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SP Manweb Future Energy Scenarios

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Foreword

Welcome to our Distribution Future Energy Scenarios (DFES). This document summarises the key findings from our forecasts for how electricity generation and consumption may evolve in North Wales, Merseyside, Cheshire and North Shropshire over the next 30 years. These forecasts are updates to those we first published in December 2020 and re-published in May 2021, following the publication of the ESO's 2021 FES in July.



A changing landscape

The energy landscape is changing fast as the way our customers generate, use, and interact with energy evolves. To tackle the climate emergency and deliver Net Zero carbon targets, a significant proportion of transport and building heating will need to be electrified. We are also going to see a further leap in renewable generation capacity as fossil fuel power stations close. This new demand and generation will push the distribution network beyond what it is designed for, meaning that our network will need to evolve to enable our customers' Net Zero transition. It is important that we understand the likely uptake of this new demand and generation, so we know how best to respond.

While the overall direction of travel towards Net Zero is clear, there are some areas where detailed action plans are still under development. How will local authorities turn their Climate Emergency status into action? Which communities will move faster than others?

Given these uncertainties and the ever changing energy landscape, creating a single forecast risks being misleading. Instead we set out four forecast scenarios which cover a range of credible pathways to describe the potential decarbonisation routes which our customers may follow.



Scott Mathieson
Network Planning &
Regulation Director

Working together

Our main role is to provide the safe, efficient, and reliable network capacity needed to enable the decarbonisation route that our customers and communities choose. To achieve this, these DFES forecasts are used to assess future network capacity requirements, and the RII0-ED2 investment needed to deliver this capacity.

Given the important role of these forecasts, we need to ensure that we have correctly forecast our customers' requirements; feedback from our stakeholders is vital for this. We welcome the feedback we have already received, which has been used in these latest forecasts. However, given the rate of change in the energy landscape, it is important that this stakeholder input is not a one-off, but a regular process. We therefore look forward to continuing to engage with you and understanding your insights, so we can ensure our network continues to meet your needs.

A final note: regardless of the decarbonisation pathway that our customers end up treading, we recognise that the distribution networks are a key enabler. We are already evolving the way we design, build and operate our networks, implementing innovative solutions, and embracing new technologies. Our RII0-ED2 business plan will deliver the capacity and capabilities that our customers need, so that we can continue to provide them with a safe, reliable, and good value electricity supply, whatever the future holds.

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Introduction

We are SP Energy Networks. We own and operate the electricity distribution network in the SP Manweb licence area covering North Wales, Merseyside, Cheshire and North Shropshire. It is through this network of underground cables, overhead lines, and substations that 1.5 million homes, businesses, and public services are provided with a safe, economical, and reliable supply of electricity.



A safe and reliable electricity supply is key to most people's lives – we depend on it to light our homes, keep our food fresh, power our businesses, and enable our connected lifestyle. In the future, we will also increasingly rely on it to heat our homes and power our transport as we decarbonise our society.

2.1 The DFES forecasts

In order to ensure our network has sufficient capacity to meet our customers' changing electricity needs, we need to forecast what their electricity requirements are going to be into the future (we forecast out to 2050). These forecasts need to cover how much electricity existing and new customers might consume (demand) and how much they might produce (generation). We call these forecasts Distribution Future Energy Scenarios (DFES).

We use the understanding of future customer needs forecasted by the DFES to plan and design our network – the DFES forecasts help us understand where we might need to create more network capacity, and how our operational and maintenance activities should be undertaken. This in turn helps us calculate what financial investment is required, and to seek approval for this expenditure from Ofgem, via the RIIO business plan process. The DFES forecasts are a key building block on which we have produced our RIIO-ED2 Business Plan¹ to meet our customers' needs.

¹ RIIO-ED2 is the distribution network price control period which runs from 1 April 2023 to 31 March 2028. (https://www.spenergy-networks.co.uk/pages/our_riio_ed2_business_plan.aspx)

² <https://www.spenergy-networks.co.uk/dfes>

2.2 Incorporating your views

We have engaged with a wide representation of our stakeholders to test the forecasts' data, methodology, and outputs. That engagement generated a range of feedback which we assessed and used to update our forecasts. This update builds on the feedback received to date. Please see [Section 5.2](#) for a summary of the feedback we received and how we have used it.

Given that different stakeholders will be interested in different levels of detail, we have created a range of documents to explain our DFES forecasts². These are:

1. **"SPEN Distribution Future Energy Scenarios – Summary of Methodology"**. A document that elaborates on the detailed methodology to create each forecast.

2. **"SP Manweb Future Energy Scenarios"**. This document, containing the main forecast trends.

3. **SP Manweb Future Energy Scenarios – Key Findings"**. A short document which summarises the key findings.

If you have any questions on these forecasts, please do not hesitate to contact us at RIIO_ED2@spenergy-networks.co.uk.

2.3 Other SP Energy Networks forecasts

SP Manweb is part of SP Energy Networks. SP Energy Networks includes two other electricity network companies: SP Distribution, the distribution network operator for Central and Southern Scotland, and SP Transmission, the transmission

network owner for Central and Southern Scotland. These two companies each have their own forecasts, which are available separately³. The areas of operation of SP Distribution, SP Manweb and SP Transmission are shown in **Figure 1**.⁴

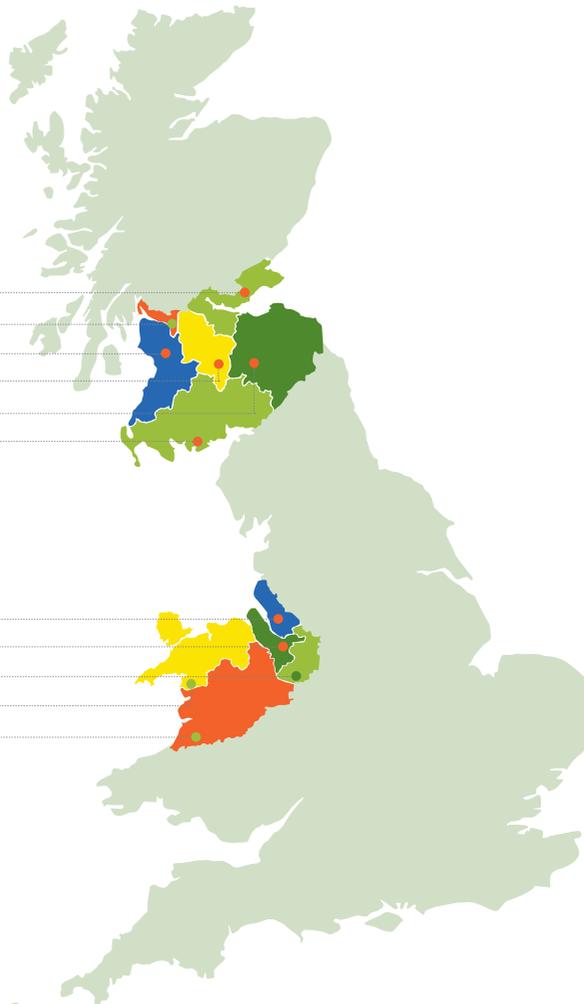
Figure 1 | SP Energy Networks' three electricity network companies

SP Transmission PLC (SPT) SP Distribution PLC (SPD)

- Central & Fife
- Glasgow
- Ayrshire & Clyde South
- Lanarkshire
- Edinburgh & Borders
- Dumfries

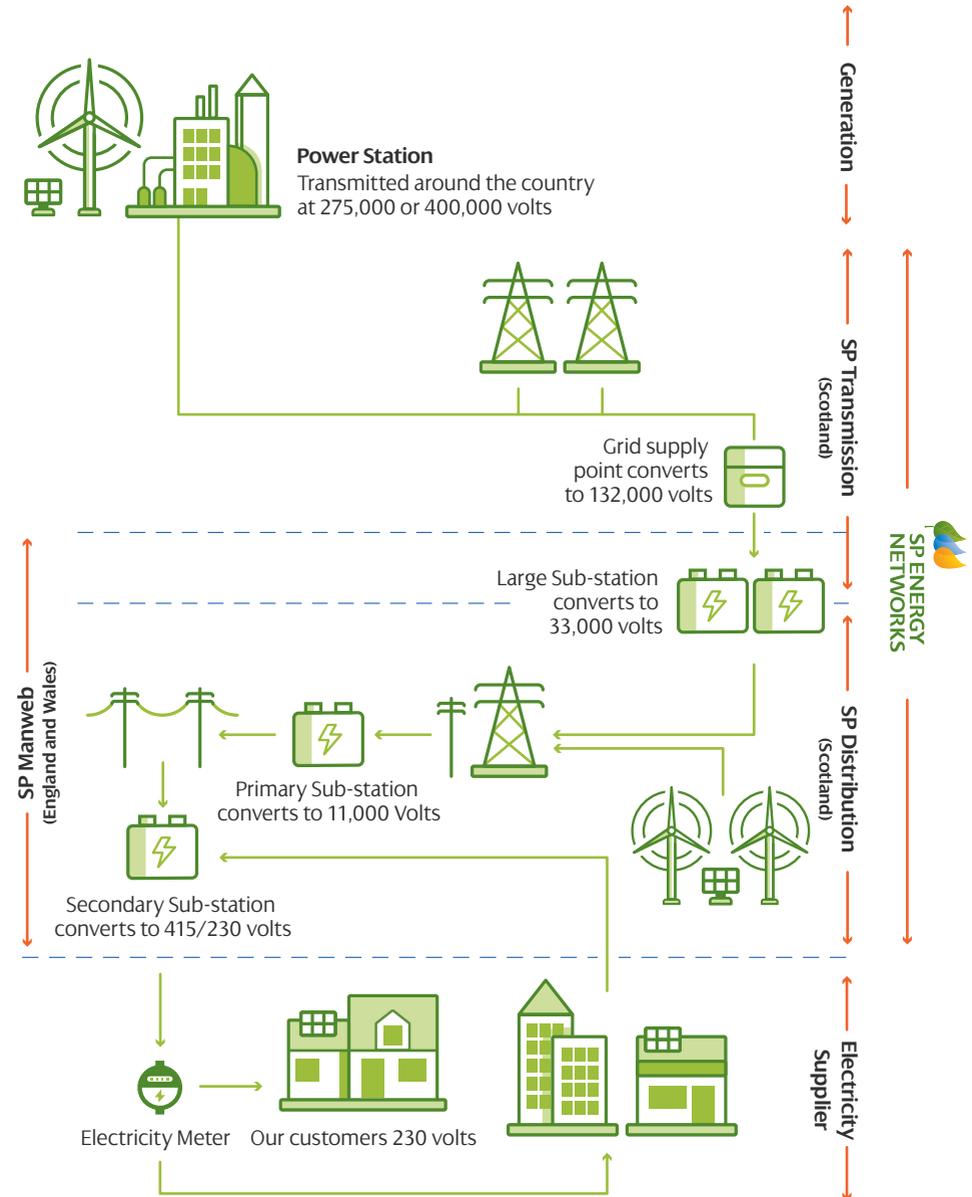
SP Manweb PLC (SPM)

- Merseyside
- Wirral
- Mid Cheshire
- North Wales
- Dee Valley & Mid Wales



³www.spenergynetworks.co.uk/userfiles/file/SPEN_Energy_Scenarios_2019_update.pdf

⁴SP Distribution and SP Transmission are shown as operating the same geographic area – this is because SP Distribution operates the distribution network in that area, whilst SP Transmission operates the Transmission network in that area.



3

External context

The UK and Welsh governments have committed to a significant change to the energy system in order to reduce greenhouse gas emissions.

In response to the global climate change challenge, the UK Government introduced a legally binding target for the UK to become Net Zero (greenhouse gas emissions), reducing 100% of greenhouse gas emissions by 2050, with interim targets for reductions of at least 68% by 2030⁵ and 78% by 2035⁶. This is in line with the Climate Change Committee's sixth Carbon Budget recommendation.



The Welsh Government has also committed to reach Net Zero by 2050 at the latest, with interim targets of 63% by 2030 and 89% by 2040⁷.

Last year, the UK Government published The Ten-Point Plan for a Green Industrial Revolution and the Energy White Paper, which lay the foundation for a Green recovery.

These include:

1. The ban of new petrol and diesel cars and vans brought forward by ten years, to 2030.
2. Investment to accelerate the rollout of charge points for electric vehicles.
3. The increase in use of green public transport, cycling and walking.
4. The aim to install 600,000 heat pumps per year by 2028.

More recently, the UK Government has published the Heat and Buildings Strategy⁸, and Net Zero Strategy⁹, setting out a pathway for decarbonising heat and the UK economy.

These include:

1. The ambition for all new heating systems installed in homes to be low carbon by 2035.
2. From 2035 all new cars and vans must be fully zero emission at the tailpipe.

3. By 2035 the UK to be powered entirely by clean electricity, subject to security of supply.

The Welsh Government has published the Net Zero Wales Plan¹⁰ setting out the foundations to achieve Net Zero.

This includes:

1. By 2025, 10% of car passenger travel and 48% of new car sales to be zero emission.
2. Increasing the proportion of heat that is electrified by 3% by 2025.
3. By 2025, 1GW of additional renewable energy capacity will be installed.

At a more local level, a number of local authorities in England and Wales have declared climate emergencies. We expect this to feed into regional development plans, further impacting the electricity distribution network.

The distribution network is the key enabler to realising these targets and ambitions – regardless of forecast scenario, the distribution network will need to accommodate significantly more demand through the electrification of heat and transport, and more renewable generation to decarbonise our electricity supply.

Given this key Net Zero enabling role, the importance of these DFES forecasts has never been greater.

⁵ <https://www.gov.uk/government/news/uk-sets-ambitious-new-climate-target-ahead-of-un-summit>

⁶ <https://www.gov.uk/government/news/uk-enshrines-new-target-in-law-to-slash-emissions-by-78-by-2035>

⁷ <https://senedd.wales/media/0kalampz/cr-ld14183-e.pdf>

⁸ <https://www.gov.uk/government/publications/heat-and-buildings-strategy>

⁹ <https://www.gov.uk/government/publications/net-zero-strategy>

¹⁰ <https://gov.wales/net-zero-wales>

4

How we create our DFES forecasts

Our DFES forecasts are updates to those we published in December 2020 and re-published in May 2021, following the publication of the ESO's 2021 FES.

This section explains how they were created.



4.1 The starting point – December 2020 DFES

We used the SP Manweb DFES forecasts published in December 2020, as the starting point.

These DFES forecasts were based on the ESO's 2020 Future Energy Scenarios (FES), augmented with regional and local data including:

1. UK government legislation (including the incorporation of Net Zero).
2. Regional ambitions and development plans.
3. Network data we already have, for example views on near term connections of distributed generation.
4. Outputs from SP Energy Networks' EV-Up and PACE projects, and interim results from Heat-Up.
5. Other highly spatially disaggregated sources of data (e.g. number of, and footprint of buildings in an area).
6. Stakeholder evidence and feedback.

