

RIIO-2 Team
Ofgem
9 Millbank
Westminster
London
SW1P 3GE

1 May 2018

Dear Sir/Madam

RIIO-2 Framework Consultation

Scottish Renewables is the representative body for the renewable energy sector in Scotland, working to grow a sustainable industry which delivers secure supplies of low-carbon, clean energy for heat, power and transport at the lowest possible cost. We represent around 270 organisations ranging from large suppliers, operators and manufacturers to small developers, installers and community groups, and companies right across the supply chain.

Renewable energy generation, particularly at a distributed level, has grown considerably over the duration of the current price control period, and we expect this trend to continue. The Committee on Climate Change has stated that in order to meet the fifth carbon budget renewable energy capacity will need to at least double to reach around 60 – 90GW by 2030¹. Similarly, The Institute of Engineering and Technology (IET) recently estimated that by 2030 the number of generators providing services to the network will have increased from around 15 to over 600,000.²

These projections, coupled with policy ambition through the Clean Growth Strategy³, Climate Change Act⁴, and Scottish Energy Strategy⁵, clearly signal both a need and ambition to continue deployment of new renewable energy capacity across the GB system. It is vital that our electricity networks are able to support these objectives, and that the RIIO-2 Price Control framework enables network operators to respond to demand for connections, support

¹ <https://www.theccc.org.uk/publication/the-fifth-carbon-budget-the-next-step-towards-a-low-carbon-economy/>

² <http://www.theiet.org/sectors/energy/resources/modelling-reports/index.cfm>

³ <https://www.gov.uk/government/publications/clean-growth-strategy>

⁴ <https://www.legislation.gov.uk/ukpga/2008/27/contents>

⁵ <http://www.gov.scot/Publications/2017/12/5661>

generation profiles of renewable technology, and enable the wider shift to a distributed, smart and flexible low-carbon energy system.

We set out below a series of broad principles we believe should be reflected in the price controls. In particular we set out specific considerations relating to the network in Scotland.

1) Align RIIO-2 with government ambition on renewable generation

We believe that the price control mechanism should be designed to support the delivery of a low-carbon energy system, in line with government ambitions outlined above.

Principally, this means using the price control mechanism to strike the right balance between supporting investment in the network to enable deeper and greater penetration of renewable generation, and enabling network innovation (see further detail below). In our view both the deployment of innovative solutions and infrastructure upgrades are required.

As our energy system changes to meet these objectives our networks are being used in different ways. A whole-systems approach to decarbonisation – in particular the impacts of decarbonising heat and transport - will have further impacts on the electricity network. While we anticipate that some of these impacts can be managed flexibly, we would anticipate further network reinforcements to be required if we are to meet our ambitions. RIIO-2 needs to be designed to enable this.

We would stress that aligning the price control with these ambitions supports other policy objectives and aims of the mechanism itself. For example, some renewable technologies, such as onshore wind and solar are now the cheapest forms of new generation. Their deployment supports ambitions on lowering the cost of electricity for consumers, and the network services these technologies can provide are well placed to support the provision of a secure system.

2) Enabling Scottish networks to support volumes of capacity

As we move to a low-carbon and distributed system, generation is increasingly removed from centres of demand. Often the best renewable energy resources are at the periphery of the network.

RIIO-2 (and surrounding regulation, such as on network charging) needs to adapt to this shift. Renewable generation, particularly in the north of Scotland, must be allowed to reach

demand in a fair, cost-reflective manner – and in a way which encourages the utilisation of our best renewable assets.

Availability - Scottish islands links

Timely connections to the Scottish Islands are of particular importance in ensuring we best utilise our renewable resources, alleviate current and future constraints on the network, and deliver the already consented capacity in these regions. We would encourage Ofgem to consider how the RIIO-2 price control period can reinforce government and industry ambition.

The need for suitable island connections will only increase in importance following the UK Government's announcement that it intends to allow wind projects on the remote islands of Scotland to compete in the next Contracts for Difference auction, to be held in spring 2019. Over 700MW⁶ of wind projects with planning consent are based on these islands. Connections to effectively allow these projects to export to centres of demand will be crucial for these assets to come to market and benefit the GB system.

Strategic Wider Works (SWW)

Given the high value and uncertain nature of many Scottish transmission infrastructure needs, a large amount of Scottish Transmission Owners planned infrastructure investment is required to gain Ofgem approval through the SWW process.

For many renewables generators (whose projects may rely upon successful outcome) this process can often seem opaque. Given there is a clear interest from all parties to ensure that the needs case is robust and that the regulator fully accounts for all costs and benefits.

3) Enabling Innovation across the networks

Along with investment in the network, we would welcome RIIO-2 encouraging network innovation to drive efficiency in network operation and smart solutions which will enable a flexible, low-carbon energy system.

⁶ <https://www.gov.uk/government/news/boost-for-island-wind-projects-as-uk-government-announces-new-funding-for-renewable-generation>

Given the challenges raised by increasing volumes of DER on the system, coupled with the likely rise of electric vehicles and the electrification of low-carbon heat, enabling network operators to adopt innovative solutions will be essential.

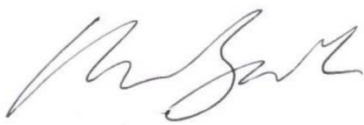
Crucially, successful innovations must be adopted into 'business as usual' operational models for them to demonstrate value across the networks.

In our response to the consultation on the Scottish Government's Energy Strategy⁷, in May 2017, Scottish Renewables compiled a non-exhaustive list of innovation projects including an element of network innovation visible in Scotland. 68 projects were identified, with many delivering impressive results. It is crucial that innovation funding, and regulatory mechanisms are aligned to deliver value from these projects by building on their success and integrating innovations into 'business as usual'.

4) Stakeholder Engagement

Given the impacts that RII0-2 will have for multiple users of the electricity system, we expect Ofgem to undertake a detailed stakeholder engagement process. Given the unique challenges faced by both operators and users of the networks in Scotland we would strongly encourage Ofgem to ensure representation across all geographies to ensure outcomes deliver for industry and consumers across the GB network.

Yours sincerely,



Senior Policy Manager

Scottish Renewables

⁷ <https://www.scottishrenewables.com/publications/consultation-response-energy-strategy/>