How do you solve a problem like TNUoS?

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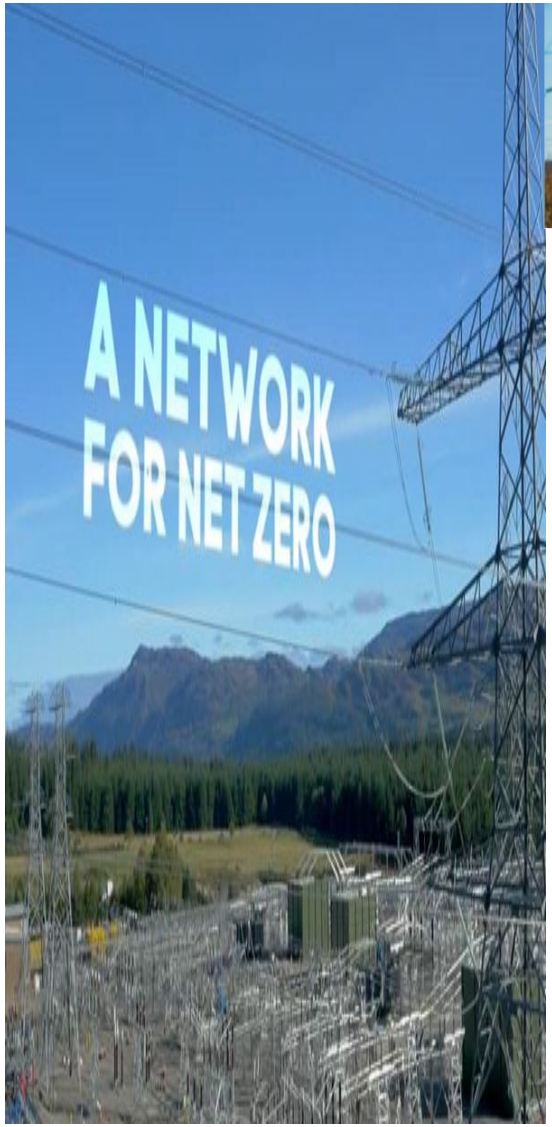

About Us

- As a 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 the awarded the **Highest Confidence Reward** out of all TOs.
- Agreed **a baseline total expenditure of £2.16bn**. to deliver a Network for Net Zero including **capacity and flexibility to accommodate 10 GW renewable generation** in the north of Scotland by 2026
- 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.

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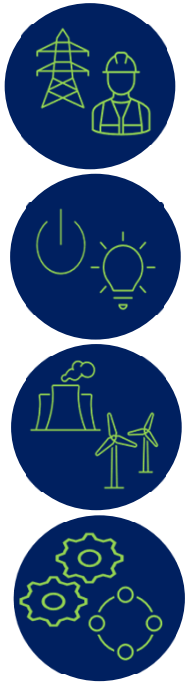
Transmission Network Use of System (TNUoS) Charges

- 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.

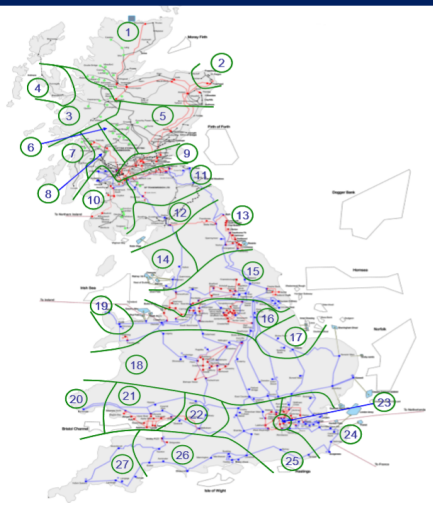


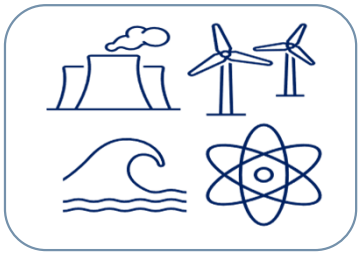
Generation TNUoS

Local Circuit & Substation Tariff

The locational charge (Wider TNUoS)

The Adjustment Factor





£/ MW / kM

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Why are we involved in TNUoS

Our stakeholders have told us...