To create sufficiently geographically granular forecasts, all of the key scenario elements were spatially disaggregated to two levels of detail:

1. Grid supply point (GSP) level. There are 14 GSP areas across North Wales, Merseyside, Cheshire and North Shropshire.
2. Primary substation/substation group level. There are 340 primary substation network groups across North Wales, Merseyside, Cheshire and North Shropshire. These geographic areas cover, on average, approximately 38km².

The resulting DFES forecasts were regionally reflective, geographically granular forecasts out to 2050 for four scenarios. Each scenario was disaggregated to show forecasts for individual demand and generation metrics, for example electric vehicle (EV) uptake, solar photovoltaic (PV) capacity etc.

We have retained the approach of forecasting for four scenarios, as we feel it is important to represent a range of credible pathways. To see any previous DFES publications please visit www.spenergynetworks.co.uk/dfes

4.2 Incorporation of the ESO's 2021 FES

After our DFES publication in December, the ESO updated its Future Energy Scenarios¹¹ (2021 FES), which explore different pathways to reach Net Zero. These are four GB-wide holistic energy scenarios out to 2050, considering gas and electricity supply and consumption. These four scenarios are designed to represent a range of credible energy scenarios, representing differing levels of consumer ambition, government/policy support, economic growth and technology development.

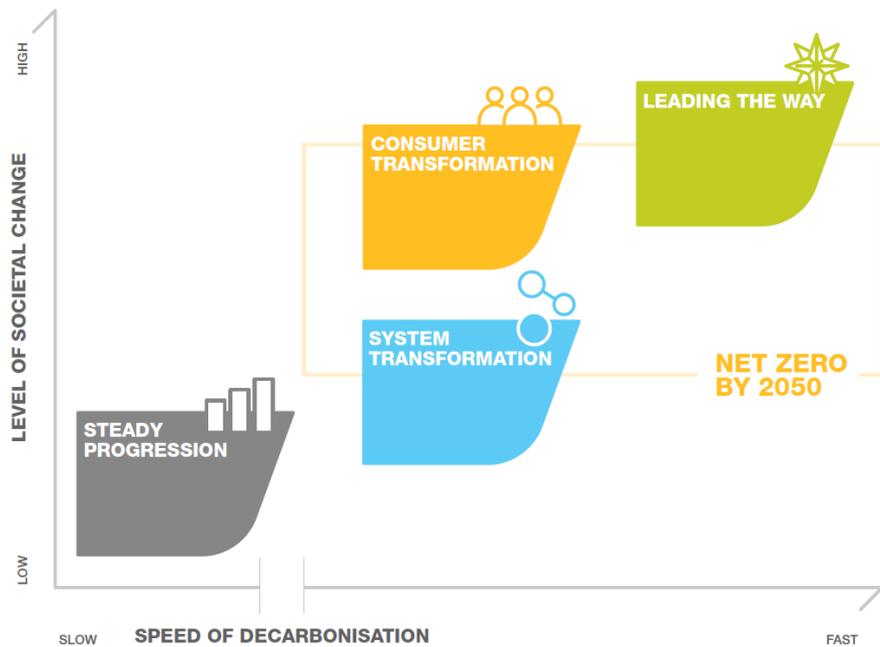
The scenarios are developed through

extensive engagement with stakeholders and are widely recognised as being an industry reference point.

These DFES forecasts are updates to those we published in December 2020 and re-published in May 2021, following the publication of the ESO's 2021 FES.

To illustrate their different representations, **Figure 2** maps the four scenarios against two metrics: the speed of decarbonisation (how fast low carbon technologies are adopted) and the level of societal change.

Figure 2 | Overview of the ESO's 2021 Future Energy Scenarios



¹¹<https://www.nationalgrideso.com/document/202851/download>

Key scenario assumptions

	Steady Progression	System Transformation	Consumer Transformation	Leading the Way
Residential electrical energy efficiency	Low	Medium	Medium	High
Residential consumer engagement	Low	Medium	High	High
Battery electric vehicles (BEVs)	Low	Medium	High	High
Home EV charging	Medium	Low	High	High
Home thermal efficiency levels	Low	High	High	High
Heat pumps	Low	Medium	High	High
District heating	Low	Medium	High	High
Solar PV generation (<1MW)	Low	Medium	High	High
Solar PV generation (>1MW)	Low	Medium	Medium	High
Onshore wind	Low	Medium	High	High
Medium duration electricity storage	Low	Medium	Medium	High

4.3 DFES outputs

We have retained the same level of detailed outputs as in our previous DFES:

1. We have forecast four scenarios, as we feel it is important to represent a range of credible pathways.
2. We have forecasts for all key customer demand and generation metrics. These key metrics are forecast for each scenario at a GSP and primary substation geographic level, and for each year out to 2050.

This level of detail gives us a greater understanding of the potential timing, magnitude and location of our customers' requirements. Therefore, we can make more timely, targeted and efficient interventions in the network.

We have arranged the outputs of the DFES forecasts into two main categories:

1. Those which affect electricity demand. The main drivers here are electric vehicles and heat pumps, so we show disaggregated forecasts for these. These are set out in [Section 5.3](#).
2. Those which affect electricity generation and storage¹². These are set out in [Section 5.4](#).

For each metric we have forecast we include, where possible:

1. A measure of the absolute number (e.g. number of electric vehicles); and

2. Its impact on electricity demand or generation capacity (shown in MW). Demand forecasts are shown as 'peak demand'; this is because the contribution of additional demand at peak demand periods will have the most network impact – we have to plan and design our network to accommodate peak demand. Generation forecasts are shown as 'capacity'; this represents the total installed generation capacity.

For demand components (e.g. electric vehicles, heat pumps), we also consider the potential flexibility of each component. Flexibility is the measure of the capability of that component to operate at different times of day. For example, a factory process which always has to operate at the same time is not flexible, whereas an electric vehicle which could be charged at different times of the day has some flexibility. Flexibility is relevant as it means electricity consumption can be moved from peak demand times to less busy times of the day, or to periods of high generation output, which in turn reduces the network impact and the requirement for network interventions – this will be to the benefit of customers.

The creation of this DFES was undertaken with the support of Baringa, an expert consultancy. For further details on the methodology to create the forecasts, please refer to “*SPEN Distribution Future Energy Scenarios – Summary of Methodology*” document, developed in conjunction with Baringa.

¹²From a technical perspective, storage increases both demand (when it imports electricity) and generation (when it exports), so it could have been included in either group. However, it is legally deemed to be generation, so is included within the generation forecasts.

4.4 Updating the DFES

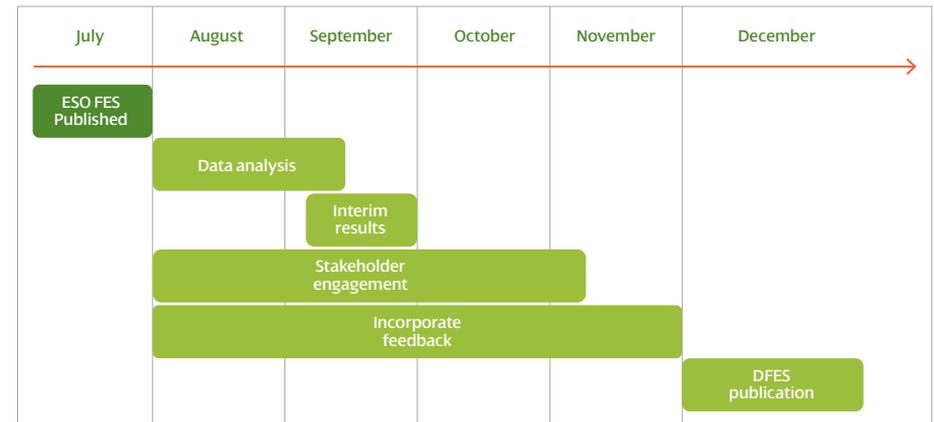
We will update and publish our DFES forecasts annually, as shown in Figure 3. For each main annual update there will be the opportunity for stakeholders to provide feedback. Feedback from customers and stakeholders is vital to ensure that our DFES forecasts reflect the plans and ambitions of the communities we serve.

We will consider all information we receive from stakeholders to help shape our forecasts. As these forecasts will inform the network we deliver for our customers, we also have a duty to our customers to ensure that all information included is well

evidenced and credible. We will therefore consider the extent to which information we receive should be used to update the forecasts. For information relating to specific developments in the shorter-term, we will consider how developed that scheme is and its underlying drivers.

In the meantime, if you have any further questions or feedback, please do not hesitate to email us at RIIO_ED2@spenergynetworks.co.uk.

Figure 3 | Annual process to create our DFES



5

Our DFES Forecasts

This section sets out our demand and generation DFES forecasts for each scenario out to 2050.

All the forecast values are for the SP Manweb distribution network only; they are not forecasts for the whole of England, Wales or the UK, or the transmission network¹³.



5.1 Scenario overview

Our DFES forecasts reflect the ESO's 2021 FES scenario framework. A description of each scenario¹⁴ is provided below:

In SPM Steady Progression (SP): progress is made on decarbonisation, however it is slower than in the other scenarios. While home insulation improves, there is still heavy reliance on natural gas, particularly for domestic heating. Electric vehicle take-up grows more slowly than in other sectors, displacing petrol and diesel vehicles for domestic use, however decarbonisation of other vehicles is slower with continued reliance on diesel for heavy goods vehicles. In 2050 this scenario still has significant annual carbon emissions, some way short of the 2050 Net Zero target in UK legislation.

In SPM Consumer Transformation (CT): the 2050 Net Zero target is met with measures that have a greater impact on consumers and is driven by greater levels of consumer engagement in the energy transition. For example, a typical domestic consumer will use an electric heat pump with a low temperature heating system and an electric vehicle, they will have had extensive changes to their home to improve its energy efficiency and most of their electricity demand will be smartly controlled to provide flexibility to the system. The system will have higher peak electricity demands that will be managed with flexible technologies including energy storage, demand side response and smart energy management.

In SPM System Transformation (ST): the 2050 Net Zero target is met, following a pathway that has the least consumer impact to do so. The typical domestic consumer will experience less disruption than in Consumer

Transformation as more of the significant changes in the energy system happen on the supply side, away from the consumer. For example, a typical consumer will use a hydrogen boiler with a mostly unchanged heating system and an electric vehicle or a fuel cell vehicle, they will have had fewer energy efficiency improvements to their home and will have lower engagement with opportunities to use their demand to provide flexibility to the system. Total hydrogen demand is high, and it is mostly produced from natural gas with carbon capture and storage.

In SPM Leading the Way (LW): rapid decarbonisation with high levels of investment in world-leading decarbonisation technologies. Consumers are highly engaged in acting to reduce and manage their own energy consumption. This scenario includes the highest and fastest improvements in energy efficiency to drive down energy demand, with homes retrofitted with insulation such as triple glazing and external wall insulation, and a steep increase in consumer participation in smart energy services. Hydrogen is used to decarbonise some of the most challenging areas of society such as some industrial processes, with this hydrogen produced solely from electrolysis powered by renewable electricity.

¹³ Only large-scale offshore and onshore generation, and very large individual demand customers, are likely to be directly connected to the transmission network. This means that these forecasts will capture nearly all demand and medium-scale, smaller-scale and domestic-scale generation in north Wales, Merseyside, Cheshire and north Shropshire.

¹⁴Source: scenario descriptions based on the ESO's 2021 FES (<https://www.nationalgrideso.com/future-energy/future-energy-scenarios/fes-2021/scenarios-net-zero>)

5.2 Incorporating your views

Since the publication of our first DFES document, we have engaged with a wide range of stakeholders.

We have received feedback from government bodies, local authorities, electricity and gas network companies, electricity suppliers, consumer groups, community energy groups, renewable generation developers, electric vehicle charge point operators, manufacturers, and other interested parties. This engagement included bilateral meetings, responses to our DFES consultation, feedback via surveys, and workshops. We have considered all feedback in creating our DFES forecasts and to inform the development of our RIIO-ED2 Business Plan.

Section 5.2.1 summarises this feedback, and **Section 5.2.2** explains how it has been incorporated within our DFES forecasts.

5.2.1 Summary of feedback

Our stakeholders agree the journey towards Net Zero will increase the reliance on electricity and the overall demand on the electricity network, however the rate of decarbonisation will not be geographically uniform and clusters are likely to emerge.

Electric vehicles: The majority of our stakeholders agree that there is increased momentum in support of electric vehicles due to a range of factors. Stakeholders thought that air quality concerns, the 2030 new petrol/diesel vehicle ban, whole life costs becoming comparable to petrol/diesel equivalents, improving battery quality and range, and increasing new and second-hand vehicle choice, will support the growth of electric vehicles. One stakeholder thought that electric vehicle uptake is likely to see a knee point around 2025-2026, once the second-hand car market develops – this is in line with the high uptake scenarios (SPM Leading the Way and SPM Consumer Transformation). Some stakeholders

thought fleet vehicles would be amongst the early electric vehicle adopters, with some no longer ordering new petrol/diesel replacements. There was broad support amongst stakeholders for the range the scenarios covered.

Some stakeholders thought that increased home working, an increased use of public transport, and the expected development of autonomous and shared vehicles could drive a reduction in vehicle ownership towards 2050. All scenarios but SPM Steady Progression reflect this decrease from the late 2030s or early 2040s.

Stakeholders thought that with increasing electric vehicle chargers, the adoption of electric vehicles would accelerate. However the ability to roll out on street chargers in historic towns is currently limited, as it would reduce residential on street parking availability.

Stakeholders thought that some geographic areas will see a faster uptake than others, which is broadly aligned with the learning from EV-Up (see **section 5.3.2**). One stakeholder requested further consideration of destination charging at peak tourist locations.

Our stakeholders generally agreed that electric vehicle smart charging can provide flexibility. They broadly agreed with our forecasts that the majority of this would be from home charging; they generally did not expect much flexibility from rapid charging as this will mainly be used to charge vehicles mid-journey. A couple of our stakeholders thought that the level of smart charging is likely to be determined by the revenue opportunities it offers electric vehicle owners. Overall, most stakeholders were satisfied with the smart charging capability forecast in the scenarios.

Our stakeholders believed that, whilst flexibility from vehicle to grid (V2G) is technically possible, they did not expect it to offer material levels of flexibility within the next eight to ten years. This was for a range of reasons: most electric vehicle manufacturers currently void the warranty if this service is offered; limitations of existing battery technology; and limitations of existing charging technologies. This feedback is aligned with our forecasts.

Heat pumps: Our stakeholders saw the decarbonisation of heat as an area with greater uncertainty – the different 2050 scenario forecasts reflect that uncertainty.

