

17th June 2020

BP Exploration Operating Company Ltd
1 Wellheads Avenue
Dyce
Aberdeen
AB21 7PB

James Norman
Head of New Transmission Investment
Ofgem

Dear Mr Norman

Consultation - Shetland Needs Case
bp response

Question 1: What are your views on the generation scenarios developed and updated by SHE-T? We are particularly interested in views on the likelihood of wind generation on the Shetland Isles developing to the levels predicted by SHE-T's scenarios and any further changes or updates since SHE-T's October 2018 Final Needs Case submission that you think should also be considered.

We believe the scenarios presented are reasonable and do not consider other changes to the scenarios to be necessary. We believe the opportunity afforded by natural wind resource in Shetland and its potential to play a role in the UK reaching net zero would likely be put at risk should the transmission link decision be deferred or if an alternative means of providing local power to Shetland (without a UK grid connection) was developed. This includes decarbonising the North Sea oil and gas industry essential for delivering energy security in the UK as part of the transition to net zero and beyond.

Question 2: What are your views on the demand sensitivity explored by SHE-T?

In terms of the sensitivity presented by oil and gas demand for powering production platforms from shore we believe that the broad assumptions are realistic. The rate of increase in power demand for offshore oil and gas has the potential to accelerate faster than is stated in table 3 but we do not believe this would materially change the outcome.

We note that provision of renewable power as part of offshore electrification projects is highly desirable in order to reduce the carbon footprint of oil and

gas assets as much as possible. Integration between the oil and gas and Power sectors is necessary for success in pursuit of the best UK net zero solution. This will likely require innovative regulatory change specific to the project needs.

The likelihood of no demand emanating from the oil and gas sector is increased in the event appropriate regulatory change is not achieved and / or industry integration does not happen.

Question 3: What are your views on the link options considered by SHE-T? We are also interested in views on the options proposed by SHE-T to mitigate against the risks of a second link being needed.

We believe that the mitigations are reasonable and have no further comments on the link options. Success in providing power offshore to the oil and gas sector will materially reduce the need for a second link by increasing demand which is met directly from the Island.

We believe any delay to a final decision, be it caused by further review of options or mitigations to a second link being required, to be undesirable. Further delay would not give the oil and gas sector appropriate clarity to support the development of "power from shore" project planning to continue.

Question 4: What are your views on the technical design and costs of the proposed Shetland link?

It appears that reasonable steps have been followed to assure the technical design and costs of the proposed link are reasonable

Question 5: What are your views on the CBA put forward by the ESO?

We have no specific comments on the CBA but it appears that a rigorous process has been followed and that the inconclusive and finely balanced results on the individual scenarios should not detract from the strategic importance of the transmission link.

We note that the wider economic impacts of oil and gas activity where new developments are facilitated by electrification from Shetland have not been taken into account.

Question 6: What are your views on other approaches we have taken to assess the costs and benefits to GB consumers?

We have no further comments but a broad approach appears to have been conducted in a rigorous fashion.

Question 7: What are your views on our minded-to position to conditionally approve the revised Final Needs Case? Specifically:

- i) Do you agree with our proposal to approve a 600MW link subject to Ofgem being satisfied, by the end of 2020, that Viking Energy Wind Farm is likely to go ahead?

Yes, we support this proposal.

- ii) Do you have any views on the type of evidence we should expect to see that would confirm that Viking Energy Wind Farm is likely to go ahead?

The evidence suggested and the timeframe is reasonable.

- iii) Do you agree with the factors we have considered to reach our minded-to position?

Yes, bp agrees with the factors considered in reaching a minded to position

- iv) Are there any other factors that you consider we should take into account when assessing this proposal?

We believe there is a further upside not considered in the economic case to the UK which is the greater economic benefit from oil and gas sector activity facilitated by electrification (which in turn is facilitated by the transmission link).

Shetland could be well placed to benefit from potential energy transition activities such as Hydrogen developments which would also benefit from the transmission link (and act as mitigation to a second link being required). This could also provide upside in terms of value and strategic importance.

Question 8: Do you agree with the findings of our analysis?

Question 9: Are there any additional factors that we should consider as part of our analysis and/or decision on whether to apply the CPM for the Shetland transmission project?

We do not have comments on the delivery model, findings or have proposal to consider additional factors .