- Ø The cost of wider TNUoS could effect the sustainability of their projects.
- Ø Wider TNUoS is far more expensive in the north of Scotland than anywhere else in GB.
- Ø 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 2021 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.

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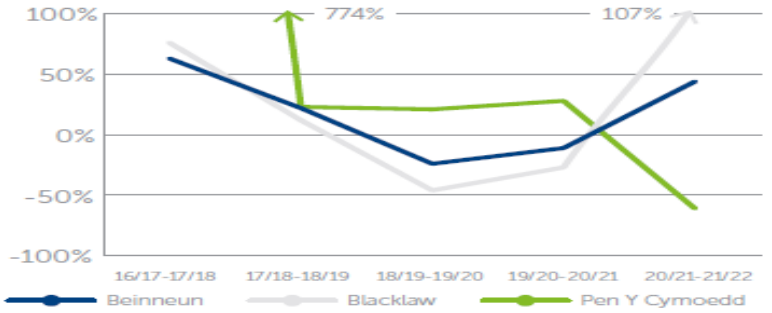
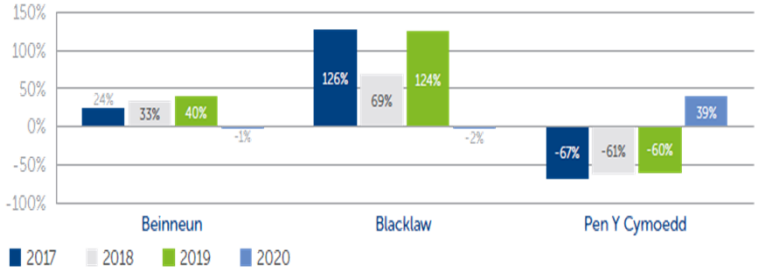
What are the current issues with TNUoS - Evidence based analysis

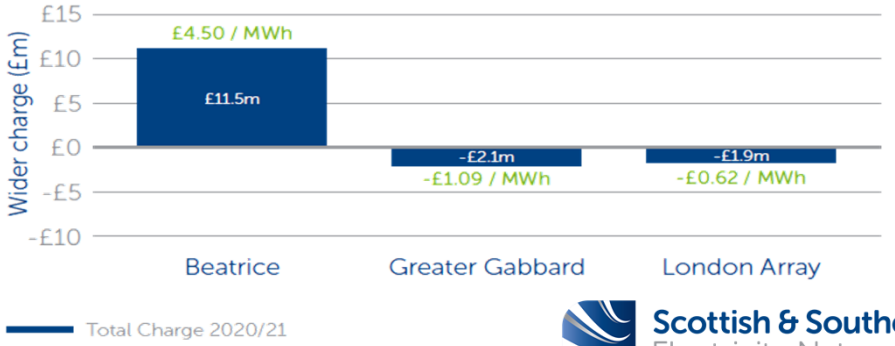
Charges are volatile



Charges are unpredictable



Disproportionately high costs



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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

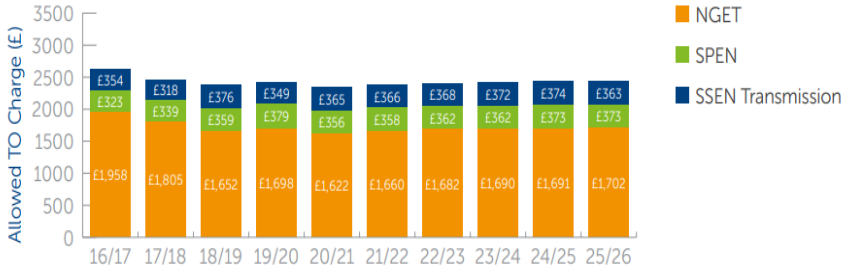

Figure 4 The maximum allowed TO charges (in 2019/20 prices)

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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.
- Broad reform must happen now, time is running out.

Our view is that a principle led review is critical

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Thank you for listening

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