

T: 0300 244 2947
E: leigh.rafferty@gov.scot

Cathryn Scott
10 South Colonnade
Canary Wharf
London
E14 4PU
NTIMailbox@ofgem.gov.uk

9 July 2019

Dear Ms Scott,

Consultation on Scottish Hydro Electric Power Distribution's proposals to contribute towards proposed electricity transmission links to Shetland, Western Isles and Orkney.

We welcome the opportunity to respond to the above consultation.

As you are aware, Scottish Ministers have supported the development of Remote Island Wind (RIW) for many years as a means of unlocking the islands' vast renewables potential and in recognition of the wider economic, environmental and social benefits it would bring. We believe that, given the global climate emergency and the need for a co-ordinated response, we all have a duty to act accordingly. The Scottish Government has already amended its Climate Change Bill to set a net-zero target for 2045 – the deployment of island renewables is more important than ever if we are to meet our ambitions.

Further to this, as stated in our Vision for Scotland's electricity and gas networks,¹ published earlier this year, we also support whole system planning – the proposals by Scottish Hydro Electric Power Distribution (SHEP-D) to contribute financially towards proposed electricity transmission links to Shetland, Western Isles and Orkney demonstrates the benefits whole system planning can bring to GB consumers. We therefore welcome, and agree with, Ofgem's position that a licensee should be able to contribute to another licensee's costs where this is shown to benefit consumers.

In your consultation, you signalled that the methodology proposed by SHEP-D to determine the level of the contribution for Shetland may appropriately reflect the value of the Shetland transmission link to distribution customers. We welcome the additional clarity this provided for developers on Shetland as they prepare their CfD bids and encourage you to work with SHEP-D to overcome any challenges or concerns in relation to how the proposal could most

¹ Available here:

<https://www.gov.scot/binaries/content/documents/govscot/publications/publication/2019/03/vision-scotlands-electricity-gas-networks-2030/documents/vision-scotlands-electricity-gas-networks-summary-2019-2030/vision-scotlands-electricity-gas-networks-summary-2019-2030/govscot%3Adocument/vision-scotlands-electricity-gas-networks-summary-2019-2030.pdf>.

appropriately be implemented. Timely resolution to these challenges is particularly important since, as you are aware, there is a need for an enduring solution to meeting Shetland's future electricity needs as Lerwick Power Station nears the end of its operational life.

However, we are disappointed that, at this stage, Ofgem does not consider the methodology SHEP-D provided for the Western Isles and Orkney to sufficiently justify the need, or value of, any contribution on a similar basis. We urge Ofgem to engage with SHEP-D as it refines its proposals for these island groups and in order to provide clarity for stakeholders as soon as possible.

I would like to thank you and your team for the constructive way in which Ofgem has engaged with the Scottish Government and stakeholders in Scotland as we work toward securing transmission links to Shetland, the Western Isles and Orkney and we look forward to continuing to have constructive conversations on this matter.

Kind regards,



Leigh Rafferty
Head of Electricity Markets and Regulation Policy