

SUBMISSION FROM DEPARTMENT OF ENERGY AND CLIMATE CHANGE

Thank you for the opportunity for the Department of Energy and Climate Change to give evidence at the Scottish Parliament's Economy, Energy and Tourism Committee's inquiry into security of supply on Wednesday 17 June. This letter is in response to the areas where we promised to provide further information.

Capital costs for the interconnectors to Norway and Iceland

Capital costs of the NSN interconnector to Norway is approximately £2 billion. This is private sector investment and does not involve public money. The project is expected to deliver benefits to the GB consumer of around £3.5 billion over 25 years.

The Iceland interconnector is not at a stage where we have reliable estimates of costs, but we would expect them to be slightly higher than a comparable interconnector to Norway. This is due to the additional distance and the challenges of laying the cable in deeper and rougher waters.

Charging arrangements for interconnectors

Interconnectors are essentially wires and considered to be part of the transmission network. They are not classified as either generation or demand and do not pay transmission charges.

Generators exporting to GB over an interconnector will pay charges for access to the transmission network in their own country

Total GB welfare is increased by good interconnection projects, it is demonstrably good for consumers given we import electricity when wholesale prices in other countries are lower than in GB, lowering our consumers bills.

Carbon dioxide (CO₂) storage

In order to store CO₂, store operators must obtain a Licence and a permit to store CO₂ and agree access rights to the land where the storage will occur. Potential responsibility for CO₂ specific storage risks are governed by (i) the CCS Directive and the terms of the storage permit and (ii) for the UK Commercialisation Programme projects, any additional specific contractual arrangements agreed. Further explanation of this is set out below.

The Carbon Capture and Storage (CCS) Directive (2009/31/EC), prohibits the geological storage of carbon dioxide without a permit from the relevant 'Competent Authority'. The permit must be compliant with EU legislation, which provides that:

- Responsibility and liability for a storage site rests with the CCS storage operator during the site's operational phase, and for a pre-agreed post-closure monitoring period;

- Responsibility for the long-term management of, and liability for, a CCS storage site transfers to the Competent Authority that granted the permit, once pre-agreed conditions are met, and after a pre-agreed monitoring period.

In the UK, the Secretary of State for Energy and Climate Change is the Competent Authority for offshore storage, except within the territorial sea adjacent to Scotland, where Scottish Ministers would authorise. The Smith Commission has made no recommendations to change this arrangement. Since neither project is proposing to store CO₂ within Scottish territorial sea, the Scottish Government would not be expected to issue storage permits to either project.

Commercially sensitive contract negotiations between DECC and two potential CCS project developers are continuing under the UK's £1bn CCS Commercialisation Competition. This part of energy policy is not devolved and therefore it will be the Secretary of State for Energy and Climate who will sign any Carbon Capture and Storage Competition Project Contracts, not Scottish Government.

Distinct from obtaining a storage permit, potential storage site operators must also agree access rights from The Crown Estate (TCE), since ownership of the seabed (and therefore of offshore CO₂ storage sites) is vested with Her Majesty. This access rights management function will be devolved, with responsibility passing from TCE Commissioners to Scottish Ministers, or persons nominated by them, as part of the Scotland Bill.

Voltage control contract with Peterhead

Further information around the decision over the voltage control contract with Peterhead, is available at: <http://www2.nationalgrid.com/Mediacentral/UK-Press-releases/2015/Contract-awarded-for-2016-17-voltage-support/>

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