

Transmission Network Use of System

A post charging review charging regime



Scottish & Southern
Electricity Networks

TRANSMISSION



About Us

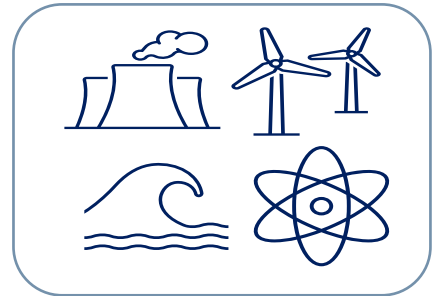
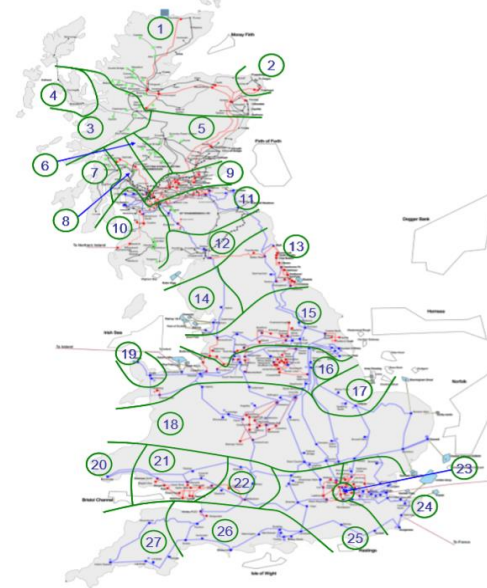
- As the Transmission Owner (TO) we maintain and invest in the high voltage 132kV, 275kV and 400kV network in the north of Scotland
- Our license area extends **over a quarter of the UK's land mass** crossing some of its most challenging terrain.
- Our RIIO T2 **stakeholder led business plan** was awarded the **Highest Confidence Reward** out of all TOs.
- Agreed a **baseline total expenditure of £2.16bn.** to deliver a Network for Net Zero.
- Certain View delivers the **capacity and flexibility to accommodate 10 GW renewable generation** in the north of Scotland by 2026
- Certain View **capital investment of £814 million in generation connections, regional and strategic infrastructure**
- We are the world's first electricity networks company to receive external accreditation for a science-based target in line with a 1.5°C global warming pathway.

Generation TNUoS

Local Circuit & Substation Tariff

The locational charge (Wider TNUoS)

The Adjustment Factor



£/ MW / km

Transmission Network Use of System (TNUoS) Charges

- A charge to recover the cost of the installation and maintenance of the transmission network.
- Both generation and demand pay to use the transmission network through TNUoS.
- Generators are charged based on their declared capacity, known as Transmission Entry Capacity (TEC). Energy suppliers pay TNUoS based on the actual electricity demand of their customers.
- The Electricity System Operator (ESO) recovers the revenue on behalf of the Transmission Owner (TO)
- Detail of the charging methodology is detailed in Section 14 of the Connection Use of System Code (CUSC).
- Network charging is regulated by Ofgem.



Why are we involved in TNUoS

Our stakeholders have told us...

- The cost of wider TNUoS could effect the sustainability of their projects.
- Wider TNUoS is far more expensive in the north of Scotland than anywhere else in GB.
- Wider TNUoS is a barrier to entry, costs are volatile and unpredictable.

How does this affect us?

'Put simply, timing and sizing uncertainty for generation developers translates to timing and sizing uncertainty for network investment.'



The critical importance of renewable generation required from the NoS

NoS FES tells us we need significant renewable capacity to support GB reaching net zero.

