

## Update post 25<sup>th</sup> September Meeting

### Scottish Islands Renewables Delivery Forum

#### Building Certainty – The Enablers

#### Activity Tracker

Item	Enabler	Lead Party	Delivery Timescale	Update following meeting on 25 <sup>th</sup> September 2014
1	<p><b>Electricity Market Reform</b></p> <ul style="list-style-type: none"> <li>Confirmation of the allocation of Island onshore wind (i.e. within Group 2 or a new separate Group 4).</li> </ul>	DECC	COMPLETE	<p>DECC announcement on 24<sup>th</sup> July re Scottish Islands have been excluded from the initial CfD budget. DECC failed to secure state aid approval after the European Commission raised concerns with the use of a geographical basis for a CfD technology grouping. DECC working on appeal and aim to submit formal amendment notification within next 2 – 3 months. Offer from Scottish Government to assist in reducing this to 2 – 3 weeks. <b>ACTION:</b> DECC to report back to Fergus Ewing w/c 29<sup>th</sup> September regarding submission timetable. <b>COMPLETE</b> – Refer to letter from Ed Davey dated 27<sup>th</sup> September.</p> <p>DECC unable to confirm if they are going to be in a position to provide early notification of the CfD Strike Price (and associated budget) for any period beyond the first allocation round or give any assurance regarding 'grandfathering'. <b>ACTION:</b> DECC to confirm position ahead of next meeting. <b>COMPLETE</b> – Refer to letter from Ed Davey dated 27<sup>th</sup> September.</p>

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<ul style="list-style-type: none"> <li>• Early visibility of the CfD budget allocation for the Islands, both in terms of £m and anticipated MW volume. This would address early concerns surrounding a perceived 400MW cap and give a degree of certainty to developers that securing a CfD contract is a realistic proposition.</li> <li>• Is there scope for 'grandfathering' of the 1<sup>st</sup> Delivery Plan Period CfD Strike Price (£115MW/h) for a period that covers the 2<sup>nd</sup> Delivery Plan Period (2019/20 – 2023/24) or until the Islands have secured connection (whichever is the earliest)?</li> <li>• Is there an option to offer the Island developers a "bespoke contract" similar to what has been put in place for nuclear<sup>1</sup>?</li> </ul>	<p>DECC</p>	<p>COMPLETE</p>	<p>Refer to comment above.</p>
<p><b>Project Transmit</b></p> <ul style="list-style-type: none"> <li>• Confirmation of TNUoS methodology and implementation date.</li> <li>• Stability and predictability of future TNUoS is a critical factor for developers. NGET to confirm what modifications are currently being considered both within UK and EU that might impact Island developers in the medium / long term?</li> </ul>	<p>Ofgem</p>	<p>COMPLETE</p>	<p>Ofgem confirmed new charging methodology (the "WACM2" option) on 25<sup>th</sup> July. To be introduced from April 2016.</p>
<p>2</p> <ul style="list-style-type: none"> <li>• Stability and predictability of future TNUoS is a critical factor for developers. NGET to confirm what modifications are currently being considered both within UK and EU that might impact Island developers in the medium / long term?</li> </ul>	<p>NGET</p>	<p>December 2014</p>	<p>NGET are considering a proposal in relation to the Western Isles (i.e. the treatment of strategic capacity in the calculation of the Western Isles Local TNUoS charge). The proposal was presented to the Transmission Methodology Charging Forum (TCMF) on 17<sup>th</sup> September. NGET to consider and report back at next TCMF in November. <b>ACTION:</b> Update to be provided at next meeting.</p>

<sup>1</sup> Fergus Ewing wrote to Ed Davey on 5<sup>th</sup> August suggesting this approach.

