

## Further written evidence submitted by Scottish Renewables (RES0040)

Pete Wishart MP  
Chair of the Scottish Affairs Committee  
House of Commons  
London  
SW1A 0AA

14 July 2021

Dear Pete

### Scottish Affairs Committee inquiry into Renewable Energy in Scotland

I am writing to you to address some of the issues raised regarding TNUoS transmission charging during the recent Scottish Affairs Committee inquiry into Renewable Energy in Scotland, where I gave evidence on behalf of Scottish Renewables.

Our evidence draws on the Sixth Carbon Budget from the Climate Change Committee<sup>1</sup> which states that to achieve our net-zero target we will need a steep increase in renewable energy installation by 2050 in all parts of the United Kingdom, not just the south. According to the Sixth Carbon Budget, the renewable deployment by 2050 should be between 95 and 125GW of offshore wind, between 75 and 85GW of solar PV, and between 30 and 35GW of onshore wind.

Scotland has the resource to supply a big proportion of this deployment, but with TNUoS disadvantaging Scottish projects in the Contracts for Difference (CfD) mechanism, there is a risk these projects may not be built, reducing our ability to reach net-zero. It is important to move forward at pace with a strategic review between the UK Government and industry about how best to use regulation to allow a proportional deployment of renewable energy across the whole UK.

Scottish Renewables has evidenced that the current charging methodology guiding TNUoS is not fit for purpose to meet either the Scottish Government or UK Government's net-zero climate targets. The way that TNUoS is designed encourages generators to locate close to the demand. This was appropriate for a fossil fuel-based system but now leads to disproportional charges by locations as we move to a renewables-based system.

According to the 2021/2022 TNUoS charges in the UK from National Grid ESO<sup>2</sup>, generators in Scotland 'pay' around 26.4 £/kW, while generators in West Devon and Cornwall 'get paid' 3.76 £/kW. This increased cost that TNUoS imposes makes Scottish projects uncompetitive, pushing generators to install projects in the south of the UK.

This charging system is incompatible with the decentralised energy system of the future that the UK Government envisioned in the Energy White Paper<sup>3</sup> published last year and with the realities of where large-scale renewable energy projects can feasibly be located.

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<sup>1</sup> <https://www.theccc.org.uk/publication/sixth-carbon-budget/>

<sup>2</sup> [Transmission Network Use of System \(TNUoS\) charges | National Grid ESO](#)

<sup>3</sup> <https://www.gov.uk/government/publications/energy-white-paper-powering-our-net-zero-future>

As I stated at the committee hearing, fair and cost-reflective use of the electricity networks is fundamental to enabling Scotland's renewable energy industry to ensure that the UK and Scottish Government's objectives to deliver clean growth and meet our legally binding climate obligations on net-zero are achieved.

It is important to raise that in the subsequent Scottish Affairs Committee evidence sessions, Steven McMahon of Ofgem gave evidence suggesting that Ofgem did not agree that there is an issue with the TNUoS charging regime. This is at odds with the substantial body of evidence from industry and Ofgem's own statement in their Access and Forward-looking Charges Significant Code Review: Consultation on Minded to Positions published on 30 June 2021. Section 5.34 of which states:

*“As part of any further work, there is increasing evidence that we need to undertake a wider review of TNUoS charges. When we launched our Access SCR in December 2018, we included only a limited scope for TNUoS issues because we did not think issues identified with the charging arrangements were as pressing as those for distribution network charges and we had only concluded Project TransmiT in 2014. However, a number of issues have become more prominent due to continuously evolving energy landscape and the impact of some proposed code modification changes (e.g. rezoning).”*

Until Ofgem adopts a long-term vision when it comes to “net-zero at least cost to the consumer”, its short-term approach will result in increases in consumers' costs. An example of this is the variability of the current Transmission Network Use of System (TNUoS) undermining the benefits of the CfD scheme in stabilising cashflows. This pushes up project costs; costs that will ultimately be paid by energy consumers.<sup>4</sup>

CfD Auction Round 4 (AR4) needs to be the auction that does the 'heavy lifting' for 2030 Net Zero targets by getting a substantial number of renewables projects underway. Two major offshore wind projects in Scotland are literally ready to go, and can start delivering economic benefits almost immediately after securing a CfD. If Scotland gets little or nothing through AR4, our ability to reach net-zero is compromised and our supply chain will sit idle for at least six years, which is not recoverable. Geographically-diverse projects will help support the levelling-up agenda but also spread risk; all projects clustered in one area means that any issue with environmental impacts or grid could stall or stop progress on net-zero.

Yours sincerely

Claire Mack  
**Chief Executive**

July 2021

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<sup>4</sup> Quantifying the Risk of TNUoS Charge Volatility for Wind Developers, NERA, March 2021