20-23GW
by 2030

33-37GW
by 2050



Home to 2%
of the UK
population

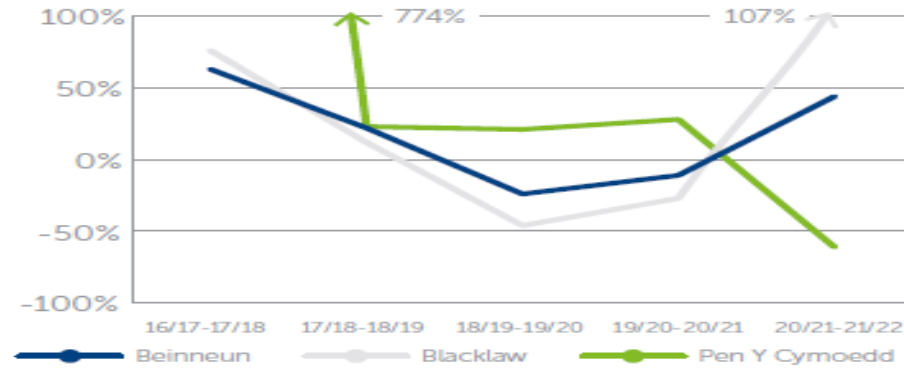


Contributing
10%
Of total action
needed to achieve
UK net zero.

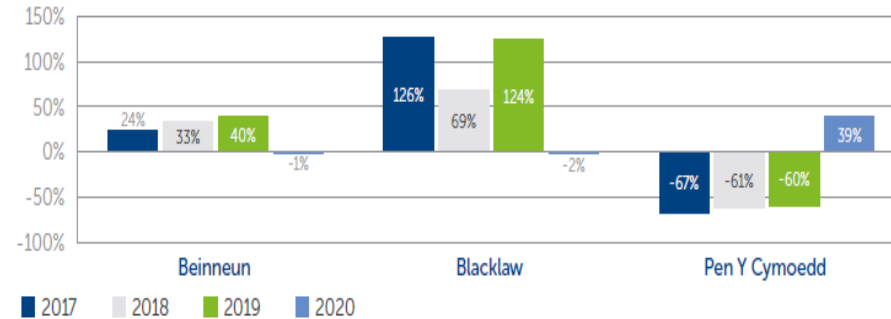
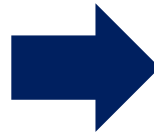


What are the current issues with TNUoS - Evidence based analysis

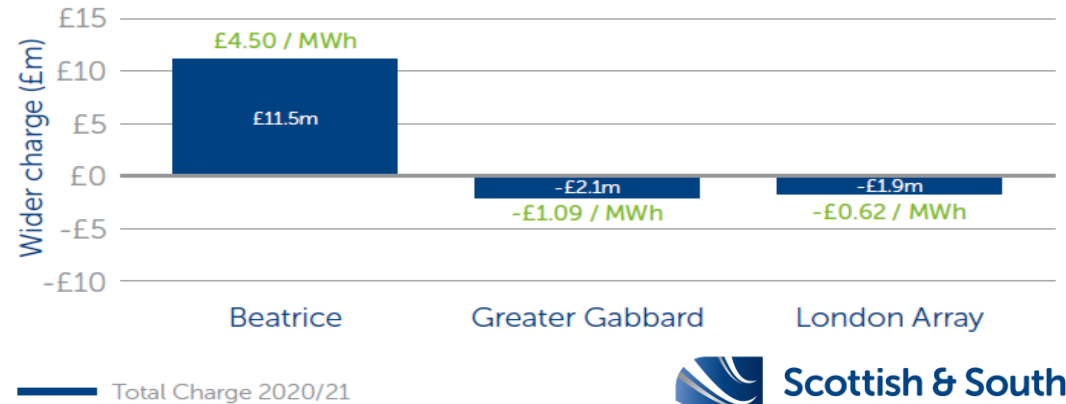
Charges are volatile



Charges are unpredictable

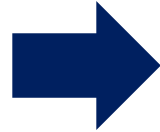


Disproportionately high costs



Further Issues

Volatile TNUoS risks increasing consumer bills

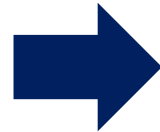


Cashflow volatility & CfD bid mispricing alone



Estimated consumer cost up to **£14** per GB household by 2030

No apparent value in the locational 'signal' for generators.



Availability of energy resources (wind water sun)

Crown Estate & Crown Estate Scotland chose location of seabed.

TO decides point of connection.