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<ul style="list-style-type: none"> <li>If the level of TNUoS changes is there flexibility in the CfD Strike Price to review the level of Island uplift?</li> </ul>	DECC	December 2014	No update provided. <u>ACTION</u> : DECC to confirm position at next meeting.
<p><b>Needs Cases</b></p> <ul style="list-style-type: none"> <li>Identify key components (e.g. technical, financial, developer commitment requirements etc) that are required to be included in each of the three Island Needs Cases? Build on learning points from Caithness – Moray and read across to Island links.</li> <li>Confirmation of what is required in a strong Needs Case to demonstrate developer commitment (e.g. evidence of developer Executive Board approval etc).</li> <li>To what degree should wider socio-economic factors be considered in the Needs Case? Who is best placed to assess and quantify?</li> <li>Identification of opportunities to reduce approval SWW process timescale from 12 – 16 months to 6 – 8 months.</li> </ul>	Ofgem & SHE Transmission	December 2014	Common understanding developed of analysis for SWW Needs Cases from Caithness - Moray proposal. Island specific assumptions and procedures to be considered and agreed (e.g. CBA methodology and basis of evaluation). <u>ACTION</u> : Update to be provided at next meeting.
<p style="text-align: center;">3</p> <ul style="list-style-type: none"> <li>To what degree should wider socio-economic factors be considered in the Needs Case? Who is best placed to assess and quantify?</li> <li>Identification of opportunities to reduce approval SWW process timescale from 12 – 16 months to 6 – 8 months.</li> </ul>	Ofgem & DECC	November 2014	Ofgem has indicated their desire to test the robustness of the developers business case and sensitivity to support, costs and timing. All developers have agreed to engage either direct with Ofgem or through a tri-partite arrangement involving SHE Transmission.
	Ofgem & SHE Transmission	December 2014	No update provided. <u>ACTION</u> : Ofgem to confirm position at next meeting.
	Ofgem & SHE Transmission	December 2014	Ofgem and SHE Transmission working to agree the extent of SWW approval work that can be undertaken ahead of any formal submission of Needs Case. Undertaking a degree of pre work (and securing agreement where possible) will reduce the formal approval timescale. Ofgem to issue an updated SWW guidance document within next 2 – 3 months. <u>ACTION</u> : Ofgem to write to Fergus Ewing outlining the 6 – 8 month timeline. The response will include a

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	<ul style="list-style-type: none"> <li>Is there an opportunity to consider a Needs Case based on a level of anticipatory investment? Applicable to all 3 islands, but potentially of greater importance to Orkney in relation securing future marine industry investment.</li> <li>From a consumer interest perspective is there a justifiable requirement to undertake a CBA when the CfD Strike Price for Island onshore wind (£115/MWh) is significantly lower than offshore wind (£140/MWh)?</li> </ul>	<p style="text-align: center;">Ofgem</p> <p style="text-align: center;">Ofgem &amp; DECC</p>	<p style="text-align: center;">December 2014</p> <p style="text-align: center;">October 2014</p>	<p>piece on ITPR. Fergus Ewing to share Ofgem response with members of the Delivery Forum. <b>ACTION:</b> Ofgem to provide further information on what aspects of the Needs Case can be 'signed off' ahead of any formal SWW submission. <b>UPDATE</b> – Letters from Ofgem dated 11 November and 20 November provide a response on some of these points, SG will follow up with Ofgem information on ITPR.</p> <p><b>ACTION:</b> Ofgem to confirm position at next meeting.</p> <p><b>ACTION:</b> Ofgem and DECC to provide Scottish Government with rationale behind "consumer interest test" and the requirement for a supporting CBA. <b>ACTION:</b> Scottish Government also requested a meeting with ██████████ to discuss this point in more detail. <b>UPDATE</b> – See above letters. Meeting held 12 November.</p>
4	<p style="text-align: center;"><b>Queue Management</b></p> <ul style="list-style-type: none"> <li>Allocation of contracted capacity is an issue on the Western Isles and Orkney. Is there an opportunity to review the current 'grid' queue on each Island so that capacity can be reallocated to those who are best placed to use it (i.e. contracted and consented rather than those who are solely contracted)?</li> </ul>	<p style="text-align: center;">NGET</p>	<p style="text-align: center;">October 2014</p>	<p><b>NGET</b> open to discuss capacity allocation on Western Isles and Orkney, but any reallocation must be in accordance with existing rules. <b>ACTION:</b> Tripartite meetings between NGET, SHE Transmission and Island Councils to be set up to discuss queue management related issues. <b>UPDATE</b> – Orkney</p>

