



Norwegian Ministry of Petroleum & Energy
P.O. Box 8148 Dep.
NO 0033 Oslo
Norway

SSE Interconnector Ltd
Inveralmond House
200 Dunkeld Road
Perth
PH1 3AQ

Direct Line: +44 (0) 1738 456664
Facsimile: +44 (0) 7767 852679
e-mail: derrick.allan@sse.com

14th November 2012

Your Ref:
Our Ref: LT000044 / 05

Dear Sir / Madam

RE: Proposed Amendments to Norwegian Energy Act

Reference is made to the proposal from the Ministry of Petroleum and Energy (MOPE) dated 18th of September 2012 regarding certain amendments to the Energy Act and the associated public consultation process.

As an Owner company and shareholder in the NorthConnect joint venture to build and operate an HVDC interconnector between Norway and the UK, SSE would firstly like to reiterate that we support the detailed arguments laid out in the NorthConnect KS response to the consultation. As such, we do not intend to repeat the specific points contained therein, other than to note our opposition to the proposal and back NorthConnect KS's conclusions, namely:

- ◆ A call for a risk and impact assessment in line with Norwegian regulations;
- ◆ The lack of a legal case for ownership limitations in order to meet third package regulations;
- ◆ Possible illegality of the proposal in relation to the EEA Agreement;
- ◆ The likely consequence of decreasing the number of interconnectors; and finally
- ◆ Our support to bringing the matter before ESA if the proposed amendment is enacted.

Further to this, SSE would like to make the following specific points in relation to the UK and Scottish perspectives for interconnectors with Europe and Norway.

Both the UK and Scottish governments positions, in addition to SSE's own position, is that we support and encourage the development of 3rd Party (or merchant) interconnectors as a supplement to TSO projects and the onshore electricity grid. We would cite several reasons for this:



- ◆ Merchant models bring private finance and investment to electricity infrastructure;
- ◆ They protect consumers from the downside risk of under-utilisation of the asset;
- ◆ They bring the same socio-economic benefit for integrating power markets as TSO projects; and
- ◆ The developers can take a “country-neutral” view of the most cost-effective and efficient, capital and operating solutions.

Furthermore, the concern of merchant owners making super-profits can be addressed through appropriate conditions in the licensing and regulatory framework, as demonstrated by Ofgem’s current trial of a Cap & Floor mechanism on the proposed interconnector between the UK and Belgium.

Finally, we would like stress our view of the importance of an interconnector between Norway and Scotland. The principles of NorthConnect’s socio-economic model, and SSE’s reason for the involvement in the project, have always been centred around connecting renewables. In other words, the large increase in the proportion of planned Scottish hydro and wind generation, and its interoperability benefits with the Nordic Market dominated by hydro generation. This makes for a very different socio-economic model to the proposed TSO cable connecting further south in the UK. The loss of NorthConnect, which would be a probable consequence of the enactment of the proposed amendments, would deny both Norway and Scotland the opportunity to realise these economic benefits.

Yours sincerely

A handwritten signature in black ink that reads "Derrick Allan". The signature is written in a cursive style and is positioned above a horizontal line.

DERRICK ALLAN
Head of New Ventures, SSE