It was generally recognised that there is no single way to decarbonise heat and there could be a combination of technologies coming into play; for example, heat pumps, district heating, bio-LPG and hydrogen. However, hydrogen was broadly thought not to be a mainstream option until the mid to late 2030s. This is consistent with the assumptions used across the scenarios. Our stakeholders agreed that heat pump uptake will be slower in the earlier years, as it is not economical for early adopters yet.

Our stakeholders were in agreement that heat pump uptake is more likely to occur in new build properties and off-gas grid properties. This was because, for other property types, there were concerns about costs and the ability of heat pumps to keep the space warm, given existing low levels of thermal insulation. Even though there were mixed views regarding the extent of the retrofits, it was agreed that a degree of retrofits will be required. Some stakeholders thought that to deliver large volumes, there is a requirement for an increased number of qualified technicians, and there would be supply chain challenges. Some stakeholders saw heat decarbonisation happening first in social housing.

The majority of our stakeholders considered there to be little scope for flexibility from heat pumps. This is primarily because customers will naturally want their heating on when they return home from work (the timing of which typically aligns with peak demand periods), and will be reluctant to compromise on heat comfort levels. It was agreed that hot water tank storage could enable some flexibility, but the associated cost and space requirements do not make this feasible for every household. We feel that our forecast range of heat pump flexibility (2-5% reduction of heat pump contribution to peak demand in the SPM Steady Progression scenario to between 3-32% in the SPM Leading the Way scenario) reflects this feedback.

Distributed Generation: Our stakeholders were in agreement that the amount of distributed generation will significantly rise in the transition towards Net Zero. However, the rate of this increase will likely depend on future policy, network changes, project

economics, and planning timescales.

There was a general consensus from stakeholders that wind and solar PV generation are the technologies which will lead this growth, with stakeholders seeing a greater growth in solar PV than wind. Stakeholders thought the need for storage would grow and potentially be co-located with other forms of generation, depending on local area demand. There was broad support amongst stakeholders for the storage capacity range the scenarios covered.

Rural areas are anticipated to see more renewable generation than urban areas due to space requirements, however the size of the projects should also be considered.

One stakeholder indicated that the forecast by 2050 could change depending on the level of hydrogen usage for electricity generation.

5.2.2 How we updated our forecasts

We applied a number of updates to our scenarios to reflect what our stakeholders told us. The table below summarises the feedback we received and explains the resulting action we have taken.

Electric vehicles	
Stakeholder feedback	Actions we have taken
Destination charging at popular tourist spots could be a significant challenge, particularly in remote areas.	We have updated all scenarios to incorporate the contribution from destination charging at popular tourist spots.
Smart charging is key to the integration of electric vehicles in the network. The volume of flexibility from smart charging is likely to partly depend on the level of cost savings for electric vehicle owners.	We agree that smart charging will enable flexibility to connect more electric vehicles. Our flexibility assumptions already capture the potential for considerable peak demand impact reduction due to charging electric vehicles in a more flexible way.
Most car manufacturers do not cover battery degradation within their warranty if the vehicle is used for V2G services. This means V2G flexibility will likely be low. Another barrier is battery technology as battery cycling currently reduces battery life.	We agree with our stakeholders that V2G capability will be low in the coming decade. We have updated our assumptions in line with the ESO's 2021 FES, which show V2G making an increasing contribution from the 2030s – we have not adjusted this further as we anticipated that rapid improvements in battery technology could mean that warranties and battery degradation may not be a such a barrier to V2G over the longer term. We will continue to monitor further technology developments in this area.
Bus electricity consumption is expected to be around 1.6kWh/mile.	We have updated our assumptions for electricity consumption for buses in all scenarios. This change has had limited impact on peak demand, as most bus charging will occur outside of peak demand periods.



Electric vehicles <i>continued</i>	
Stakeholder feedback	Actions we have taken
Vehicle numbers are not expected to grow from 2040, due to autonomous and shared vehicles, and increased home working.	We believe this is an area of great uncertainty. However, our assumptions for autonomous vehicles have been updated in line with the ESO's 2021 FES.
The uptake of electric vehicles may see a "hockey stick" around 2025-26 as the second-hand car market picks up.	Our EV-Up project considers different socio-economic groups and likelihood of purchasing new and second-hand cars. Our SPM Consumer Transformation and SPM Leading the Way scenarios already reflect that knee point, so we have not made updates.
Rural areas may see more electric vehicles as there is often a lack of public transport alternative.	

Heat pumps	
Stakeholder feedback	Actions we have taken
Wales is likely to see a higher degree of ground source heat pumps (GSHPs) due to available geothermal resource.	We have increased the share of GSHPs in all scenarios, in line with the ESO's 2021 FES.
Heating demand is likely to be less flexible than electric vehicle demand, as there is less appetite to compromise comfort levels.	Stakeholders felt there to be little scope for flexibility from heat pumps. We have slightly increased the range of potential flexibility response, in line with the ESO's 2021 FES.
Air source heat pumps (ASHPs) will not materialise in grade 1 and 2 listed buildings.	We have refined our heat pump allocation methodology to exclude these types of buildings. All scenarios have been updated with this refinement.

Heat pumps <i>continued</i>	
Stakeholder feedback	Actions we have taken
Strong emphasis on social housing and off-gas grid decarbonisation. Local Area Energy Plans will reduce the geographical and technological uncertainty on heat decarbonisation.	We are proposing to adopt a Strategic Optimiser role in RIIO-ED2 to provide advice and support to all local authorities, across our network areas, on the development of their heat decarbonisation plans. Ongoing collaboration will work in both directions as this will enable local authorities to make more informed and optimal whole system choices, and will enable us to refine forecasts and deliver our future network plans more efficiently. Stakeholders provided strong support for this proposal during the development of our RIIO-ED2 Business Plan.

Distributed Generation	
Stakeholder feedback	Actions we have taken
In rural areas high uptakes may be more prevalent, whereas this would not be realistic for urban areas.	We have improved our rurality assumptions used in the allocation of the different generation technologies and storage. All scenarios have been updated with this change.
Storage is likely to develop in high energy industrial and commercial (I&C) and urban areas for peak shaving.	
No large-scale solar PV and wind generation is likely to be sited in Areas of Outstanding Natural Beauty (AONBs).	We have improved our allocation methodology for generation to limit the size of the developments close to National Parks and AONBs. All scenarios have been updated with this change.
The draft National Development Framework for Wales proposed designated areas for onshore wind and solar generation.	We have refined our allocation methodology to account for these areas, when allocating solar PV and wind generation capacity. All scenarios have been updated with this change. We will review these assumptions as more information becomes available.

Distributed Generation <i>continued</i>	
Stakeholder feedback	Actions we have taken
Non-renewable generation is likely to reduce to achieve Net Zero, as it would require negative emissions.	We have updated our forecasts to incorporate hydrogen fuelled generation and a reduction in non-renewable generation.
Hydrogen could be used for electricity generation in the future.	
There will be more local solar PV and wind projects. The size of projects should be considered.	Our scenarios have not been updated, as when allocating generation to all scenarios, our methodology already considered the size of the projects. Smaller local developments are assigned to primary substations whereas larger sites are considered to be connecting to the higher voltage levels and are accounted for in the GSP generation capacities.
There will be more local solar PV and wind projects. The size of projects should be considered.	Our scenarios were not updated, as when allocating generation to all scenarios, our methodology already considered the size of the projects. Smaller local developments are assigned to primary substations whereas larger sites are considered to be connecting to the higher voltage levels and are accounted for in the GSP generation capacities.
Smaller-scale behind the meter storage is expected to be deployed alongside small-scale generation, such as rooftop solar PV.	Our scenarios were not updated, as when allocating behind the meter storage, our methodology already considered areas where uptake of rooftop solar PV is expected to occur.
There is significant uncertainty around the impact of the Significant Code Review (SCR).	Our DFES forecasts have been prepared excluding the effect of access SCR minded-to position. We will continue to monitor and work with industry and stakeholders to understand the impact and will update our forecasts after Ofgem's final decision.

Hydrogen	
Stakeholder feedback	Actions we have taken
Electricity demand is expected to increase due to hydrogen production through electrolysis.	Electrolysis is one potential option for hydrogen production. Our analysis assumed that electrolysis would primarily take place at transmission level, and so will not impact distribution peak demand. We therefore did not update our forecasts.



5.3 Electricity demand

This section sets out the forecasts for demand. The two main drivers of increased demand are the electrification of transport and heat, so we provide disaggregated forecasts for each.

5.3.1 Demand overview

Understanding how electricity demand could evolve on the SP Manweb network is the first key factor informing the need for network intervention to increase or manage network capacity.

Electricity demand out to 2050 will be affected by:

1. energy efficiency and underlying demand trends;
2. the extent of new sources of demand, i.e. how much heating and transport is electrified;
3. the speed of the uptake of new sources of demand and when this happens;
4. the degree to which both existing and new load can be shifted or reduced at times of system peak demand (flexibility).

Figure 4 shows how the SP Manweb total peak demand will vary for the four scenarios, assuming that none of the demand is flexible (i.e. it can't be shifted away from the peak to less busy periods, which would have the effect of reducing peak demand).

There is a material split between the scenarios. Even though SPM System Transformation, SPM Consumer Transformation and SPM Leading the Way all achieve the Net Zero targets, this is achieved through differing levels of electrification. Both SPM Consumer Transformation and SPM Leading the Way involve a near total shift to the electrification of cars and light goods vehicles, and increasing levels of electric heating. These factors significantly increase the peak demand. In comparison, SPM System Transformation and SPM Steady Progression involve less electrification of heat and transport, with more reliance on other energy vectors (e.g. petrol, diesel, natural gas, hydrogen) for these two activities. As a result, these two scenarios do not increase electricity peak demand to the same extent.



Figure 4 | Electricity peak demand without flexibility

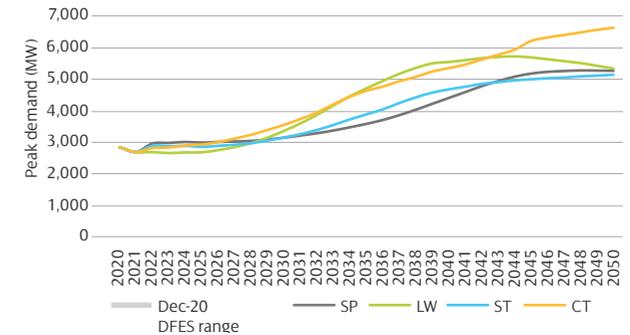


Figure 4 shows the 'worse case' impact, as it assumes that no existing or new demand has any flexibility. This does not reflect reality: some existing demand could shift to other times of the day and some new demand could be controlled in a smart way to avoid certain hours of the day when the distribution network is seeing more demand, for example when charging electric vehicles.

Without flexibility, demand could increase by up to 25% by 2030 and more than double by 2050.



With flexibility, demand could increase by 17% by 2030 and 78% by 2050.

Figure 5 shows how demand flexibility (excluding vehicle to grid) reduce the SP Manweb total peak demand.

Figure 5 shows that flexibility could reduce peak demand by 3-9% by 2030 compared with no demand flexibility, depending on the scenario. Such a reduction will directly deliver benefits for consumers as it will require less investment in the network, resulting in lower electricity bills. SPM Consumer Transformation and SPM Leading the Way involve greater levels of heat and transport electrification. There are therefore greater levels of electric vehicle and heat pump flexibility for these two scenarios.

To better illustrate what is driving the changes in demand, and where the demand flexibility is coming from, Figure 6 shows a breakdown of the components of the Figure 5 peak demand forecast for 2030 and 2050. The difference between the solid (flexible) and dashed (non-flexible) forecasts in Figure 5 are shown by the shaded components in Figure 6 – the shaded components represent what can be flexibly controlled.

Figure 5 | Electricity peak demand with and without flexibility

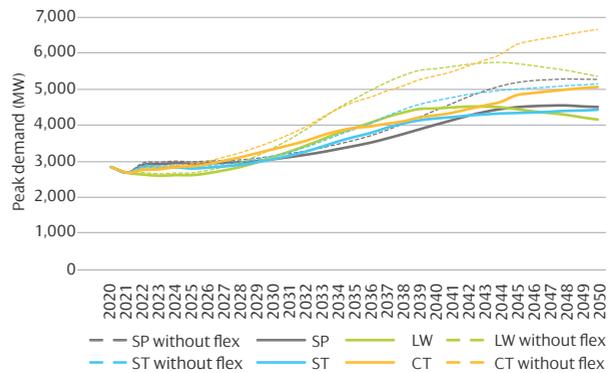
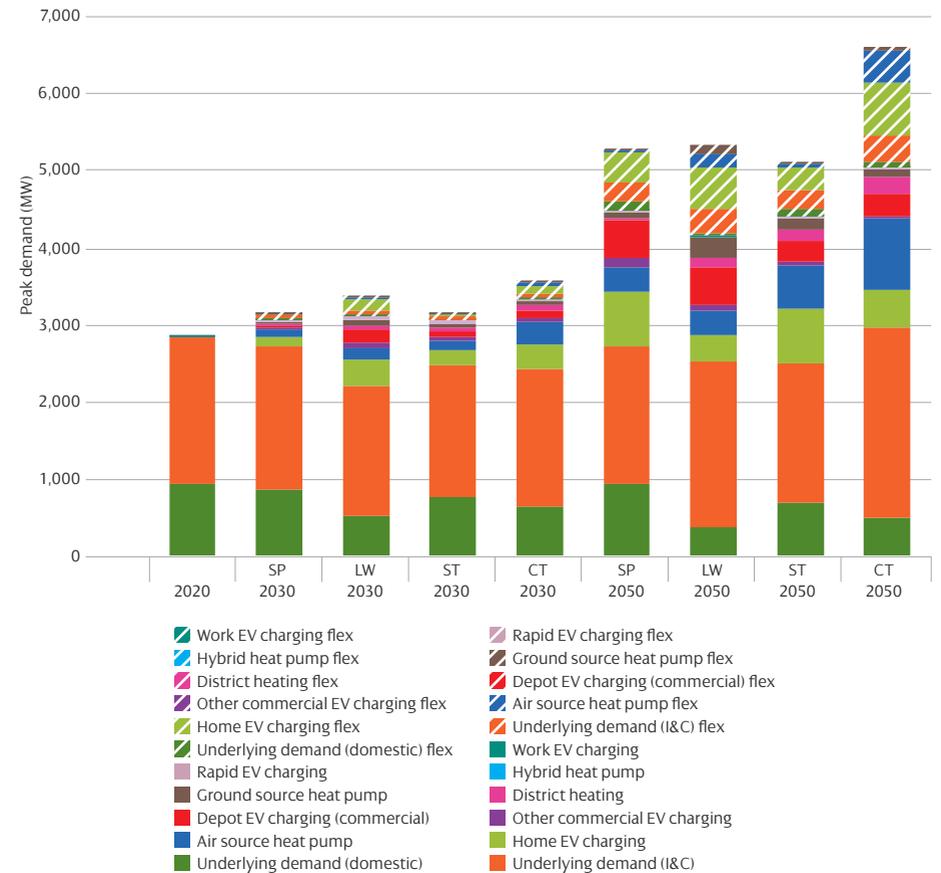


Figure 6 | Electricity peak demand breakdown for 2030 and 2050



Given the benefits of flexibility, all subsequent demand forecasts in this report assume flexibility will be available to the extent shown in **Figure 5** and **Figure 6** (e.g. where an electric vehicle forecast shows the impact on peak demand, those forecasts assume electric vehicle demand flexibility).

