of this vast resource. The Outer Hebrides Energy Group has identified the Transmission Link as the driver behind decarbonisation of the islands, development of a Local Energy System, reduction in Fuel Poverty, retention of population, revitalisation of the Supply Chain and rebalancing of the UK economy. It goes without saying that all these benefits will be lost if the Transmission Link project is allowed to fail through specification of an undersized cable with the consequent impact of generator competitiveness at CfD Auction.

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

Yes. The island network is currently closed to new connections and, without the Transmission Link, there is no prospect of future connections – community or commercial – securing a route to market. In light of the current Climate Emergency, OFGEM should ensure that the advice of the Climate Change Committee is taken seriously and acted upon so that Renewable Energy production is quadrupled and new Grid infrastructure is future-proofed with no need for

additional investment up to 2050. With 418MW of generation contracted, 88MW in Planning and 34.3MW displaced from the existing Distribution connection, there is a clear case for the islands to be connected by a 600MW cable.

**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 222MW and 338MW scenarios can be immediately discounted because SHE-T conditionality means that the Transmission Link will simply not be built if only these volumes are successful through CfD Auction. The 422MW scenario is already exceeded with contracted generation. The 511MW scenario is easily achievable with what is already contracted and in Planning and the 638MW scenario is, for us, the most plausible since Floating Offshore Wind and Test Wave will quickly come in on the back of contracted and in-Planning Onshore Wind.

We understand that the 222MW Steady State scenario is skewing your Cost Benefit Analysis towards a 450MW solution but this cannot be allowed to happen. NGESO's own CBA stresses repeatedly that the 450MW recommendation must be reviewed after the CfD Auction because, by that time, the Steady State scenario will be irrelevant and must be removed from the analysis.

The Outer Hebrides Energy Group routinely engages with global energy companies and we are fully convinced that major Floating Offshore Wind players will come in to utilise any unused capacity on the link.

**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 feel that the Beaulieu to Arnish underground / subsea HVDC represents the most efficient and effective connection option.

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

As stated above, the ESO's CBA becomes irrelevant the minute island generators succeed at CfD Auction. The ESO itself repeatedly asks that its CBA be reviewed following the CfD Auction because the Steady State scenario which is driving a 450MW solution is no longer a possibility. By contrast, the 638MW scenario which OFGEM wishes to discount is easily achievable in our view, having engaged with industry on future intentions.

OFGEM's variable definition of the 'Tipping Point' is also concerning. In Orkney, a Mid-Point, between Break Even Point and Optimum Point, is used to trigger the cable. Why, in the Western Isles, is the Optimum Point used (530MW) used? Using the same methodology would result in a (600MW) Tipping Point of 326MW to 343MW for the Western Isles and this would be game changing in terms of certainty around a 600MW link. With a 600MW cable and a 638MW scenario, the regret is £0.

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

The Energy Group is content that SHE-T has arrived at an appropriate design cost following an exhaustive tendering process. Project delivery in the harsh conditions of the far north of Scotland is challenging and OFGEM should take more account of this in its benchmarking.

**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?**

No. OFGEM seems to be locking a cable with a 40 year lifetime into a set of conditions obtaining in the year 2019. This is ridiculously short sighted. The UK Climate Change Committee's recent influential 'Net Zero' report calls for a quadrupling in Renewable Energy generation and demands that new infrastructure should be specified to the point where the TO does not have to return to add capacity before 2050. It is now accepted that a 450MW cable will soon have to be supplemented by a second cable to meet emerging demand and the cost of a newbuild second cable will be a huge, unnecessary burden on future consumers when the current cable can be adequately future proofed to 600MW for just 5% of project cost.

**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?**

Existing consumers may be protected by a short-sighted decision to opt for a 450MW solution but future consumers will be heavily impacted. To build a 600MW cable now would cost £27m to £43m or 4% to 7% of project cost. To come back later and supplement a 450MW cable with a second 150MW cable would cost £270m or 33% of project cost. The benefits of future proofing are clear.

Also, in terms of capacity, leaving just 32MW of capacity for Europe's area of best Renewable Energy resource for 40 years in a nation facing a Climate Emergency is simply irresponsible and cannot be allowed to happen.

**iii. Do you consider that consumers could be appropriately protected from the cost 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. The constraint cost facing future consumers if a 450MW cable is built now will be far greater than OFGEM realise. The additional £23m to £43m required to future proof this cable, recovered over 40 years, is negligible in comparison to these looming constraint costs.

Despite its protestations, OFGEM has a duty to deliver better social outcomes for consumers over and above cheaper bills. In opting for a 450MW cable over a 600MW cable, OFGEM is consigning one of the UK's most fragile communities to a loss of £55m of socioeconomic benefit.

We fully support the repurposing of unused North of Scotland Generation Capex Allowances as underwriting of the additional capacity to 600MW, as proposed by SSE. This will deliver a

600MW cable with no need for impractical conditionality on future generation (any conditionality which delays SHE-T construction contracts beyond mid 2020 will cause 2019 CfD Auction generators to miss the 2024 and 2025 Delivery Year windows).

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

No comment providing the Delivery Model chosen does not delay commencement of the Transmission Link project beyond 2020.

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

No comment providing the Delivery Model chosen does not delay commencement of the Transmission Link project beyond 2020.

**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?**

No comment providing the Delivery Model chosen does not delay commencement of the Transmission Link project beyond 2020.

I hope you find these views helpful in your consideration of the Western Isles Needs Case and, if you require anything else, please contact me.

Yours sincerely,

*A Murray*

Anne Murray (Mrs)  
Outer Hebrides Energy Group