

Date: 09 November 2018

FAO:Matthew Ball
New Transmission Investment, Systems and Networks
Ofgem

Email: NTIMailbox@ofgem.gov.uk

Dear Mr Ball,

Ofgem Consultation on Extending Competition in Electricity Transmission: Commercial and Regulatory Framework for the SPV Model.

I am responding to the above consultation on behalf of Viking Energy Wind Farm LLP (VEWF), which is developing the consented 457MW Viking Windfarm project in Shetland. VEWF (previously VEP) has responded to earlier Ofgem consultations on ITPR¹ and competition in onshore transmission² and we are taking this opportunity to reiterate our position, which is largely as it was.

Remote Island Wind (RIW) in Shetland relies on the timely delivery of SHET's planned 600MW HVDC subsea transmission link. Under the normal SWW process, Ofgem is presently considering the needs case, which SHET submitted last month. Developers in Shetland are expecting to bid into the the Contracts for Difference (CfD) round, scheduled for May 2019. VEWF has a connection agreement that will enable it to bid for delivery years 2023/24 - 2024/25, but this requires SHET to commence work in the next twelve to eighteen months.

Plans for this strategic transmission project are well advanced, and by connecting Shetland to the mainland for the first time, it will also underpin the islands' own future energy supplies. Our understanding is that to achieve the lowest cost solution, SHET designed the project from the outset to connect at Noss Head into the now existing HVDC cable running from Caithness (Spittal) to Moray (Blackhillock). This configuration uses advanced multi-terminal HVDC VSC technology and involves a three-way cable system, thereby avoiding the cost of an additional convertor station on the Scottish Mainland. These specific features however, mean that while the Shetland link is undoubtedly new and of high value, it is not separable from the existing Caithness-Moray link. We consider that any attempt at this late stage to use Shetland as a test-bed for a different delivery model would introduce excessive risk with little, or no, additional value to customers.

In delivering value for money, we believe that Ofgem should have relevant benchmark cost data from Caithness-Moray, to enable it to assess the right level of capital costs for the Shetland link. By the time the link enters service, the RII02 price controls will be in force, and these will incorporate the benefits of a market-tested WACC and operational cost benchmarks.

¹ Letter to John Parker 24 Nov 2014

² Letter to Pete Wightman 10 July 2015

In our previous responses, we welcomed the possibility of introducing asset-specific performance metrics, and we would again be pleased to see appropriate operational performance metrics applied to the Shetland link.

In summary, we believe that the Shetland link is best delivered through the existing RIIO1 SWW process, and that a change at this late stage would put at serious risk the achievement of the programme delivery dates on which VEWf and the future security of energy supplies to Shetland depend.

I hope that this input is helpful, and would be happy to discuss our response further.

Yours sincerely,

Aaron Priest
Head of Development and Strategy
Viking Energy Shetland
(On behalf of Viking Energy Windfarm LLP)