



**Scottish & Southern**  
Electricity Networks



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Grant McEachran  
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Dear Grant

**Request from Scottish Hydro Electric Power Distribution Plc to defer the application window for the Subsea Cables Costs uncertainty mechanism under Charge Restriction Condition 3F.11(a) of its electricity distribution licence**

We appreciate the continued open dialogue between Ofgem, Marine Scotland and Scottish Hydro Electric Power Distribution plc (SHEPD). This is proving valuable as we continue the process of identifying the best marine cable replacement solutions for both energy customers and marine users. The purpose of this letter is for SHEPD to formally request the deferral of the Subsea cable uncertainty window as provided under our licence condition, CRC3.F.11(a).

Following discussion at recent bilateral and multi-party meetings we would propose that the relevant window is moved from 1 to 31 May 2018 to 1 to 28 February 2019. The following short sections provide detail on the programme status and our rationale.

*Progress to date*

Our focus, and that of Marine Scotland, over the past 12 months has been on creating a robust Cost Benefit Analysis (CBA) tool as practical. We have now passed a number of milestones including the submission of the CBA model to Marine Scotland for review by their external consultants. Feedback from this process will be reviewed and may be incorporated into future versions of the model.

We have now also submitted our first complete marine licence application relying on the new CBA model results. This application, for the 10.4km Rousay – Westray cable, is the first by SHEPD under the new National Marine Plan and was made on 27 September 2017. We will continue to engage with Marine Scotland as it progresses through the consultation process and hope that the extended investment in advanced engagement by SHEPD will contribute to a decision in less than the 14 week window.

*Revised reopener window*

In our previous application for a deferral of the reopener window we noted that the ongoing work, developing the CBA and engaging with Marine Scotland and wider stakeholders, was intended to address the uncertainty surrounding the additional cable protection requirements. We also noted that, if the uncertainty could not be reduced sufficiently, we would likely apply to move the window.

Progress has been very positive over the past months. Both SHEPD and Marine Scotland have developed their understanding of the issues which need to be addressed concerning applications for subsea cable replacement under the new National Marine Plan. However this work has resulted in a lower number of cables progressing to licence and then delivery stage than we would have desired by this point in time. This has had the effect of limiting the information available to SHEPD and therefore its ability accurately forecast the level of protection which will be required by Marine Scotland over the remaining RIIO-ED1 cable programme. In turn, this prohibits SHEPD from making an application under the current uncertainty mechanism which would satisfy the requirements of the mechanism or provide it with the assurance that future protection costs could be successfully justified and therefore recovered through revised RIIO-ED1 allowances.

With the first application under the new National Marine Plan using the newly created CBA, SHEPD has now started a process which will see a steady stream of similar applications over the coming 12-14 months. Coupled with an extended seabed survey programme we believe that by the end of calendar year 2018, SHEPD will be in possession of the necessary evidence and information to forecast the incremental protection costs arising from Marine Scotland's licencing decisions.

For this reason we believe deferral of the uncertainty window to February 2019 is justified and in the interest of customers.

Please do not hesitate to contact me or members of my team if you have any further questions on our application.

Yours sincerely

Michael Ferguson  
Head of Regulation, Distribution