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				meeting held on 23 <sup>rd</sup> October. Date for Western Isles tbc pending conclusion re Beinn Mhor project.
	<b>Securities and Liabilities</b>			
	Securities and liabilities are calculated and notified in accordance with CUSC Modification Procedure 192 (CMP192). Mix of fixed and variable which impacts balance of risk between developer and UK consumer. For certain developers (e.g. marine and community back projects on Orkney) the requirements are not aligned with their state of readiness or financial strength.			
5	<ul style="list-style-type: none"> <li>Explore options for 3<sup>rd</sup> Party support, for example, via the Green Investment Bank.</li> <li>Is there scope for CMP192 to be modified to reflect the different states of readiness of individual or classes of developer?</li> </ul>	Developers and Scottish Government  NGET	December 2014  December 2014	Discussions have been held. VEP have a potential funding mechanism which they are exploring. <u>ACTION</u> : Update to be provided at next meeting.  NGET open to discuss developer specific issues. Any proposal to change existing methodology (CMP192) would have to be in accordance with CUSC Section 15 (i.e. via formal CUSC Mod). <u>ACTION</u> : Update to be provided at next meeting.
6	<p><b>Consent</b></p> <p><b>Orkney</b></p> <ul style="list-style-type: none"> <li>There is clear evidence that a high volume of renewable generation is looking to connect on Orkney, particularly onshore wind. Unlikely that all will secure consent. SHE Transmission to engage with Orkney Islands Council</li> </ul>	SHE Transmission & Orkney Islands Council	December 2014	SHE Transmission has met with OIC to discuss consent in relation to "Note of Interest" developers. OIC to publish consultation (during October) that will feed into an update

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<p>discuss likely consent volume.</p> <p><b>Shetland</b></p> <ul style="list-style-type: none"> <li>Developer awaiting outcome of a Judicial Review (JR) in relation to the decision by the Scottish Government to award consent. Current position in relation to JR to be clarified by Scottish Government and any consequential impact on deployment confirmed by Viking Energy.</li> </ul>	<p>Scottish Government &amp; Viking Energy</p>	<p>December 2014</p>	<p>of the local OIC planning guidance for siting onshore wind farms. Discussion ongoing. <b>ACTION:</b> Update to be provided at next meeting.</p> <p>Awaiting decision from Supreme Court regarding appeal from Sustainable Shetland. Likely to delay final consent decision by a further 6 – 12 months. <b>ACTION:</b> Update to be provided at next meeting.</p>
<p>7</p> <p><b>Developer Readiness</b></p> <ul style="list-style-type: none"> <li>GdF Suez has decided not to develop their Eishken wind farm project on the Western Isles<sup>2</sup>. Meeting to be scheduled with GdF Suez to discuss exit timetable and potential for project to be transferred to a 3<sup>rd</sup> Party.</li> <li>The technology readiness of marine, in particular wave, has been the subject of debate for sometime. To assist in the identification of the optimum reinforcement, and to provide opportunities for other developers to enter the market, the marine developers need to review and confirm their exact requirements - MW and deployment timescale.</li> <li>Review evidence required for Needs Case that demonstrates developer commitment (i.e. project bankability / affordability).</li> </ul>	<p>NGET, GdF Suez &amp; SHE Transmission Developers</p>	<p>October 2014</p>	<p>Liquidators have been appointed. Awaiting feedback on discussions. <b>ACTION:</b> Update to be provided at next meeting.</p> <p>SHE Transmission has requested regular updates from Developers. Mixed response to date. <b>ACTION:</b> Update to be provided at next meeting.</p> <p>Refer to Item 3 Bullet 2 above. <b>ACTION:</b> Tripartite meetings between Ofgem, SHE Transmission and Developers to be set up to discuss readiness related issues. To be completed within next 2 months. Meetings</p>
	<p>Developer &amp; SHE Transmission</p>	<p>November 2014</p>	

<sup>2</sup> Eishken Wind Farm - 133MW with consent.

