Highlands and Islands Enterprise
Iomairt na Gàidhealtachd 's nan Eilean

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Dear Sir

CMP320 - Island MITS Radial Link Security Factor, 2nd consultation

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 – responded to the earlier consultation on this issue, and are pleased to do so again. Securing investment in island interconnection is critically important to us given the substantial renewables resources on our islands and the significant economic and social benefits that would flow from their development.

We remain entirely supportive of the proposed modification and in our detailed comments below argue for the introduction of WACM 1.

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

Yours sincerely

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Q1: Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives?

Ultimately, the Original, WACM 1 and WACM 2 all better facilitate the applicable CUSC objectives than the Baseline, because the current arrangements result in a material economic distortion in the calculation of remote island Transmission Network Use of System (TNUoS) charges.

We believe that CMP320 improves the baseline CUSC in relation CUSC Objective (a), promoting competition, because the correction would better facilitate the deployment of renewables on the islands, and thus, offer more competition in the generation market, and that single links offering no redundancy charged at a security factor of 1.0 would be fully cost reflective. Further, the status quo massively distorts competition between island and other generators. This presents a further challenge to island generators, particularly when these island groups already share significant challenges of high and difficult to predict connection costs and network charges.

We also support CMP320 because the correction increases cost reflectivity whilst having no significant adverse impacts, thus fulfilling Charging Objective (b). This modification will correct what otherwise will be an over-charge. For example, 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 may arise if single circuit transmission connections extend to the Western Isles, Orkney and Shetland and MITS nodes are created on the islands which would not be in the control of these generators. All solutions identify and address 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.

We also believe the proposed modification would fulfill Charging Objective (c) by ensuring that the CUSC reflects changes in the transmission system over time. This is pertinent given the probability of future island MITS nodes after the UK Government's most recent Contracts for Difference (CfD) allocation round and Ofgem's subsequent provisional decisions on the Needs Cases for the island groups.

- **WACM 1 – to ensure the defect is rectified fully in an efficient way with minimum risk to other areas of the TNUoS methodology**

In our previous response we questioned whether there is a simpler way to achieve the same objective as the original. We are pleased to see that the Workgroup has considered the alternatives we raised and would like to reiterate our views and support for WACM 1.

For WACM 1, 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', because this could alleviate any complexities added to the TNUoS model as a result of CMP320.

Furthermore, in relation to a scenario in which there is more than 1 island MITS node, but that is still only connected by a single circuit, we believe that the wording of the CUSC should be amended to ensure that all island scenarios presented with reduced connection redundancy have a Security Factor of 1.0.

- **WACM 2 – to ensure the defect in a non-geographically discriminatory way, that does not treat islands differently other than insofar as principles and connection topology may dictate**

The original and WACM2 are very similar except that WACM2 seeks to make the application generic to any similar circuit in the Transmission Network. We initially proposed that CMP320 goes further and addresses this defect in non-island locations with the same characteristics, particularly because this would be advantageous to generators throughout the Highlands and Islands region without any discriminatory issues. While we still support this view, we are also clear that CMP320 is of particular importance to island generators now. We would therefore support this wider issue being raised as a separate modification process.

In summary, we wish to reinforce our support for CMP320 and note our preference for WACM 1. We believe that the current 'island methodology' baseline is not appropriate or cost reflective, and we strongly support the continued implementation of a stable, transmission regime which is transparent, cost reflective and fit for purpose.

Q2: Do you support the proposed implementation approach?
We broadly support the implementation approach and timetable proposed. The proposed timeline allows the modification to go through the due process and gives all parties time to assess the impact of the changes. HIE considers that an implementation date of 01 April 2021 would be suitable

Q3: Do you have any other comments?
HIE does not have any further comments on this proposal.