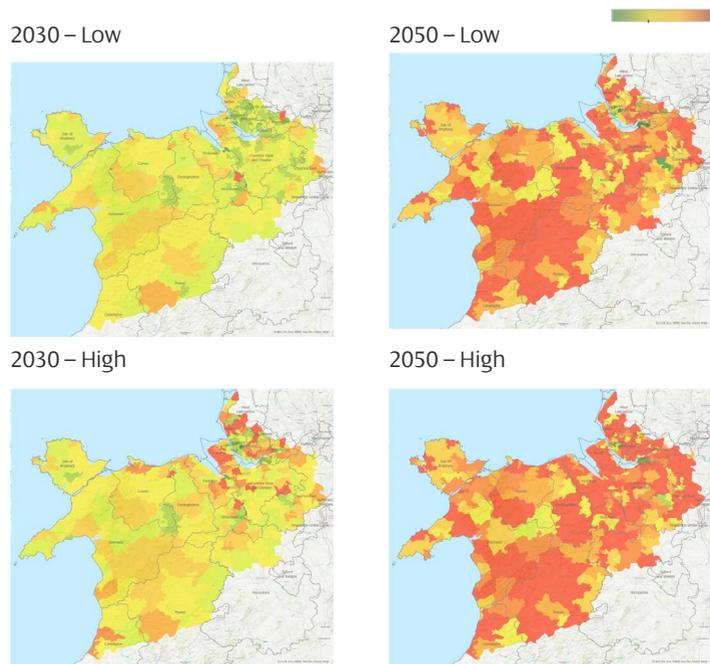
Figure 5 and **Figure 6** show increasing demand for all scenarios in the medium to long term. These forecasts and trends are the total values for North Wales, Merseyside, Cheshire and North Shropshire. However, different regions will see different increases in demand at different times, based on a range of factors. **Figure 7** shows the geographical breakdown for how the demand could change from current levels for the highest and lowest forecast scenarios.

Figure 7 shows there is clear variance in the demand changes seen in different regions.

Overall demand trends:

1. All scenarios show increasing demand. This means that the distribution network will need intervention to facilitate Net Zero.
2. Demand flexibility can help reduce peak demand. This would deliver benefits to consumers. This means that we should all be working to enable flexibility.
3. The increase in demand is not geographically uniform – some areas of the network will be impacted earlier, and to a greater extent, than others.

Figure 7 | Electricity peak demand changes from 2020 by primary substation area Scale range: -6MWto >5MW



5.3.2 Electric vehicles

The number of electric vehicles – both plug-in hybrids and battery electric – registered within the SP Manweb area is currently over 11,000. However, momentum in support of electric vehicle adoption is building quickly. Battery electric vehicle registrations are on course to almost double last year's. Their market share continues to grow on a monthly basis, and has now started to regularly surpass the sale of all forms of diesel cars.

63,000 and 197,000 residential battery electric vehicles by 2030, and the English local authorities within the SP Manweb distribution network area between 155,000 and 483,000. Overall for the SP Manweb distribution network area, compared to today, this would mean over 134 times more battery electric vehicles by 2030 and over 325 times more by 2040.

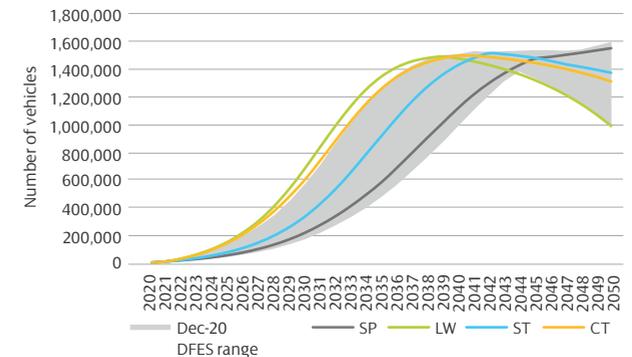
Our SPM Steady Progression and SPM System Transformation scenarios contain a much slower uptake of residential battery electric vehicles between 2020-2030, with adoption rate increasing after the early 2030s.

The total number of electric vehicles by 2050 will depend on the level of use of public transport, shared and autonomous vehicles, cycling and walking. Except in the SPM Steady Progression scenario, a downturn in the need for vehicles will see a reduction in the numbers of EVs following a peak of nearly 1.5 million in the late 2030s to early 2040s. However, SPM Steady Progression continues to increase - albeit slower in the mid 2040s - reaching a peak of just over 1.5 million residential battery electric vehicles by 2050.

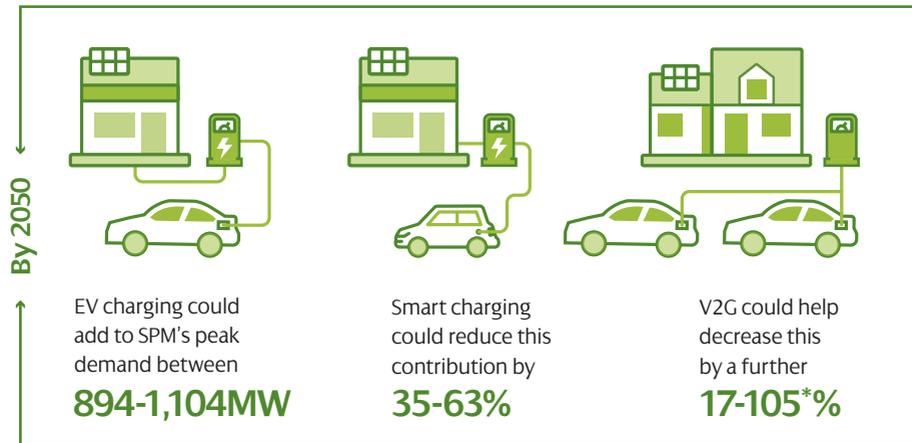
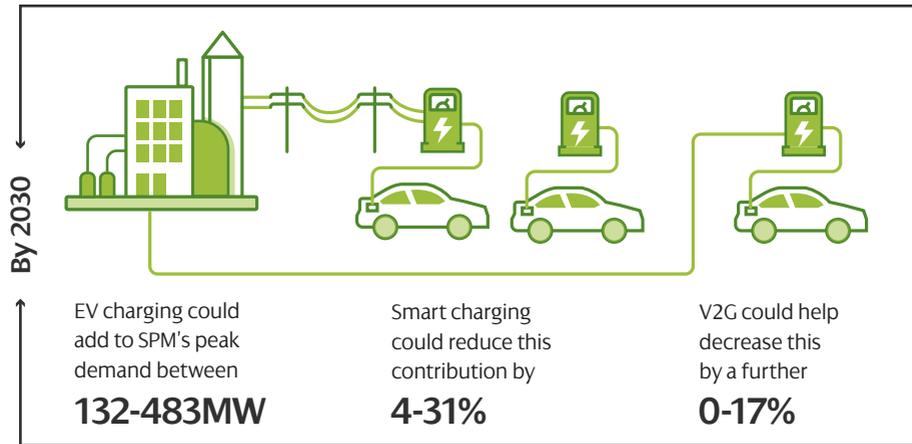
Figure 8 shows the forecast numbers of residential battery electric vehicles in the SP Manweb region. For comparison the grey area shows the forecasted range (the difference between the lowest and highest scenario) from our December 2020 DFES.

Figure 8 shows that across the scenarios, the share of residential battery electric vehicles rises from 4,800 in 2020 to between 335,000-681,000 EVs by 2030. The reason for this high level of variance in the 2030s is that the scenarios include differing levels of ambition to phase out the sale of new petrol and diesel cars and vans. This ban has been brought forward to 2030, in line with the Ten-Point Plan, and Energy White Paper. The Welsh local authorities within the SP Manweb distribution network area could see between

Figure 8 | Residential battery electric vehicle uptake



Widespread adoption of electric vehicles is expected to provide a significant challenge to the electricity sector due to the resultant large increases in peak demand.



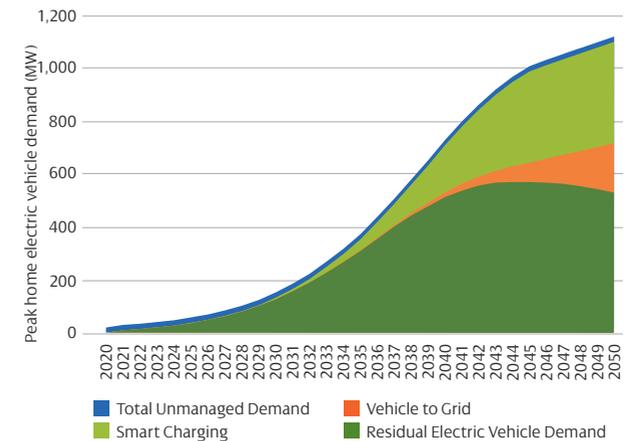
*The peak demand reduction above 100% means vehicle to grid has gone beyond offsetting the peak demand contribution from electric vehicles.

Electric vehicle charging could have a significant impact on the SP Manweb peak demand if left unmanaged. Smart charging and vehicle to grid are two ways to add flexibility to electric vehicle demand; respectively they help reduce this peak demand impact by shifting electric vehicle charging to a different time of day, and enabling electric vehicles to release electricity back to the network. Figure 9 shows the expected contribution from domestic electric vehicle charging at the time of peak, and the benefits of smart charging and vehicle to grid.

Figure 9 also shows that the development of effective smart charging and vehicle to grid capabilities could considerably reduce peak demand compared to not having this capability. This means that the development of smart charging and vehicle to grid could deliver significant benefits for customers.

There could be as many as 681,000 residential EVs within the SP Manweb network area by 2030.

Figure 9 | Home EV contribution to peak demand



The degree of geographical clustering of electric vehicle adoption will also be a key determining factor of the impact on the network – if there are high concentrations of electric vehicles in certain areas then there may be insufficient network capacity in those areas.

We have used our EV-Up project to provide a highly spatially disaggregated view of where the uptake of electric vehicles is likely to occur. The model combines detailed spatial analysis to determine off-street parking availability at an individual property level,

and key socio-demographic information to understand the probability of specific areas to transition to electric vehicles.

We have aggregated the results to show residential battery electric vehicle roll-out forecast by local authority area (Figure 10) and primary substation area (Figure 11). For all local authorities, we only provide forecasts for the area of that local authority which we serve. The values shown in Figure 10 represent the range between the low and high forecasts.

Figure 10 | Potential range of residential battery EV uptake by local authority (by 2030 and 2050)

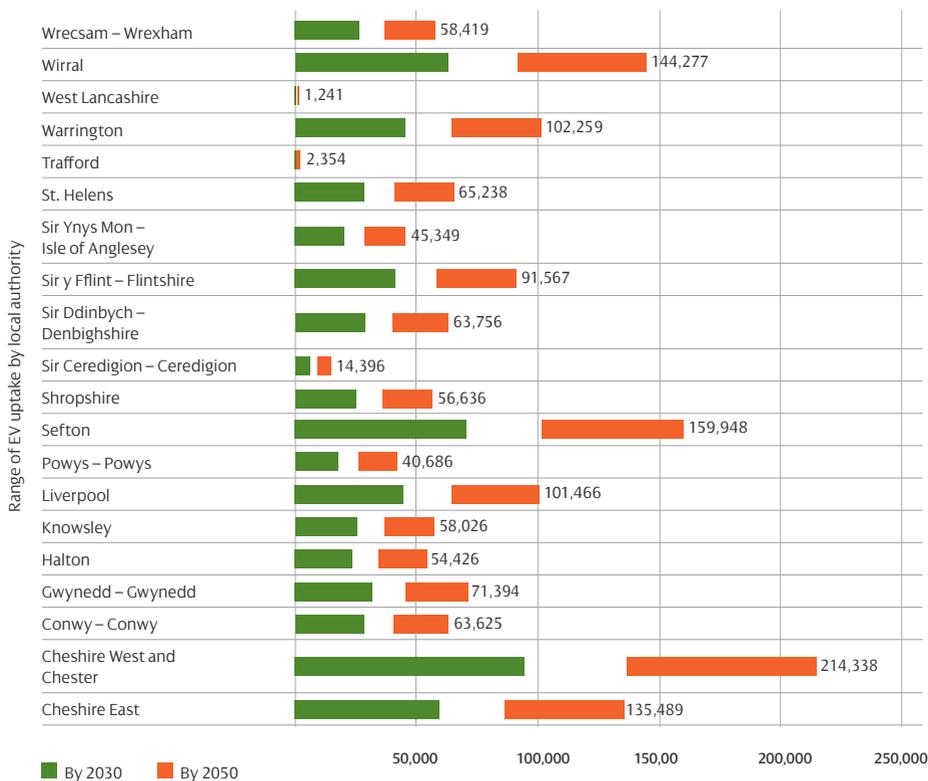
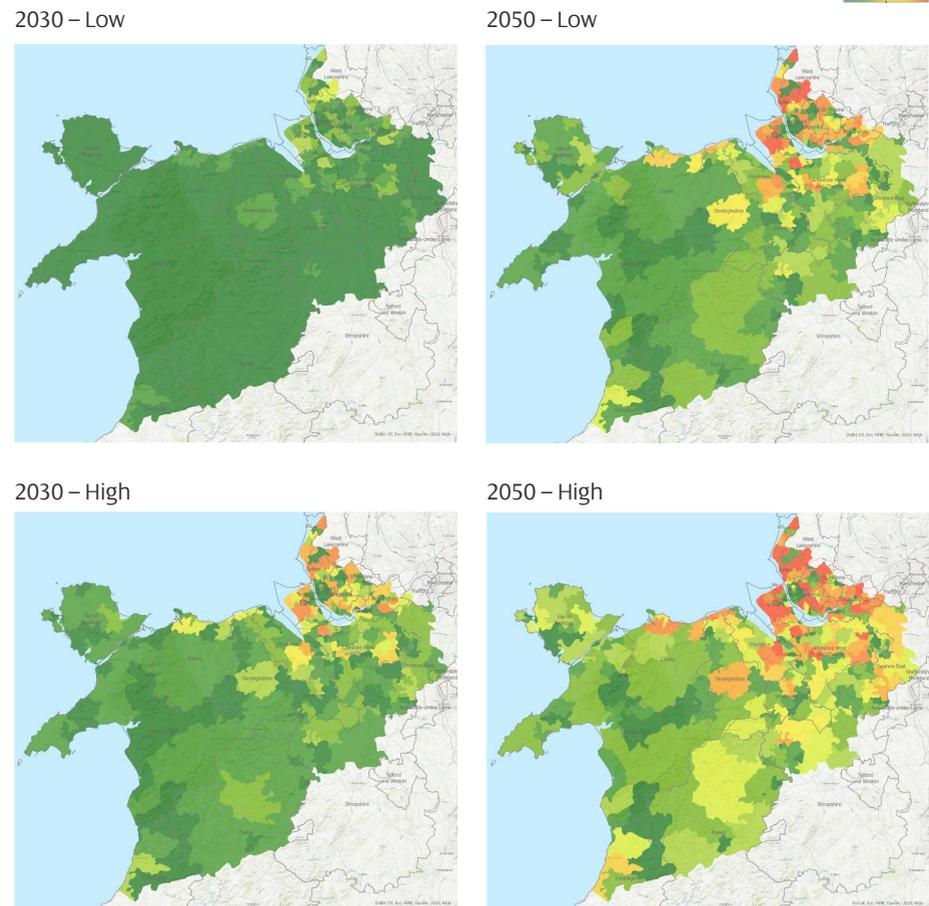


Figure 10 shows that for the English local authorities within the SP Manweb distribution network area, residential battery electric vehicles are predominantly found in densely populated areas such as Cheshire West and Chester, Cheshire East, Sefton and Wirral where each could see over 59,000 electric vehicles by 2030, increasing to over 135,000 by 2050.

