Scottish & Southern Electricity Networks

James Norman
Head of New Transmission Investment
Ofgem
9 Millbank
London
SW1P 3GE

24 February 2017

Dear James,

North West Coast Connections – Consultation on the project's Initial Needs Case and suitability for tendering

Scottish Hydro Electric Transmission plc (SHE Transmission) welcomes the opportunity to respond to Ofgem's consultation on the proposed North West Coast Connections (NWCC) project which would connect a proposed new nuclear power station in Cumbria to the main transmission network in GB. Our response below covers the suitability for tender, the technical need and NGET's optioneering assessment. Our response to the consultation questions is attached as an Appendix.

The treatment of NWCC in this consultation appears to be inline with the policy by which Ofgem expects to decide whether or not to tender project as set out so far and captured in the November 2016 decision document. However, Ofgem acknowledges that its assessment is dependent on the necessary regulatory framework being in place. Given the current turmoil in the UK political landscape, we have serious concern that the proposals are ahead of legislative change to extend competition in electricity transmission.

Notwithstanding the above, due to the identified time constraints, we agree with Ofgem's assessment that only the south section of the NWCC is potentially capable of being competitively tendered. We welcome the acknowledgement of the delivery concerns for the project were it to progress to tender, given the timescales for the connection and the required construction start date. In our view, competitive tenders should not be progressed if this will introduce unnecessary and potentially detrimental delay to developers and/or consumers.

As for the Strategic Wider Works assessment, we agree that there is a technical need for the project and connecting the Moorside site using four 400kV circuits is appropriate and SQSS compliant.

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However, with regard to NGET's optioneering assessment, whilst the HVDC option may have been discounted due to cost, it is not an untested technology for the connection of a nuclear power station. For example, the western HVDC link is connected to the same busbar as Hunterston nuclear power station.

We are happy to discuss the above and our response to the consultation questions further, and look forward to continuing to work with all interested parties as the competitive delivery framework is developed.

Yours sincerely,

Malcolm J. Burns

Acting Head of Regulation, Transmission

Appendix: SHE Transmission response to consultation questions

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APPENDIX - SHE TRANSMISSION RESPONSE TO CONSULTATION QUESTIONS

Chapter 2: Strategic Wider Works assessment

Question 1: Do you agree that there is a technical need for the project if Nugen's project goes ahead?

Response: Yes, we agree there is a technical need if the project goes ahead.

Question 2: Do you agree that connecting the Moorside site using four 400kV circuits is appropriate and compliant with SQSS requirements?

Response: We agree that connecting the Moorside site using four 400kV circuits is appropriate and SQSS compliant.

However, whilst the HVDC option may have been the most expensive, and hence ruled out on cost grounds, it is not an untested technology for connection of a nuclear power station. We know for example that Western HVDC Link is connected to the same 400kV busbar as Hunterston nuclear power station and there are other examples of nuclear stations in proximity to HVDC links.

Question 3: Do you agree with our initial conclusions?

Response: We agree with Ofgem's initial conclusions, noting that the project design will still be subject to significant uncertainty and that additional costs may be identified as the project matures.

Question 4: Are there any additional factors that we should consider as part of our Initial Needs Case assessment?

Response: We are unclear around the impact of Ofgem's stated concerns around the optioneering and routing, particularly around the tunnel section of the project, as well as the responsibility of any bidder in that regard. It would clearly be inappropriate for a new, competitively appointed, Transmission Owner to be responsible for decisions not made by them and for which they do not have sight of the information that formed the decision. It will be essential that the newly appointed Transmission Owner's income stream is unaffected by any determination of inefficient costs borne by NGET. We would welcome clarification of this issue.

Chapter 3: Competition assessment

Question 5: Do you agree with our view that:

(a) the overall project meets the criteria for tendering?

(b) the potential sections meet the criteria for tendering?

Response: We agree that the overall project, and the individual proposed sections, meets the Ofgem criteria for competitive tendering.

Question 6: What are your views on our deliverability assessment for:

(a) the overall project?

(b) the potential sections?

in particular, considering our analysis of the design, procurement, and construction timelines as submitted by NGET.

Response: We agree with Ofgem's assessment, in particular that only the south section has the potential for competitive delivery. Notwithstanding this, we do have serious concerns that the proposals are ahead of legislative change to extend competition in electricity transmission.

Question 7: What are your views on the need for overall coordination of the whole NWCC project if the project were to be split into packages with different delivery parties?

Response: Co-ordination will be essential, especially if part of the project is put out to competitive tender. In out view the GB System Operator, once suitably separated from NGET's Transmission Owner function, should perform this role.

Question 8: If some, or all of NWCC were to be tendered, what, in your view, is the most appropriate allocation of risks across the relevant parties (TO, CATOs, and consumers)? How should these risks best be managed?

Response: Allocation of risk needs to be straightforward and transparent. In principle, once the Transmission Owner is appointed competitively, risks should transfer. However, this can only occur when and if all consents, rights etc have been transferred.

Question 9: What are your thoughts on the substation modification and extension works at Harker and Middleton, in the context of efficient CATO delivery, including the options presented in this document?

Response: We are strongly of the view that the physical transfer of assets away from the incumbent Transmission Owner should not be considered. We are also concerned about the complexity of interfacing and working agreements for option 3. In our view only option 1 is appropriate for these substation assets.