

Developers of Remote Island
Wind projects on Orkney
[By email]

Email: James.Norman@ofgem.gov.uk

Date: 14 May 2021

Dear Orkney developers,

Re. Orkney Transmission Project – Needs Case

Thank you for your letter of 25 March 2021, setting out the progress made so far towards meeting the conditions set out in our Final Needs Case Decision¹, as well as highlighting your request for a twelve-month extension to the current deadline of 31 December 2021 for meeting those conditions.

Context

In September 2019, we set out that we would approve the Final Needs Case for Scottish Hydro Electric Transmission's (SHE's) proposed 220MW transmission connection to Orkney, subject to developers on Orkney meeting the following conditions:

For Ofgem to approve the Final Needs Case for the proposed 220MW Orkney transmission project, Ofgem must be satisfied, by no later than December 2021, that new generation projects totalling at least 135MW of generation on Orkney:

- a. have been awarded a CfD; or*
- b. are likely to go ahead despite not being awarded a CfD.²*

Delay request

Your letter set out three main reasons for requesting a twelve-month extension to the current deadline of 31 December 2021:

¹ <https://www.ofgem.gov.uk/publications-and-updates/orkney-transmission-project-conditional-decision-final-needs-case>

² Ofgem would expect to be satisfied that a project is likely to go ahead despite not being awarded a CfD if Ofgem is provided with the results of an independent audit carried out in a manner and fulfilling such other requirements as specified by Ofgem in relation to whether the project:

- 1) is financially viable;
- 2) has signed a relevant grid connection agreement; and
- 3) has been granted planning permission.

1. *"Firstly, noting that several projects have faced significant delays in development and in the planning process related to the Covid-19 pandemic, an extension would give greater certainty that planning decisions which can contribute to the 135MW threshold will be included.*
2. *Secondly, an extension would enable consented projects to bid into Allocation Round 4 for a CfD, and for the results of that auction to be published.*
3. *And thirdly, it is hoped that an extension will allow time for developers to consider the outcome of grid charging reforms in their financial viability proposals."*

We consider that the reasoning you have set out above is reasonable and based on your updates regarding generator progress, we remain confident that our original analysis and views regarding conditions for approval of the Final Needs Case of the project remain valid.

We thus confirm an extension to the deadline for meeting the above conditions to 31 December 2022. The impact of the Covid-19 pandemic on the planning process and the delays to finalising grid charging reforms in particular are events that could not have been foreseen when the original deadline was established.

For completeness, we confirm that we would approve SHET's proposed 220MW transmission connection to Orkney, subject to developers on Orkney meeting the following conditions:

For Ofgem to approve the Final Needs Case for the proposed 220MW Orkney transmission project, Ofgem must be satisfied, by no later than end December 2022, that new generation projects totalling at least 135MW of generation on Orkney:

- a. have been awarded a CfD; or*
- b. are likely to go ahead despite not being awarded a CfD.³*

Next steps

We expect relevant Orkney developers to engage with us suitably ahead of the revised December 2022 deadline in order to facilitate any audit required as a result of our conditions.

³ Ofgem would expect to be satisfied that a project is likely to go ahead despite not being awarded a CfD if Ofgem is provided with the results of an independent audit carried out in a manner and fulfilling such other requirements as specified by Ofgem in relation to whether the project:

- 1) is financially viable;
- 2) has signed a relevant grid connection agreement; and
- 3) has been granted planning permission.

If at any stage it becomes apparent that there will be insufficient generation on Orkney to meet the 135MW threshold, we encourage Orkney developers to engage with SHET to discuss the possibility of submitting a revised Final Needs Case for a smaller transmission link.

We will continue to engage with you as necessary in the intervening time. Please contact Joe Slater (Joe.Slater@ofgem.gov.uk) with any queries regarding our assessment of the Orkney Transmission Project.

Yours sincerely,

James Norman
Head of RIIO Electricity Transmission Development