In the Welsh local authorities within the SP Manweb distribution network area, residential battery electric vehicles are predominantly found in densely populated areas such as Flintshire and Gwynedd, where each could see over 31,000 electric vehicles by 2030, increasing to over 71,000 by 2050.

Figure 11 | Residential battery EV uptake numbers by primary substation area Scale range: 0 to >15,000



5.3.3 Heat pumps

Heat pumps use electricity to heat buildings and provide hot water. Heat pumps – both air source and ground source – represent another change to the future electricity demand. Deployment is currently very low, representing well under 1,000 households within a total stock of circa 1.5 million households in the SP Manweb area. Heat pumps can also take the form of hybrid systems where a gas boiler is used at times of peak demand, as well as larger scale heat pumps used for district heating.

We have forecast heat pump uptake given the potential impact they could have on the network. **Figure 12** shows the forecast uptake for each of the four scenarios. For comparison the grey area shows the forecasted range (the difference between the lowest and highest scenario) from our December 2020 DFES.

The total proportion of homes with a heat pump could reach 26% by 2030.

Figure 12 | Electric heat pump uptake

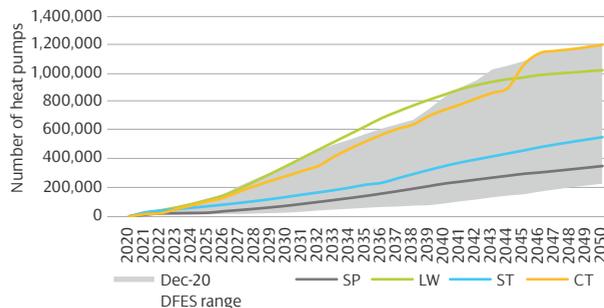


Figure 12 shows that there is significant variance between the heat pump forecasts.

This is for two reasons:

1. The SPM Steady Progression scenario achieves less decarbonisation overall compared to the other three scenarios.
2. There are low carbon alternatives to small-scale heat pumps: district heating and hydrogen in the gas network are the two lead possibilities. SPM Consumer Transformation and SPM Leading the Way have a much higher degree of heat electrification than SPM System Transformation.

In the Welsh local authorities within the SP Manweb distribution network area, there could be as many as 159,000 electric heat pumps by 2030 and around 486,000 by 2050. In the English local authorities within the SP Manweb distribution network area, the number of electric heat pumps could reach over 196,000 by 2030 and around 717,000 by 2050.

Heat pumps could have twice the network impact of electric vehicles.

There is significant variance across the four scenarios for heat pumps. This means that there will be very different impacts on the electricity network depending on which heat decarbonisation route is followed.

Figure 13 shows the impact on peak demand of the high scenario forecast and the potential of heat pump flexibility. **Figure 14** shows the same information for the low scenario forecast.

Figure 13 shows that the development of effective heat pump flexibility could reduce their associated peak demand contribution by up to 32% by 2050. This means that the development of this flexibility capability could deliver material benefits to network customers.

Figure 13 | Heat pump contribution to peak demand (high scenario)

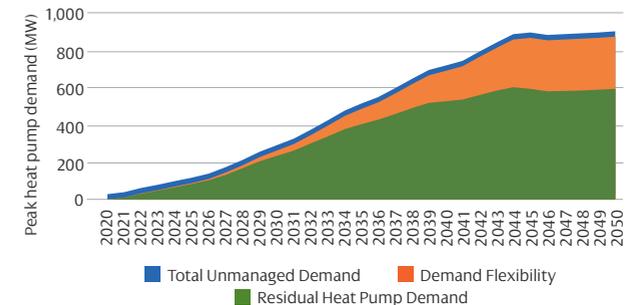
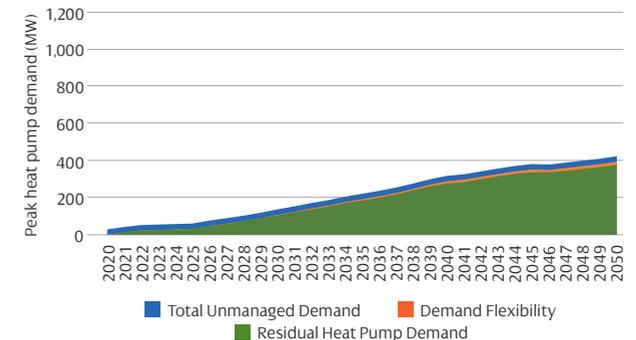


Figure 14 | Heat pump contribution to peak demand (low scenario)



The degree of geographical clustering of heat pump adoption will also be a key determining factor of network impact – if there are high concentrations of heat pumps in certain areas then there may be insufficient network capacity in those areas. Some targeting of heat pump deployment is expected; this is focused primarily on new build properties and off-gas grid properties where the economics of heat pumps look more favourable. To help identify heat pump clustering, heat pump roll-out has been forecast by local authority area (Figure 15) and primary substation area (Figure 16). For all local authorities, we only provide forecasts for the area of that local authority which we serve. The range of forecast values shown in Figure 15 represents the range between the low and high forecasts.

Figure 15 shows that for the English local authorities within the SP Manweb distribution network area, electric heat pumps are predominantly found in areas such as Cheshire West and Chester, Cheshire East, Sefton and Wirral where each could see over 20,000 heat pumps by 2030, increasing to over 91,000 by 2050.

In the Welsh local authorities within the SP Manweb distribution network area, electric heat pumps are predominantly found in areas such as Flintshire, Gwynedd, Anglesey and Wrexham, where each could see over 17,000 heat pumps by 2030, increasing to over 62,000 by 2050.



Figure 15 | Potential range of heat pump uptake by local authority (by 2030 and 2050)

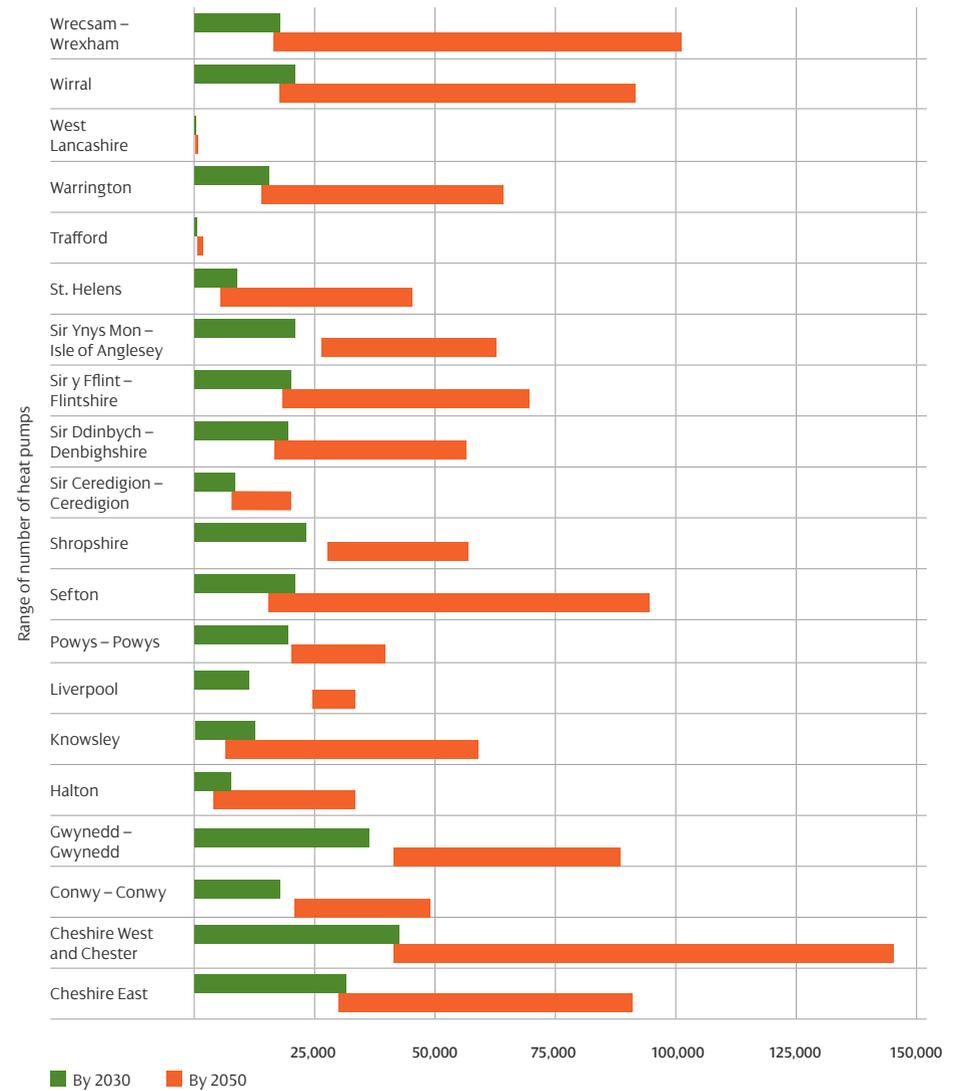
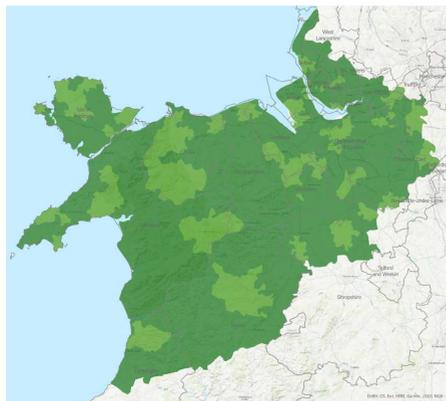


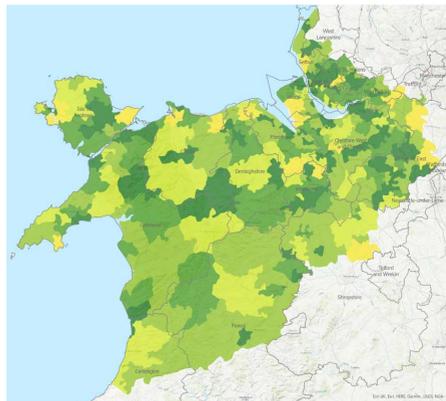
Figure 16 | Heat pump numbers by primary substation area

Scale range: 0 to >10,000

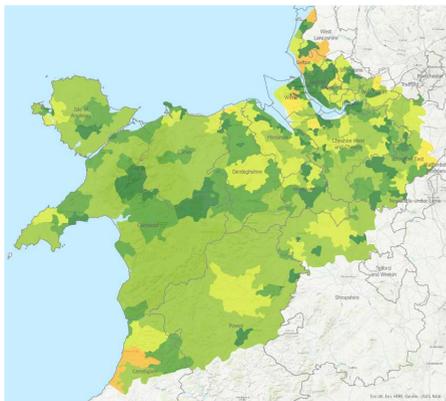
2030 – Low



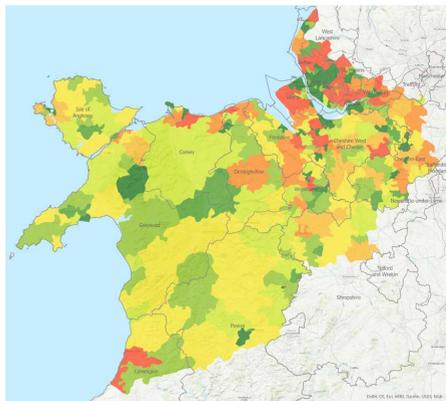
2050 – Low



2030 – High



2050 – High



5.4 Electricity generation and storage

This section sets out the forecasts for generation and storage. The main drivers are increased wind generation, solar PV generation, and storage, so we provide disaggregated forecasts for each.

5.4.1 Generation and storage overview

Understanding how electricity generation and storage could evolve on the SP Manweb network is the second key factor informing the need for more network capacity.

The volume of electricity generation connected to the distribution network in North Wales, Merseyside, Cheshire and North Shropshire out to 2050 will be affected by:

1. the overall requirement for more generation, i.e. how much additional generation capacity is required to supply the increase in demand.
2. the decentralisation effect – how much of that generation will be smaller-scale (and so connected to the distribution network) versus larger-scale (and so connected to the transmission network). This is driven by generation technology, economics and government policy.

These two factors, along with the type of generation, will determine the extent to which distributed generation and behind the

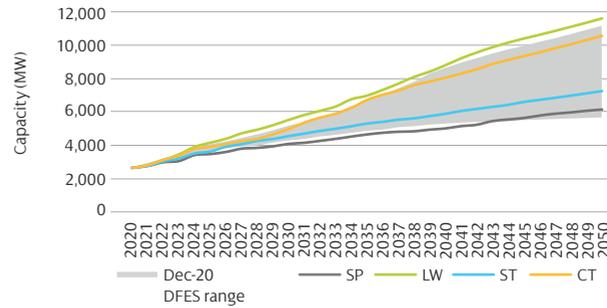
meter generation may help offset increases in demand (which would reduce the need for more network capacity), or may lead to greater power flows across the distribution network (which would increase the need for more network capacity).

Figure 17 shows how the total generation and storage capacity connected to the distribution network in North Wales, Merseyside, Cheshire and North Shropshire will vary for the four scenarios. For comparison, the grey area shows the forecasted range (the difference between the lowest and highest scenario) from our December 2020 DFES. There is a proposed generation hub in Mid Wales, of around 500MW, which has not been incorporated in our generation forecasts due to the current consenting position.