Unpredictable TNUoS is in contrast to stable TO revenues

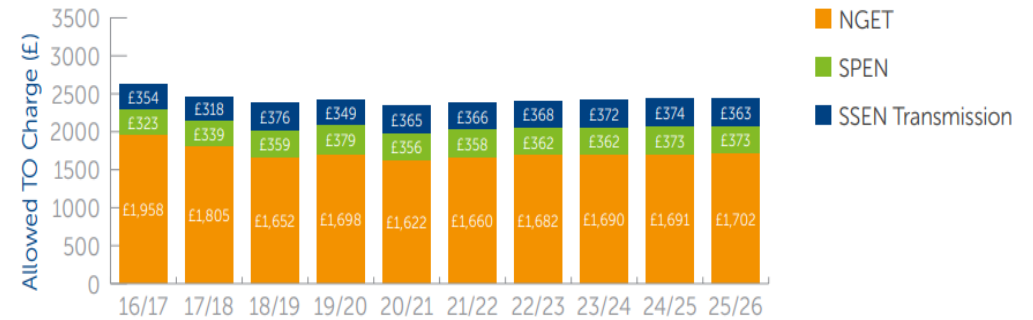
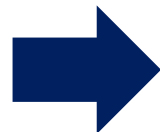
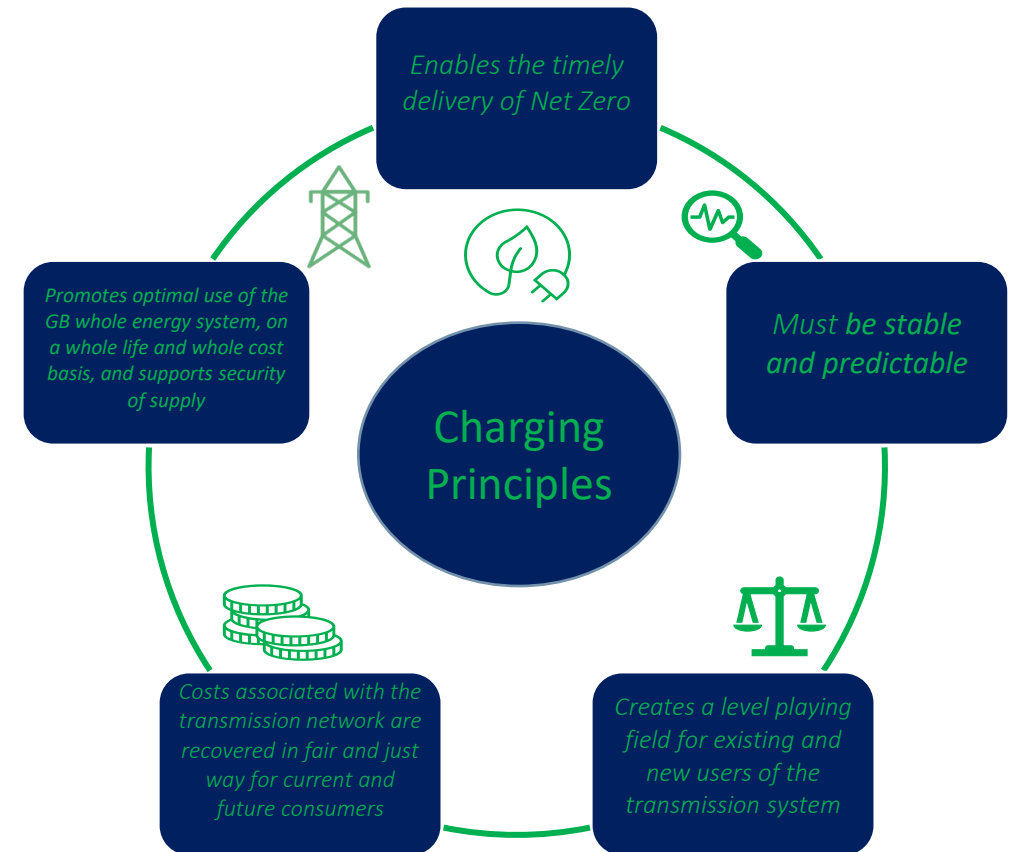


Figure 4 The maximum allowed TO charges (in 2019/20 prices)

Our view on what is required for reform

- We welcomed Ofgems CfE. Collaboration with industry is critical.
- To ensure that consumers pay least cost whilst delivering net zero clear strategic direction for national policy will be critical.
- Any review / reform must be practically implementable.
- Reform must happen now, time is running out.

Our view is that a principle led review is critical



Thank you for listening