

**From:** Calum Iain MacIver | G [mailto:calum.maciver@cne-siar.gov.uk]  
**Sent:** 30 January 2015 12:40  
**To:** Corby, Dave  
**Subject:** Treatment of Anticipatory Investment in Determining the Local TNUoS tariff for the Western Isles Link

Dear David

**TREATMENT OF ANTICIPATORY INVESTMENT IN DETERMINING THE LOCAL TNUoS TARIFF FOR THE WESTERN ISLES LINK**

I am taking this opportunity to respond on behalf of Comhairle nan Eilean Siar (Western Isles Council) to National Grid's "Open Letter" to industry, dated 15<sup>th</sup> December 2014 in relation to the above topic.

Comhairle nan Eilean Siar has been a long-time supporter of renewable energy development in the Outer Hebrides. The Comhairle has long taken the view that the present Transmission Network Use of System (TNUoS) methodology is working against the interest of our islands and has over the past decade been a major inhibitor to significant renewables projects proceeding in the islands. The Comhairle therefore supports approaches to TNUoS that can alleviate the present anticipated TNUoS levels faced by island generators.

In response to the specific questions outlined in the "Open Letter" I would respond as follows:

**Question 1: What are your thoughts on the options presented for treatment of proposed anticipatory investment with respect to the Western Isles link?**

Comhairle nan Eilean Siar (the Comhairle) would like to support Option 1 as it aligns well with the existing charging arrangements for both onshore and offshore generators.

The Comhairle supports the more refined calculation of local circuit expansion factors. We believe that the method adopted for calculating the tariffs relating to the offshore and onshore circuits should be consistent – with each element of the local circuit calculated on the rated capacity of each link. Therefore, the Comhairle considers that Option 1 allows the treatment of this anticipatory investment to align closely with the charging signals that are seen by other generators – particularly offshore. Local circuit expansion factors are calculated on the basis of the network export capacity and security factor.

It is clear from the facts presented in the consultation that the network export capacity from the system node at Dundonnell to Beaulay is 900MW, with a security factor of 1 (as it is a single circuit design). Many offshore generators with single circuit connections have rated circuit capacities above the sum of the entry point capacity for the generators that are served by these links. This extra capacity due to oversizing results in an element of local circuit investment that is not targeted at the offshore generators through the local tariff element. Nor is the incremental investment cost drawn out and treated separately to the remainder of the asset investment as is proposed in Option 2. The circuit tariff is calculated on the basis of the network export capacity and the circuit security factor.

**Question 2: Do you believe that such treatment of anticipatory investment should be more explicit within Section 14 of the CUSC?**

The Comhairle supports the publication of guidelines from National Grid regarding the treatment of anticipatory investment within the use of system charging structure.

**Question 3: Do you have any other thoughts or comments relating to the treatment of anticipatory investment either in the calculation of the local circuit tariff for the Western Isles link or more broadly in the TNUoS charging methodology?**

*Investment risk reflected in charging arrangements*

The generators currently contracted on the Western Isles are exposed to significant risk – placing security against the construction of the new HVDC link. It would be discriminatory to target the full investment cost (even the investment cost net the incremental) through use of system charges to this tranche of generators. This would discriminate between the current set of contracted generators with future generators that have the advantage of the anticipatory investment which not only lowers the overall local circuit tariffs (due to the reduced incremental cost compared to the installation of two separate circuits) but also the planning and consenting risk and timeframe. Therefore, in order to avoid anti-competitive treatment of these groups of generators, the charging of the shared assets (onshore cable circuit) should not vary depending on the connection of further entry capacity.

I trust the above responses are useful to National Grid in their consideration of these issues. If there are any additional questions or queries arising from the above then please do not hesitate to contact me.

Yours faithfully

Calum Iain Maclomhair

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Ag Obair Comhla airson na h-Eileanan Siar **COMHAIRLE NAN EILEAN SIAR** Working Together for the Western Isles

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