Figure 17 shows that our scenarios forecast the distributed generation and storage capacity in our SP Manweb region to double by 2030. By 2050, our scenarios indicate there could be as much as 2-5 times more generation and storage than today.

In the next 10 years, the generation and storage capacity on our network is likely to double, reaching around 5.5GW.

Figure 17 | Total installed generation and storage capacity



A significant increase in new generation capacity is expected in the next few years as known projects with connection requests come online. Beyond this, future growth is expected to be modest in the SPM Steady Progression and SPM System Transformation scenarios but could more than double the amount of small-scale generation in the SPM Leading the Way scenario by 2030.

To better illustrate what is driving the changes in generation, **Figure 18** shows a breakdown of the generation and storage forecasts from **Figure 17** by technology type, for 2030 and 2050.

Figure 18 shows that significant growth is expected, particularly from renewable generation. The majority of the increase in capacity to 2030 is expected to come from wind, solar PV and storage. Given that wind and solar PV, generation output is weather-dependent, it is unlikely to always occur at the same time as periods of high demand.¹⁵ This means that the distribution network may need intervention to accommodate

wind and solar PV generation capacity. It also means that there may be a greater export of power from the distribution network up onto the transmission network, and greater transfer of power across the transmission network, at times when generation output is high and demand is low.

Figure 17 and **Figure 18** show increasing electricity generation for all scenarios out to 2050. These forecasts and trends are the total values for generation and storage capacity connected to the distribution network in North Wales, Merseyside, Cheshire and North Shropshire. However different regions will see different increases in generation, based on a range of factors. **Figure 19** shows the geographical breakdown of how the generation and storage capacity connected to the distribution network could change by 2030 and 2050 from current levels for the highest and lowest forecast scenarios. **Figure 20** shows a similar representation, but only for domestic-scale and smaller-scale generation and storage capacity.

¹⁵This coincidence of generation and demand would have been beneficial for the network, as it tends to result in lower overall power flows and a lower requirement for network capacity.

Figure 18 | Breakdown of installed generation capacity by technology type

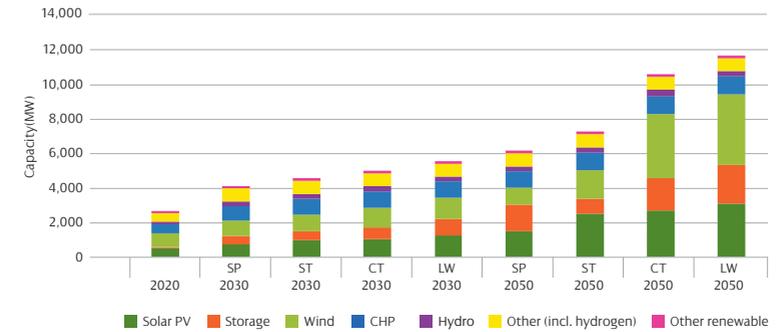
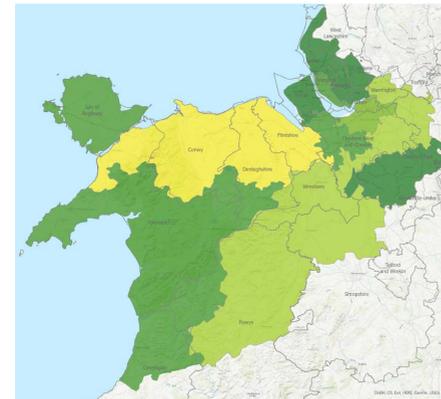


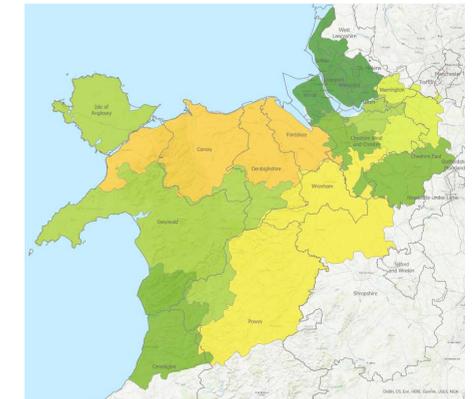
Figure 19 | Installed generation and storage capacity by GSP area

Scale range: 0MW to >2,000MW

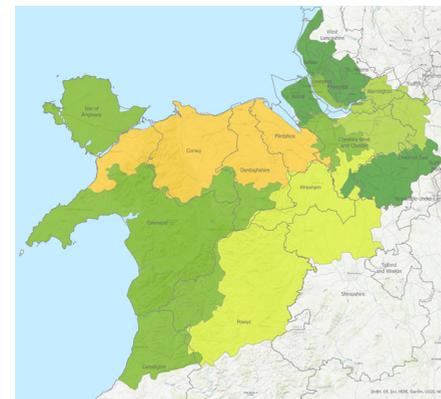
2030 – Low



2050 – Low



2030 – High



2050 – High

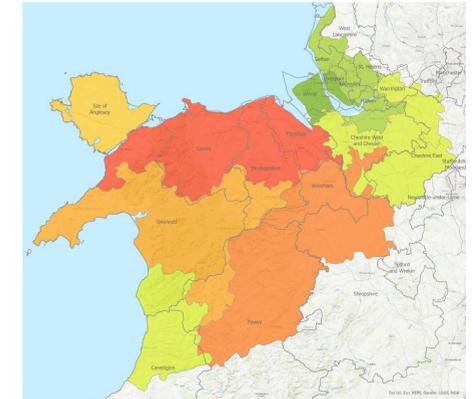
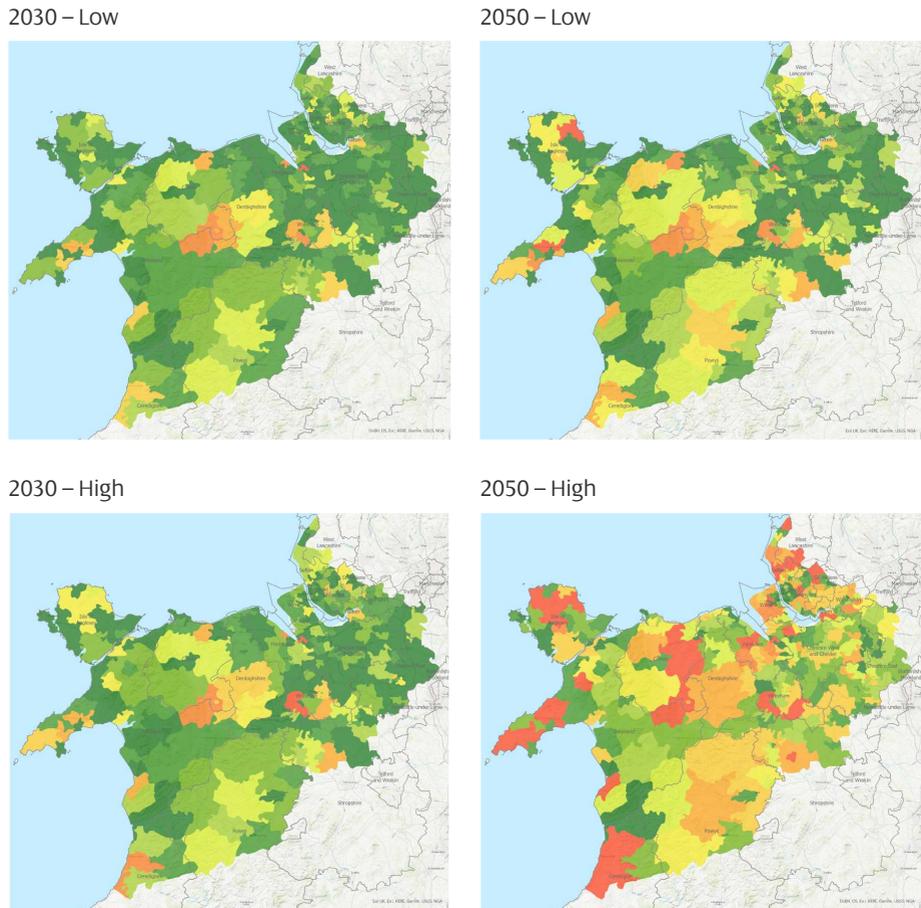


Figure 20 | Domestic-scale and smaller-scale installed generation and storage capacity by primary substation area
Scale range: 0MW to >12MW



Overall generation and storage trends:

1. All scenarios show a significant increase in generation and storage capacity. This means that the network will need intervention to facilitate Net Zero.
2. Generation and storage can help reduce peak demand and deliver real benefits to consumers. This means that we should all be working to enable flexibility.
3. The increase in generation and storage is not geographically uniform – some areas of the network will be impacted earlier, and to a greater extent, than others.

5.4.2 Solar PV

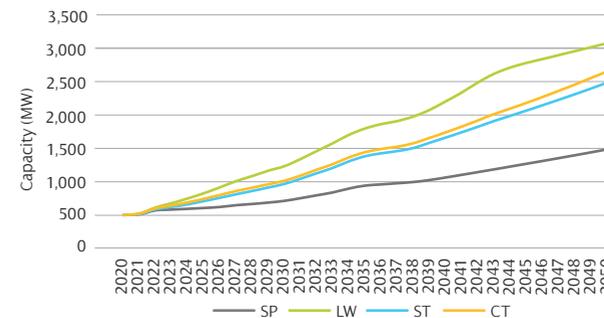
Over the past ten years, our distribution network has seen a moderate uptake of solar PV generation. This growth is likely to increase to facilitate further decarbonisation of electricity generation.

Unfortunately, the beneficial impact of solar PV offsetting peak demand on the network is likely to be limited, given that its output does not currently coincide with the times of winter peak demand (as these occur in the hours of darkness).

Figure 21 shows the forecast uptake of solar PV for the four scenarios. It shows significant future increases in solar PV capacity across all scenarios, more than doubling by 2030 and potentially increasing over six times from current levels by 2050. The increase in solar PV across all four scenarios is due to it being a low-cost and tried and tested technology, with a lower visual and noise impact than other forms of renewable

Solar PV capacity can be split into two categories: small-scale building rooftop schemes, which are connected behind the meter, and larger-scale ground-mounted solar PV farms, which connect directly to the distribution network. Figure 22 shows a breakdown of the Figure 21 solar PV forecasts for these two categories, for 2030 and 2050.

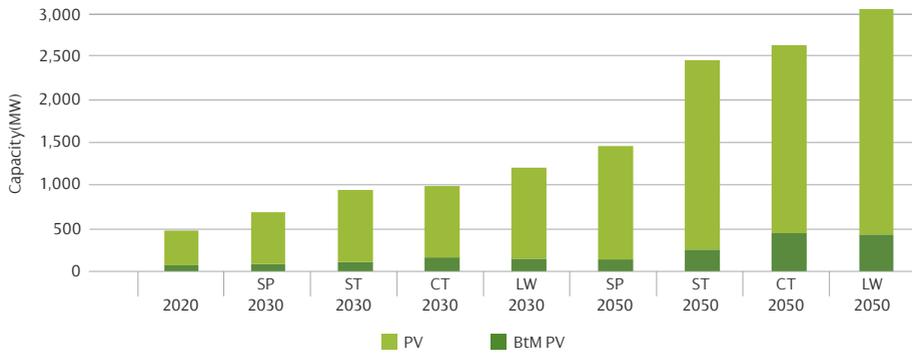
Figure 21 | Installed solar PV generation capacity



Solar PV generation could more than double by 2030.

Figure 22 shows that, for all scenarios, the main growth is expected to come from larger-scale ground mounted solar PV. New capacity for behind the meter solar PV is expected to be focused in areas that have already had some uptake due to subsidy support from Feed-in-Tariffs. Larger-scale ground-mounted solar PV schemes are expected to be deployed in more rural areas, due to the additional land area needed.

Figure 22 | Distribution connected and behind the meter solar PV capacity



5.4.3 Wind

Over the last ten years, there has been steady growth in wind capacity on the SP Manweb network leading to circa 800MW of installed capacity. Figure 23 shows the forecast uptake of wind generation for the four scenarios.

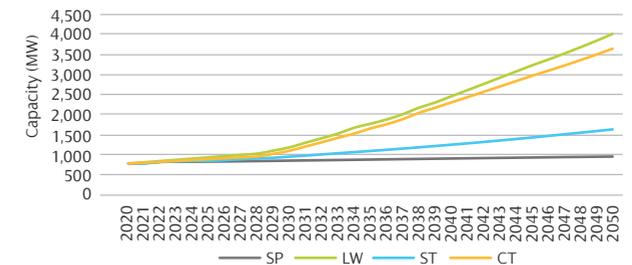
Figure 23 shows significant variance in the levels of wind generation across the four scenarios. Wind generation is a cost-effective established technology, so the extent of new wind generation will likely depend on the onshore planning regime, government/policy support, and local support for individual schemes.

Any increase in distribution connected wind is expected to be sited in rural areas, taking advantage of more favourable wind conditions.

The beneficial impact of wind generation offsetting peak demand on the network could be limited, given that it is weather-dependent.

Wind generation could increase by up to 52% by 2030.

Figure 23 | Installed wind generation capacity



5.4.4 Storage

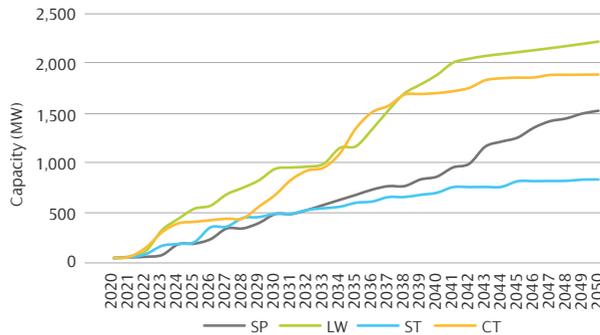
Electricity storage means any technology which can import, store and export electricity. It can range from large-scale pumped hydro schemes down to domestic-scale battery units. Electricity storage can help manage peak demand (by exporting to reduce local demand) and provide valuable system services (such as frequency response). As we move to a decarbonised system with renewable generation, storage is likely to play a valuable role in balancing that generation and ensuring system stability.

Figure 24 shows the forecast uptake of electricity storage for the four scenarios. Given the many different storage technologies and their evolving nature, we have not created individual forecasts for each technology.

Figure 24 shows significant growth in distribution connected storage capacity is expected through the 2020s and early 2030s. Beyond 2035, growth could be substantial in scenarios where there is more decentralised generation, in particular solar PV, that storage would help to manage.

Storage capacity could be over 15 times higher than today by 2030.

Figure 24 | Installed storage capacity



In the next five years there is likely to be more storage growth than in any other generation technology.

