

SSEN Transmission

Annual report of the Managing Director of Transmission

Covering the period from 1st April 2023 to 31st March 2024



Introduction

This report and statement have been prepared by the Managing Director of SSEN Transmission for the directors of Scottish Hydro Electric Transmission plc (SHE Transmission), operating as SSEN Transmission, in accordance with the provisions of Special Licence Condition 9.16.9, Independence of and appointment of Managing Director of the Transmission Business, of SSEN Transmission's licence.

Following a minority stake sale completed in November 2022, SSEN Transmission is now owned 75% by SSE plc and 25% by Ontario Teachers' Pension Plan Board. SSEN Transmission is now governed by the recently appointed SSEN Transmission Board in accordance with the direction issued by the Gas and Electricity Markets Authority (the Authority) under Special Licence Condition 9.15 of SSEN Transmission's licence. This outlines requirements on the licensee to appoint an independent compliance officer and report on compliance against the licensee's duties on an annual basis.

This report and statement have been prepared as soon as practicable after the end of the financial year 2023/24 and the subsequent attainment of scheduled assurance and governance.

Report for the period to 31 March 2024 (actual) and to 31 March 2025 (forecast)

As the Managing Director of Transmission, I am responsible for the conduct of the SSE Networks Transmission business and our external transmission activities. In making this report for the period 1 April 2023 to 31 March 2024, I consider below those factors that are of material impact to the conduct of the transmission business.

People

The headcount across SSEN Transmission increased from 1,292 Whole Time Equivalent (WTE) at 31 March 2023 to 1,738 (WTE) at 31 March 2024, an increase of 446 WTE. This growth is predominantly due to the ongoing increase in the workload associated with delivering our 'Network for Net Zero' RII0-T2 Business Plan and the continued forecast growth in renewable generation in the North of Scotland as the GB economy decarbonises. During the course of this year, the Accelerated Strategic Transmission Investment (ASTI) framework has made a material impact on our headcount and capabilities requirements.

Looking ahead to 31 March 2025, our internally approved budget increases this headcount further to 2,253 WTE. To ensure our workforce meets the capability and skills requirements of our business, and in line with our People Strategy, we have a dedicated Workforce Planning Manager. All staff employed by SSE are notified of SSEN Transmission's obligations under Special Licence Condition 9.14 of SSEN Transmission's licence, Restriction on the use of certain information.

Expenditure

Our capital investment (excluding capitalised overheads and interest) for the year ending 31 March 2024 was £680m¹ with the approved budget for the following year to 31 March 2025

¹ All costs are nominal

set at £1.357bn. This significant year-on-year increase is primarily driven by £0.6bn expenditure on uncertainty mechanism projects which includes ASTI, Orkney, Skye & Argyll Reinforcements offset by a reduction in Shetland as it completes in 2024/25. There is also an increase in our T2 certain view capital projects which are at different stages during the price control

Our overheads (Gross Indirect overheads) for the year ending 31 March 2024 were £184m, with the following year forecast to be £265m at 31 March 2025. The bulk of this year-on-year expenditure increase relates to the aforementioned additional headcount being required to ensure safe and secure operation and ongoing investment in the growing North of Scotland transmission system which includes ASTI and the other projects mentioned above. As well as helping with the continuation of our Business-as-Usual activities, this growing expenditure also supports the emergence of technological developments to greatly assist our endeavours to align with national decarbonisation ambitions set out by the UK Government for a zero-carbon power system by 2035.

Our direct operating costs for the year ending 31 March 2024 were £18m, with a forecast of £21m for the for the following year to 31 March 2025. This year-on-year increase of £3m is attributable to network growth, with the most notable expenditures relating to direct costs associated with our Shetland project for the new Long Term Service Agreement (LTSA), increased cable damage repair works, as well as increased tree cutting and tree planting activities as we strengthen resilience. This also includes a forecast for potential faults on the Caithness Moray HVDC assets which are now out of the warranty period.

Funding

SSEN Transmission is funded by revenue through the price control and where costs exceed our revenue position this difference is funded via debt.

SSEN Transmission had adequate funding arrangements in place for the regulatory year ending 31 March 2024 with a mixture of cash and bank balances, external loans, internal loans, stock, bonds, and bilateral facilities, as well as day to day and inter-company balances. This has moved £0.4bn with our net position on 31 March 2024 sat at £2.9bn.

Looking ahead to future years, we have sufficient funding in place and more details can be obtained from our “Availability of Resources” report.

Stakeholders

As a stakeholder-led business we continue to focus on meeting the needs of our customers and stakeholders through effective and meaningful engagement, and this will remain a priority over the coming year. We remain mindful of the current economic conditions, not least in terms of the cost-of-living crisis currently being experienced by customers across the UK, and significant increases in cost and issues with availability of certain commodities. Ambitious UK and Scottish Government energy targets underline the importance of the Transmission network, particularly in the North of Scotland, in cost effectively transitioning the GB energy system to net zero and increased energy security. Further details will be included within the SSEN Transmission Annual Performance Report which will be published at the end of September 2024.

Conclusion

In conclusion, I can confirm that, in my opinion, adequate staff and resources were available during the 12-month period to 31 March 2024, and have been made available for the regulatory year commencing 1 April 2024, to ensure the efficient and effective management and operation of the Transmission Business in accordance with the licensee's duty under section 9(2)(a) of the Electricity Act and its licence.

Rob McDonald
Managing Director of Transmission
July 2024