

ENTERPRISE AND SUSTAINABLE REGENERATION

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Dear Lina,

Orkney Islands Council (OIC) have reviewed the minded-to consultation the Needs Case and Delivery Model for the Orkney Transmission project.

Orkney Islands Council welcomes this announcement from Ofgem on the interconnector and are supportive of the decisions as specified in the consultation.

The development of this project is of direct importance to the Orkney Community due to the significant benefit to the economy of the Orkney Islands.

From a recent economic report, a new electricity transmission link between Orkney and the Scottish Mainland could be worth at least £371 million to the Orkney economy, rising to £807 million if the wave and tidal energy industry makes use of the cable too. For Scotland the figures are a minimum of £606 million, rising to up to £1.48 billion.

With the goal of meeting the Needs Case requirements, OIC has developed Orkney's Community Wind Farm Project that consists of three 30MW windfarms, this auspicious project for Orkney is dependent on the new interconnector. We have provided additional responses below on the specific areas where Ofgem seek stakeholder's views. However, we are very supportive overall with the proposed actions within the report and are of the view that this decision, if finalised, would provide us with the confidence to progress our projects.

Kind regards,

David Hannon

Strategic Projects Director
Enterprise and Sustainable Regeneration
Orkney Islands Council

Orkney Islands Council (OIC) responses to the summary minded-to position:

Revoke the conditional decision Ofgem published in 2019

The revocation of the conditions set in the FNC decision published in 2019 is welcomed and we are in agreement that the position with respect to the generation capacity that has now secured CfD or secured planning permission demonstrates that the needs case has been met. The recently consented Orkney's Community Wind Farm Project - Faray sits within the 40MW of projects that have received planning permission and we are confident that the project can proceed either through later rounds of the CfD or on a merchant basis.

Not apply any competition models to the project

We are content for the Orkney transmission project to be retained within the RIIO-T2 framework on the basis that the other competition models will not provide an additional overall benefit to consumers through cost and/or delivery timescales.

Approve the FNC for the Orkney transmission project under LOTI

We have no issue with this approach over the previous SWW scheme.

Confirm that we do not require a new FNC submission, as we are confident that the existing information can be considered for our final decision on the FNC

We are happy that the projects previous FNC is deemed to be compatible with the new LOTI process and that this project can progress without further delay.

Assess the reasonableness of the potential cost increases at the PA stage.

We concur that the increased cost estimate from £262m to £371m represents a significant change. The stated reasons for this increase (changes in commodities & exchange rates, cable and plant apparatus cost increases due to significant global demand and constrained supply, as well as general increases in construction related costs) have been seen in many other areas and seem reasonable.

We agree that based on the expected generation capacity in Orkney and the wider interest in the area that suggests the capacity is likely to increase in the coming years that the needs case for the project still stands.

Whilst we welcome the stance that the proposed option remains the optimal one, and that we should proceed with the option that avoids significant delays, we do have some concerns as to whether there were delays or sustained issues at the Project Assessment stage if SHE-T's most recent cost estimate of £371m is confirmed (or comes back higher) following procurement. As a generator we would be adversely impacted by any subsequent delays in the construction works beginning and so we would welcome the Project Assessment works to begin as early as possible to allow for sufficient time for Ofgem to undertake a full review and minimise the potential for delays. To this end, SHE-T should also be encouraged to progress as quickly as possible with planning and procurement.