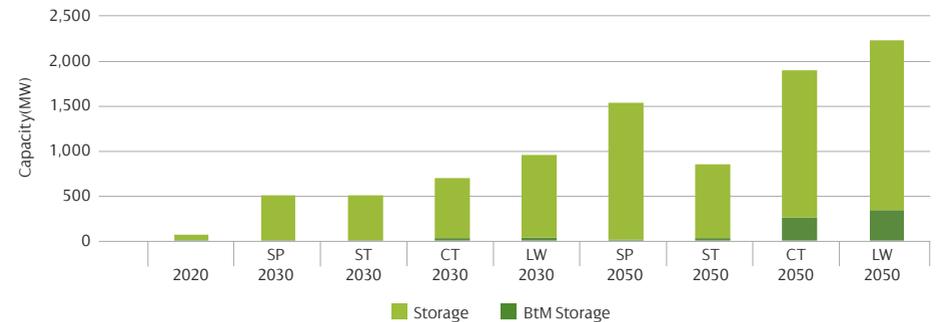
Distribution connected storage is assumed to be sited initially in areas with low network constraints (to allow services to be provided to the wider system). At different points in time, depending on the scenario, the siting of storage then shifts to areas of high network constraint, as the value of providing distribution level constraint management services increases.

Storage capacity can be split into two categories: small-scale storage at individual properties, which are connected behind the meter, and larger-scale standalone storage, which connects directly to the distribution network. Behind the meter storage is

generally assumed to be sited alongside rooftop solar PV installations. Figure 25 shows a breakdown of the Figure 24 storage forecasts for these two categories, for 2030 and 2050.

Figure 25 shows that, across all scenarios, the majority of storage growth is for standalone storage. It is worth noting that, the forecasts in Figure 24 and Figure 25 do not include the inherent storage capacity in electric vehicles. When plugged in, electric vehicles could be another widespread form of electricity storage – smart charging and vehicle to grid technologies would enable this capability.

Figure 25 | Distribution connected and behind the meter storage capacity



6

Reconciliation with the ESO's 2021 FES

This section provides a comparison between the SP Distribution forecasts and the ESO's 2021 FES for key building blocks.



As we explain in [Section 4](#), we use the ESO's FES as a starting point for our DFES forecasts. However the FES is not detailed enough for our requirements, so we significantly augment it to provide a much more regionally reflective and geographically granular view. This is done using a combination of top-down and bottom-up assessments, stakeholder feedback, devolved government policy and plans, and other regional data.

Once we create DFES forecasts, it is important to reconcile them back to the ESO's FES. This is to identify any significant discrepancies. We reconcile

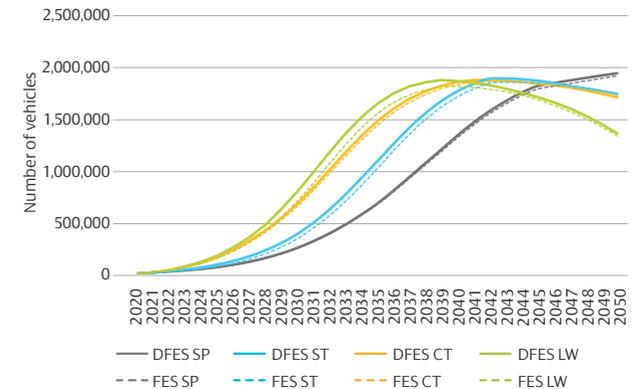
back using common building blocks¹⁶ and FES regionalisation¹⁷ to compare our DFES forecasts to the FES forecasts.

This section provides a comparison of our DFES forecasts the regionally equivalent ESO's 2021 FES for key building blocks. Other building block data is available in the DFES data workbooks¹⁸.

6.1 Electric vehicles

Our forecasts for the uptake of battery electric vehicles in the SP Manweb network are broadly aligned with FES, as shown in [Figure 26](#).

Figure 26 | Battery electric vehicle uptake comparison (Lct_BB001 and Lct_BB003)



¹⁶As part of ENA Open Networks' project, all DNOs committed to preparing their DFES using the same scenario framework as the ESO GB FES and to share data using a common set of building blocks.

¹⁷To compare the national FES forecasts to our regional DFES, we need to know what proportion of the total FES forecasts equates to our licence area. We do this using the grid supply point (GSP) breakdown contained in the FES – the FES contains forecasts for each building block for every GSP. We compare our DFES forecasts to the aggregate of the FES forecasts for the GSPs within our licence area.

¹⁸www.spenergynetworks.co.uk/dfes

Table 1 provides a comparison with FES for battery electric vehicles by 2030.

Table 1 | Battery electric vehicle volumes by 2030

Volumes at 2030 (thousands)		Cars, vans and motorbikes Lct_BB001	Other vehicle types Lct_BB003
DFES	Steady Progression	254	1
	System Transformation	389	2
	Consumer Transformation	680	3
	Leading the Way	801	2
FES	Steady Progression	249	1
	System Transformation	342	1
	Consumer Transformation	653	2
	Leading the Way	706	2

6.2 Heat pumps

Our forecasts for the uptake of heat pumps in the SP Manweb network consider a faster uptake of heat pumps than FES in the Consumer Transformation scenario in the 2020s to mid 2030s, as shown in Figure 27. This is due to an increased support of heat electrification to achieve interim emission reduction targets.

Figure 27 | Heat pump uptake comparison (Lct_BB005 to Lct_BB008)

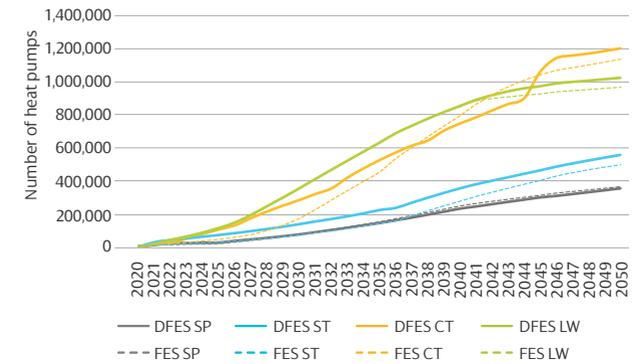


Table 2 provides a comparison with FES for heat pumps by 2030.

Table 2 | Heat pump volumes by 2030

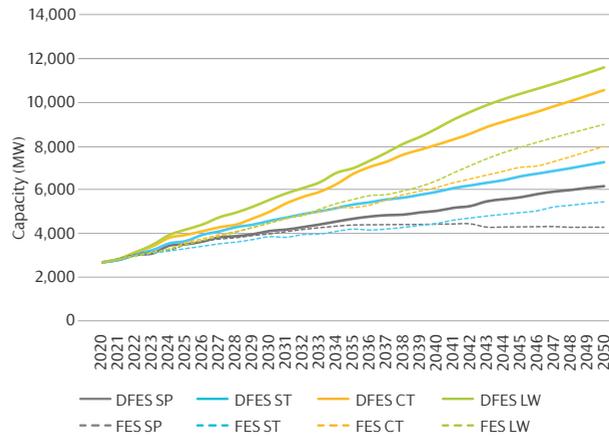
Volumes at 2030 (thousands)		Non-hybrid Lct_BB005 & Lct_BB007	Hybrid Lct_BB006 & Lct_BB008
DFES	Steady Progression	69	7
	System Transformation	119	18
	Consumer Transformation	263	21
	Leading the Way	279	76
FES	Steady Progression	54	19
	System Transformation	56	16
	Consumer Transformation	134	37
	Leading the Way	267	85

6.3 Overall distributed generation and storage capacity

Our distributed generation forecasts show a faster uptake in the short-term for all scenarios and a similar growth trend to FES in the medium to longer term. This results in a higher overall installed capacity in DFES. This faster uptake in the earlier years is mainly driven by the number of known generation projects currently in development, and review of the remaining pipeline of contracted generation

connections. We reviewed these projects against progression criteria such as project design, submission and granting of planning, project finance, past or recent connection requests, or commencement of delivery.

Figure 28 | Distributed generation and storage capacity comparison (Gen_BB001 to Gen_BB023, Srg_BB001 to Srg_BB004)



The main growth in distributed generation capacity is driven by three technologies: solar PV, wind, and storage. Table 3 below provides a summary of the expected overall growth and for these three technologies, for each scenario by 2030, in addition to the current level of connected generation.

Table 3 | Additional generation and storage capacity by 2030

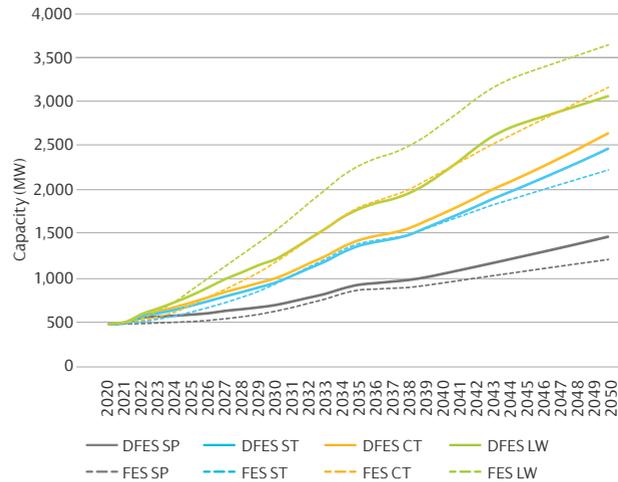
Additional GW at 2030		Total DG Gen_BB001-023 Srg_BB001-004	Solar PV Gen_BB012-013	Wind Gen_BB014-016	Storage Srg_BB001-004
Currently connected		2.5	0.5	0.8	0.1
DFES	Steady Progression	1.6	0.2	0.1	0.4
	System Transformation	2.1	0.5	0.2	0.4
	Consumer Transformation	2.5	0.5	0.3	0.6
FES	Leading the Way	3.0	0.8	0.4	0.9
	Steady Progression	1.3	0.1	0.0	0.0
	System Transformation	1.2	0.5	0.1	0.0
	Consumer Transformation	1.8	0.7	0.3	0.0
Leading the Way		1.8	1.1	0.2	0.0

6.4 Solar PV generation

Our forecasts for solar PV generation, shown in **Figure 29**, have broadly remained similar to our 2020 DFES. This is driven by the number of known generation projects that are in development affecting the earlier years. Growth in PV generation could be limited due to land availability and protected areas, such as National Parks and AONBs.

In the medium to longer term, growth in solar PV generation is expected to increase with increased support for renewable generation technologies, as set out in the UK Government's Energy White Paper and Net Zero Strategy, and Future Wales: The National Plan 2040.¹⁹

Figure 29 | Solar PV generation capacity comparison (Gen_BB012 and Gen_BB013)



¹⁹ <https://gov.wales/future-wales-national-plan-2040>

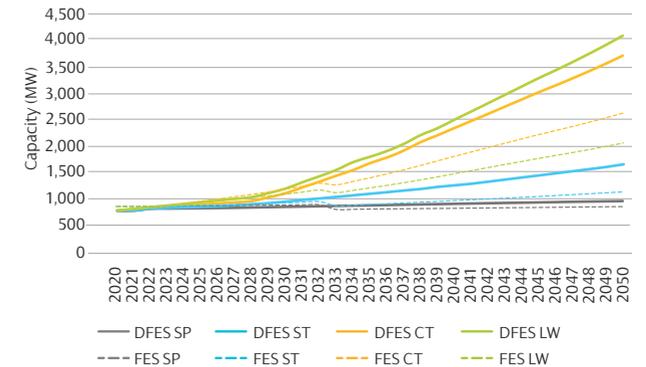
6.5 Wind generation

Our wind generation forecasts are broadly aligned with FES in the short-term for all scenarios, as shown in **Figure 30**.

In the medium term, growth in renewable energy sources is expected to significantly increase to reach 1GW of additional renewable energy capacity in Wales. Support for wind generation, and other renewable generation technologies as set out in the UK Government's Energy White Paper and

Net Zero Strategy, and Future Wales: The National Plan 2040, is expected to drive a faster growth over the medium and longer term. This means we are anticipating a faster growth across the scenarios in the medium term.

Figure 30 | Wind generation capacity comparison (Gen_BB014, Gen_BB015 and Gen_BB016)

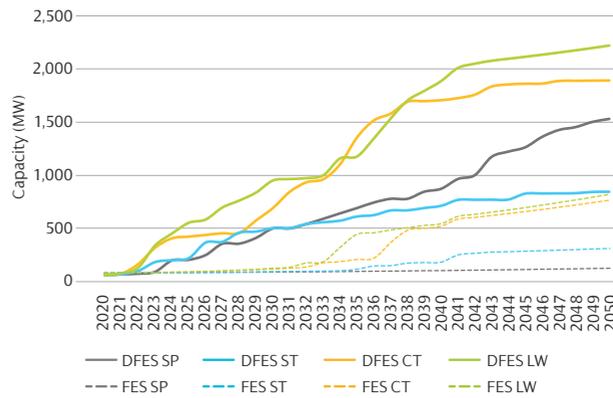


6.6 Storage

In recent years we have seen a significant increase in the level of connection enquiries for battery storage. The number of known projects currently in development, and review of the remaining pipeline are driving a faster growth in this technology over the short term, resulting in higher

overall capacities in the medium to longer term. Support for storage technologies is expected to increase, as set out in the UK Government’s Ten-Point Plan, Energy White Paper and Net Zero Strategy; and Future Wales: The National Plan 2040.

Figure 31 | Electricity storage capacity comparison (Srg_BB001, Srg_BB002 and Srg_BB004)



7

Incorporating the Climate Change Committee scenarios

The Climate Change Committee (CCC) published The Sixth Carbon Budget report in December 2020, setting recommendations for the UK's path to Net Zero.



This section provides an overview of the forecasts from the CCC, and compares them to the ESO's 2021 FES, and our SP Manweb DFES forecasts.

7.1 CCC's Sixth Carbon Budget

Carbon budgets are statutory caps for the level of greenhouse gas emissions over a five-year period, to provide a path towards achieving UK's emission reduction targets. These are a requirement under the Climate Change Act 2008²⁰.

The Sixth Carbon Budget²¹ (for the period 2033-2037) is the first carbon budget publication after the UK introduced a legally binding target to achieve Net Zero by 2050. Some of the recommendations and conclusions included in this publication are:

- An emission reduction of 78% by 2035, compared to 1990 levels.
- All new cars and vans, as well as domestic and non-domestic boiler replacements to be low carbon (mainly electric) by the early 2030s.
- By 2035, UK electricity generation to be zero carbon.
- Demand for electricity increasing by half in the next 15 years and 2-3 times in the next 30 years due to decarbonisation of transport, heating and industry.

