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Dear Sir

**CMP320 - Island MITS Radial Link Security Factor**

Thank you for the opportunity to respond to the above.

Highlands & Islands Enterprise (HIE) along with its local partners - the democratically elected local authorities covering the north of Scotland and the islands; Shetland Islands Council, Orkney Islands Council, Comhairle nan Eilean Siar, The Highland Council and Argyll & Bute Council – for many years have consistently sought to influence the direction of grid regulatory matters to ensure the interests of our region are taken into account. HIE and its partners also work closely with Scottish Government in relation to grid regulation.

The Highlands and the Islands off the north and west coast of Scotland represent a large geographical region. The region has a low population density with many pockets of population spread across areas that are often remote. As you are aware, the region is home to a large volume of renewable energy generation – from small scale, community developments to very large commercial installations.

We are supportive of the proposal but would like to see the definition broadened to include other locations with the same characteristics as remote islands. We also question whether there may be a simpler route to achieving the same objective. Our details comments are attached.

We look forward to seeing the results of this further consultation in due course.

Yours sincerely



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In partnership with: -

Shetland Islands Council  
Orkney Islands Council  
Comhairle nan Eilean Siar  
The Highland Council  
Argyll & Bute Council

**Q1: Do you believe that CMP320 Original Proposal better facilitates the Applicable CUSC Objectives?**

Yes, in our view it promotes competition and increases cost reflectivity by addressing what would be the current over-charging of island links if a Main Interconnected Transmission System (MITS) node were to be created on the island. The status quo means generators on the islands are charged 80% more than is cost reflective due to the application of the 'global' Security Factor of 1.8. This situation would arise if single circuit transmission connections extend to the Western Isles, Orkney and Shetland and MITS nodes are created on those islands. Currently, this scenario appears less likely due to the recent outcome of the UK Government's Contracts for Difference (CfD) allocation round [1].

In relation to the competition point, under current industry arrangements a Security Factor of 1.8 for single circuit island links massively distorts competition between island generators and other generators. This presents a further challenge to reducing the high costs which currently act as a barrier to new renewable generation on the islands. Barriers to renewable generation on the islands jeopardises energy security, and the potential to contribute to Scotland's (and the wider UK's) ambitious climate change mitigation targets.

CMP320 also better aligns with the EU Renewable Energy Directive (2009/28/EC) which calls for non-discriminatory implementation of national industry codes, particularly for generation in the Highlands and Islands with its geographic and low population density challenges. To that end, we strongly welcome the application of a Security Factor of 1.0 rather than a 1.8 'one size fits all' methodology.

However, we are concerned that there may be other, non-island connected generators which may similarly be caught by this distortion. This is certainly possible for some circuits across the Highlands and Islands, depending on National Grid Electricity System Operators (NGESO) review of Transmission Network Use of System (TNUoS) Generation Zones for RII0-T2. Re-zoning can have an impact on network changes, generation and demand voltage level, circuits between MITS nodes and local/wider infrastructure assets [2]. Therefore, we do not think that CMP320 should be limited to remote island generation, and believe that the solution should be broader and a solution developed for all connections with the same characteristics as the islands.

We also question whether there is simpler way in which to achieve the same objective. For example, it could be achieved by redefining what constitutes a MITS node in terms of a remote island connected by single circuit, and to reclassify such as 'local circuits'. The CMP320 proposal complicates the TNUoS model by changing the security factor for these nodes in the wider analysis.

**Q2: Do you believe that the Workgroup has met its Terms of Reference?**

No Comment.

**Q3: Do you support the proposed implementation approach?**

We support the implementation approach and the timeline proposed. Since the CfD auction has concluded, we believe that the CUSC Modification Proposal does not need to be treated as urgent, and that the proposed timeline allows the modification to go through the due process without getting short-circuited.

**Q4: Do you have any other comments?**

Scottish and Southern Energy (SSE) proposes to amend Section 14 of the CUSC to apply a Security Factor of 1.0 (rather than 1.8) where a MITS node is located on an island which, in turn, is connected to the mainland on a single radial subsea circuit. We flag our concerns with the Renewable Island Wind classification for CfDs, in which for entry into the CfD auction, defines an island system as being '*sufficiently remote from the GB coast and MITS connection point*' [3]. Our concern is how this will work if the CMP320 modification is approved.

We recommend a more efficient approach and believe that a better definition of a MITS node would work best, i.e. MITS node as per current definition, but if it includes a single circuit to the mainland or rest of the MITS then it should be classed as local circuit and not MITS.

**Q5: Do you wish to raise a Workgroup Consultation Alternative request for the Workgroup to consider?**

Yes, as per above, we believe that it would be better to redefine what a MITS node is in terms of remote islands connected by a single circuit, and to reclassify them as 'local circuits'. Although we support the concept of CMP320, we believe that it could add complexity to the TNUoS model.

We also believe that generators connected to 'MITS' nodes on the mainland with a connection security of less than 1.8 should be considered under CMP320.

**Q6: Do you believe that the Legal Text (set out in Annex 3 of the Workgroup Report) achieves the intent of this Modification?**

No comment.

**Q7: Would it be better, in terms of the Applicable Objectives, for the solution to apply only to subsea circuits, or also include onshore circuits as well. Please explain your answer?**

We do not think that CMP320 should be limited to remote island generation, and believe that the solution should be broader, in that for remote island generation the approach should cover all connections with the same characteristics. This is explained further in Q1.

**References**

- [1] Department for Business, Energy and Industrial Strategy, “Contracts for Difference Allocation Round 3 Results”, 20 September 2019.
- [2] ScottishPower Energy Networks, “SP Energy Networks RIIO-T2 Business Plan”, 01 July 2019.
- [3] Department for Business, Energy and Industrial Strategy, “Consultation on classifying remote island wind as a separate technology in the Contracts for Difference (CfD) scheme”, 11 December 2017.

