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25 March 2021

By email: james.norman@ofgem.gov.uk

Dear James

Orkney Transmission Project – Needs Case

We, the undersigned developers of Remote Island Wind projects on Orkney, write to update you on progress made towards meeting the conditions set out in Ofgem's Conditional Decision on Final Needs Case, published on 16 September 2019.

Progress update

Good progress has already been made by developers towards meeting the conditions set out by Ofgem:

1. Hoolan Energy Limited

Hesta Head Wind Farm (20.40MW)
Costa Head Wind Farm (16.32MW)

Both projects are consented, secure grid (Transmission Entry Capacity) and won a CfD (Contract for Difference) in Allocation Round 3.

The grid connection date for both projects is 30 April 2025.

2. Hammars Hill Energy Limited

Planning consent for Hammars Hill B (8.4MW) was approved in January 2021. The proposed development will comprise two wind turbines of up to 150m to blade tip, and, subject to proving the commercial case, a hydrogen production facility and associated infrastructure. The project is contracted with SHEPD.

3. Orkney Islands Council

Quanterness (30MW). This project was submitted for planning consent in January 2020 and is currently under consideration by Scottish Ministers. A decision is expected soon. The project is contracted with SHEPD.

Hoy (30MW). This project was submitted for planning consent in September 2020 and is currently under consideration by Scottish Ministers. The Scottish Government Reporter and key statutory consultees have been unable to conduct site visits due to Covid-19 restrictions, which has resulted in numerous extensions to the consultation period, currently scheduled to run until 31 May 2021 and a planning decision is expected in late Summer 2021. The project is contracted with SHEPD.

Faray (30MW). The planning application for this project is expected to be submitted in May 2021. This project has faced substantial delays as Covid-19 restrictions prevented survey work. The project is contracted with SHEPD.

4. Neven Point Wind Limited

Eday (30MW). Due to environmental survey delays created by Covid-19 restrictions, it is now expected that a planning application will be submitted Q4 2021.

5. Northwind Associates Limited

Stronsay (28.8MW). The project has been scoped with Orkney Islands Council and ecology and ornithology studies completed. Development of this project has been paused while uncertainty of TNUoS charging remains.

6. Aquatera

Melsetter – development of this project has been paused, due to issues around ornithology studies at the proposed site.

Scapa Flow – a potential tidal development of a 20MW offshore wind turbine is under review.

ReFLEX (Responsive Flexibility) Orkney is a £28.5 million project aiming to create an integrated energy system (IES) in Orkney, Scotland. Funded by UKRI through the Industrial Strategy Challenge Fund, the project is led by the European Marine Energy Centre (EMEC) with cross-sector partners including Aquatera, SMS, Community Energy Scotland, Heriot-Watt University and Orkney Islands Council. This initiative has been launched to maximise the potential of Orkney's significant renewable generation capabilities by storing more electricity.

Developers continue to invest at risk in projects which support the Ofgem Final Needs Case approval conditions and have made every effort to mitigate delays created by Covid-19.

However, developers are struggling to continue to develop projects given the levels of uncertainty attached to Remote Island Wind projects.

Orkney projects benefit from some of the highest capacity factors in the UK. Ofgem acknowledge the need for a new subsea interconnector to ensure a continued security of supply, decarbonisation and economic benefit to an island community – an investment in infrastructure which encapsulates a green recovery.

However, for Remote Island Wind projects to remain investable and deliver these benefits whilst facing grid charging uncertainty from the ongoing Ofgem SCR (Significant Code Review) and TCR (Targeted Charging Review) is extremely challenging. The conclusion of grid charging reform for distributed generation on Orkney is delayed and unknown.

TNUoS charges for Remote Island Wind projects continue to remain extremely volatile. SSEN (with Baringa) have published a call for stakeholder views on the TNUoS charging regime. We fully endorse the initial findings of the call for evidence. The current TNUoS charging methodology is a barrier to deployment of renewables in the north of Scotland, and in turn to the country's ability to achieve net zero.

At the most recent meeting held between developers, SSEN Transmission and SHEPD, we agreed to raise the possibility that a twelve-month extension to the current Ofgem Needs Case Final Approval of 31 December 2021 may be necessary. There are three main reasons for this request:

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.

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.

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.

As such we would welcome your response and are happy to provide any additional supporting information Ofgem require at this stage.

Yours sincerely

Lizzie Foot on behalf of Hoolan Energy Limited
Alistair Gray and Richard Jenkins on behalf of Hammers Hill Energy Limited
Alistair Gray and Richard Jenkins on behalf of Northwind Associates Limited
Sweyn Johnston on behalf of Orkney Islands Council
Dennis Gowland and Nick Joy on behalf of Neven Point Wind Limited
Gareth Davies on behalf of Aquatera

cc. *Joe Slater, Ofgem*
Euan Norrington, SHEPD
Sharron Gordon, SSEN
Conal Brown, SSEN Transmission
Shona Croy, Orkney Islands Council