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<ul style="list-style-type: none"> <li>Developers to confirm what they require to be in place and by when, to allow a final investment decision to be made by their respective Executive Boards.</li> </ul>	Developer	November 2014	<p>scheduled for 18<sup>th</sup> and 19<sup>th</sup> November with Western Isles and Shetland developers. Dates for Orkney tbc.</p> <p><b>No update provided. Will be picked up during tri-parite meetings.</b></p>
<p><b>Grid</b></p> <p><b>Western Isles</b></p> <ul style="list-style-type: none"> <li>Difficult to tie down optimum reinforcement (i.e. size, design, technology, programme and cost) until firm and clear commitment (including final deployment profile) is confirmed by the developers. SHE Transmission to review proposed reinforcements and amend as appropriate to reflect current developer requirements.</li> </ul>	SHE Transmission	October 2014	<p><b>Western Isles</b></p> <p>SHE Transmission awaiting confirmation of final developer positions before reviewing existing options.</p>
<p>8</p> <ul style="list-style-type: none"> <li>In December 2013 SHE Transmission notified the Western Isles developers of a revised completion date of Q2 2019. This was predicated on a Needs Case submission date of early 2014. SHE Transmission to review overall time line.</li> </ul> <p><b>Orkney</b></p> <ul style="list-style-type: none"> <li>Until reinforcement is provided there exists a challenge on Orkney to maximise the available capacity of the existing network. SHEPD to discuss with Orkney stakeholders what can realistically be achieved ahead of reinforcement.</li> <li>'Note of Interest' from circa 220MW of generation (of which 177MW of onshore wind). Too much for</li> </ul>	SHE Transmission  SHEPD  SHEPD & SHE Transmission	September 2014  COMPLETE  December 2014	<p>After reviewing the anticipated timescales for addressing the remaining uncertainties a reinforcement completion date of no earlier than 2020 is the current position.</p> <p><b>Orkney</b></p> <p>Public seminars were held on 11<sup>th</sup> and 12<sup>th</sup> August. Seasonal Line Ratings (SLR) implemented in September. No further innovation planned thereafter.</p> <p>Working through 'Note of Interest' volume. Undertaking initial distribution design review.</p>



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<p>distribution reinforcement but not enough for transmission when anticipated attrition is taken into account. SHE Transmission to engage with Orkney stakeholders to quantify exact requirements.</p> <ul style="list-style-type: none"> <li>Discussions ongoing with EU Commission regarding possible funding. Pressure to identify options ahead of EU elections in November.</li> </ul> <p><b>Shetland</b></p> <ul style="list-style-type: none"> <li>Viking Energy is reviewing mainland connection points for their proposed connection. Viking Energy to confirm their exact requirements.</li> </ul>	<p>Orkney Islands Council &amp; Scottish Government</p> <p>Viking Energy</p>	<p>December 2014</p> <p>December 2014</p>	<p>Developer meetings to be arranged over next 2 – 3 months. <u>ACTION</u>: Update to be provided at next meeting.</p> <p>“Marine R&amp;D” meeting held on 27<sup>th</sup> August, chaired by Scottish Government. Options under review. No date set for follow up meeting. Request from EMEC that this work is taken forward as a priority. <u>ACTION</u>: Update to be provided at next meeting.</p> <p><b>Shetland</b></p> <p>VEP have indicated they do not intend to pursue alternative connection point. VEP focussed on MITS definition and impact of JR appeal by Sustainable Shetland. NGET confirmed they have had discussions with VEP regarding connection design and definition of MITS. <u>ACTION</u>: NGET to confirm MITS position.</p>
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