²⁰<https://www.legislation.gov.uk/ukpga/2008/27/contents>

²¹<https://www.theccc.org.uk/publication/sixth-carbon-budget/>

The CCC developed five scenarios to explore different pathways of achieving Net Zero. Some of the key scenario assumptions are summarised below²²:

	Balanced NZ pathway	Headwinds	Widespread engagement	Widespread innovation	Tailwinds
Internal combustion engine ban (new cars and vans)	2032	2035	2030	2030	2030
HGV	Most cost-effective technology mix	Mostly hydrogen	Substantial electric road systems network	Mostly electric	Mix of low carbon technologies
Home energy efficiency	Medium	Low	Medium-High	Low	High
Residential building heating technology	Hybrid heat pumps, with 14% homes using hydrogen	Widespread conversion to hydrogen (86% of homes)	Fully electrified	Hybrid heat pumps, with 12% homes using hydrogen	Fully electrified except for areas by industrial clusters. 13% homes using hydrogen
Heat networks	Fully electrified	Hydrogen & large-scale HP	Fully electrified	Fully electrified	
Renewable Generation (% of total)	80%	75%	85%	90%	90%
Dispatchable Generation (% of total)	10%	15%	10%	8%	7%

²² Source and full set of assumptions on: <https://www.theccc.org.uk/publication/sixth-carbon-budget/>

7.2 Regionalisation of CCC scenarios

The Sixth Carbon Budget dataset²³ provides scenario data for the whole of the UK and also splits the totals for Northern Ireland, Scotland, and Wales.

So we can compare the national CCC forecasts on a like-for-like basis with our regional DFES forecasts, the CCC forecasts have been disaggregated to produce regionally equivalent forecasts for each metric based on the FES GSP building block share.

These regionalised CCC scenarios enable stakeholders and us to understand what they mean for our networks. We have not applied any adjustment to the assumptions behind the CCC scenarios.

7.3 Range of future pathways

This section provides a comparison between the DFES forecasts, the regional GSP results from the ESO's 2021 FES, and the regionally equivalent CCC forecasts for the SP Manweb network for battery electric vehicles (BEVs) and heat pumps – we have shown these two metrics as they are the main drivers of increasing demand.



²³The dataset is available on the CCC website.

7.3.1 Battery electric vehicles

Figure 32 shows the total volume of battery electric vehicles considered across all scenarios. Table 4 shows the same data at 2030, 2040, and 2050.

Figure 32 | Battery electric vehicle uptake comparison

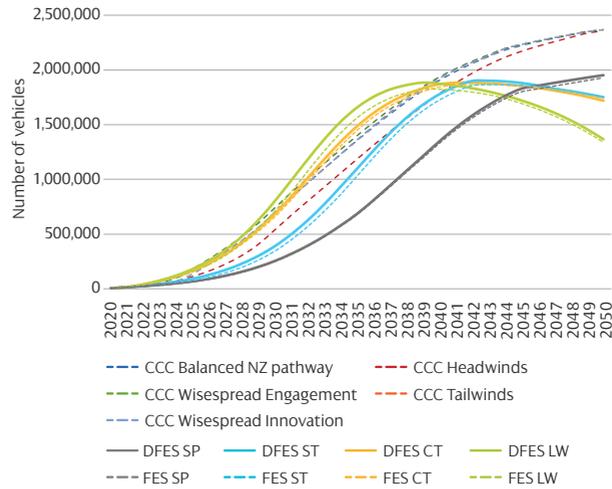


Table 4 | Industry forecasts for BEVs

Volumes (millions)		Electric vehicles		
		2030	2040	2050
DFES	Steady Progression	0.25	1.34	1.94
	System Transformation	0.39	1.77	1.75
	Consumer Transformation	0.68	1.86	1.71
	Leading the Way	0.80	1.87	1.36
FES	Steady Progression	0.25	1.32	1.92
	System Transformation	0.34	1.72	1.74
	Consumer Transformation	0.66	1.84	1.73
	Leading the Way	0.71	1.82	1.34
CCC 6th Carbon Budget	Balanced Net Zero pathway	0.69	1.89	2.35
	Headwinds	0.53	1.77	2.35
	Widespread engagement	0.73	1.92	2.36
	Widespread innovation	0.69	1.91	2.36
	Tailwinds	0.69	1.91	2.36

7.3.2 Heat pumps

Figure 33 shows the total volume of heat pumps considered across all scenarios.

Table 5 shows the same data at 2030, 2040, and 2050.

Figure 33 | Heat pump uptake comparison

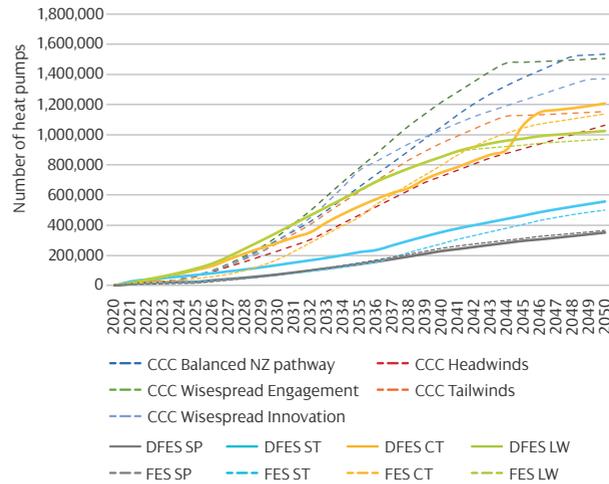


Table 5 | Industry forecasts for heat pumps

Volumes (millions)		Heat pumps		
		2030	2040	2050
DFES	Steady Progression	0.08	0.23	0.35
	System Transformation	0.14	0.35	0.56
	Consumer Transformation	0.28	0.75	1.20
	Leading the Way	0.36	0.85	1.02
FES	Steady Progression	0.07	0.25	0.36
	System Transformation	0.07	0.28	0.50
	Consumer Transformation	0.17	0.79	1.14
	Leading the Way	0.35	0.85	0.97
CCC 6th Carbon Budget	Balanced Net Zero pathway	0.30	1.04	1.53
	Headwinds	0.23	0.72	1.06
	Widespread engagement	0.32	1.21	1.50
	Widespread innovation	0.29	1.03	1.37
	Tailwinds	0.28	0.94	1.15

8

Range of Net Zero compliant pathways

This section provides an overview of the range of Net Zero compliant industry forecasts for the SP Manweb network.



These Net Zero compliant scenarios are key to understanding the range of future possible pathways that the SP Manweb network needs to accommodate. We use this information to efficiently plan and develop our networks.

We need to develop a view of the credible range of Net Zero compliant scenarios and our baseline scenario for planning purposes. Together these help us to efficiently plan and develop our network, and we use this to develop our RIIO-ED2 business plan.

To develop this range, we considered the ESO's FES and other industry scenarios (including the CCC 6th carbon budget scenarios). We then discounted DFES and FES scenarios that do not achieve Net Zero or interim targets. The following two scenarios were discounted:

1. Steady Progression (SP):

this scenario does not meet Net Zero and so it has been excluded.

2. System Transformation (ST):

this scenario is significantly lower than the rest of the Net Zero compliant scenarios. We consider it unable to meet UK interim emission reduction targets, and so it has been excluded.

The remaining DFES/FES scenarios (Consumer Transformation and Leading the Way) and the five CCC Sixth Carbon Budget scenarios collectively form the Net Zero compliant scenario range. This range of scenarios meets UK Net Zero legislation; the requirements of the UK Government's Ten-Point Plan, Energy White Paper, and Heat and Buildings Strategy; and the Net

Zero Wales Plan.

Our Baseline scenario is set to achieve Net Zero, including interim targets and devolved government policies and is set toward the low end of the Net Zero compliant scenario range. This means we have a high confidence that LCT uptakes will be at least this level to achieve Net Zero. This enables us to undertake network assessments and investment plans on scenarios which represent the best approach for our customers – this is the minimum investment needed to enable Net Zero. We must also plan to have agility within our delivery strategy to meet anywhere within the low to high scenario range.

In setting our Baseline scenario we incorporate the justification criteria, as defined in Open Networks (WS1B P2):

Category 1: Justification criteria for alignment with existing/announced policies

Category 2: Justification criteria for stakeholder engagement inputs.

Category 3: Justification criteria for regional and local characteristic inputs.

Category 1: Alignment with existing/announced policies

This range of Net Zero compliant scenarios meets UK Net Zero legislation; the requirements of the UK Government's Ten-Point Plan, Energy White Paper, and Heat and Buildings Strategy; and the Net Zero Wales Plan. Our Baseline scenario also considers emerging policy and thinking as it becomes available.

	UK	Wales
Net Zero target	2050	2050
% GHG emission reduction target	68% by 2030, 78% by 2035.	Avg. 58% (2026-2030) 63% by 2030, 89% by 2040.
EV targets	End the sale of new petrol and diesel vehicles by 2030 (hybrids by 2035).	
Heat targets	Ban on gas boilers in new homes from 2025. Install 600,000 heat pumps every year by 2028.	All new homes built in Wales should be heated and powered from clean energy from 2025.
Renewable generation targets	40GW offshore wind, 1GW floating offshore wind by 2030. Up to doubling the renewable energy capacity in the next CfD.	70% renewable by 2030 (set in 2017) 22.5 GW of renewable power by 2025 (from 2013). By 2025, 1GW of additional renewable energy capacity to be installed.

Category 2: Stakeholder engagement inputs:

Our Baseline scenario incorporates well-justified stakeholder evidence and feedback to capture regional requirements. Stakeholder feedback is used to inform: the timing/level/location of LCT uptake; the underlying factors which affect the forecasts; and to influence the weighting we ascribe to different scenarios during our network analysis. Feedback is reviewed and only included where sufficiently justified based on substantiated evidence, level of consensus and stakeholder ability to influence the metrics.

We will continue to work alongside local authorities to incorporate their latest thinking and provide support in the development of their Local Area Energy Plans (LAEP), as part of our Strategic Optimiser role.

Category 3: Regional and local characteristic inputs:

Our Baseline incorporates the granular outputs of our innovation projects (EV-Up, Heat-Up, PACE), new connection projects that are in development and a review of the contracted project pipeline against progression criteria such as project design, submission and granting of planning, project finance, past or recent connection requests, or commencement of delivery.

We will continue to reflect categories 1, 2, and 3 feedback into our DFES scenarios and our Baseline scenario.



Figure 34 shows our baseline scenario and the range of the Net Zero compliant industry forecasts for the uptake of battery electric vehicles and heat pumps – we have shown these two metrics as they are the main drivers of increasing demand.

Figure 34 | Range of Net Zero compliant industry forecasts

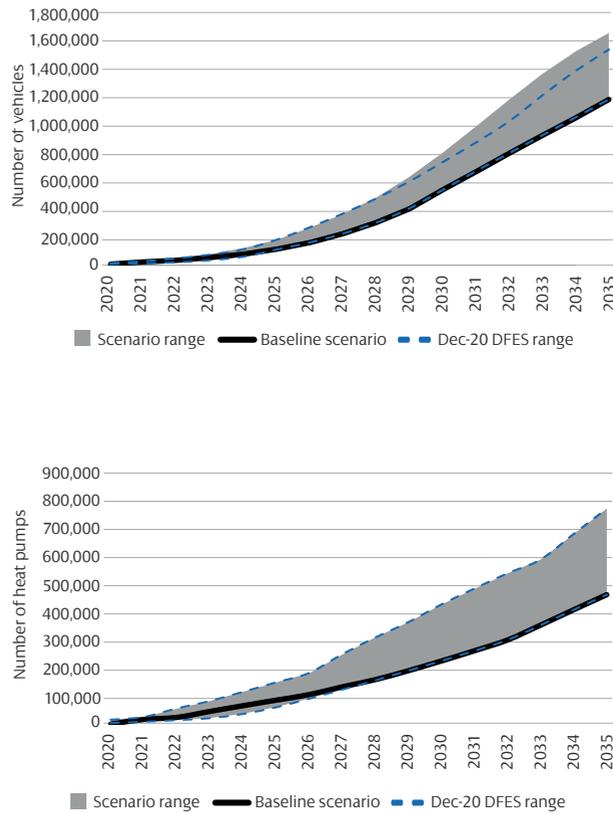
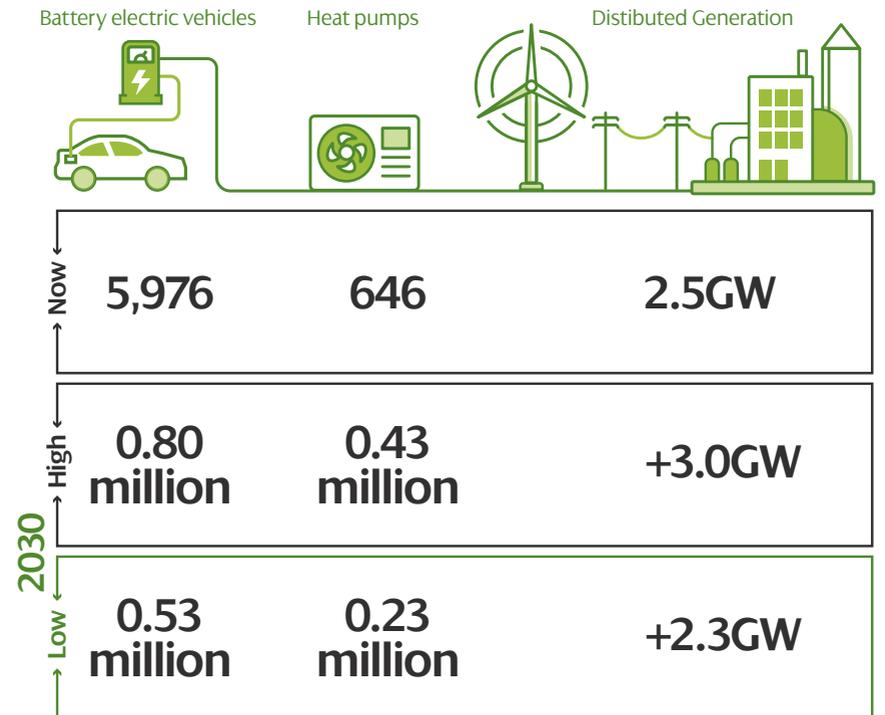
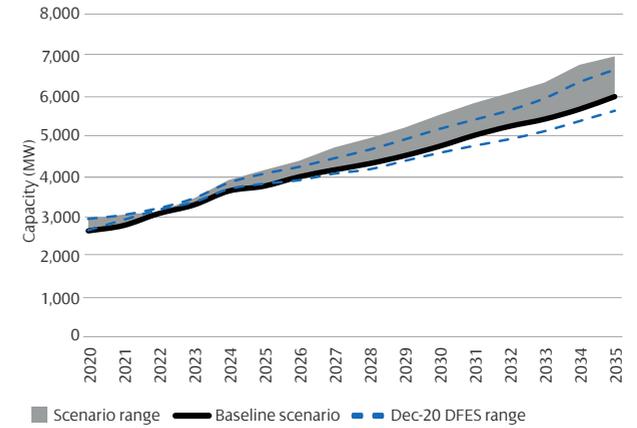


Figure 35 shows our baseline scenario and Net Zero compliant forecasts for distributed generation.

Figure 35 | Range of Net Zero compliant distributed generation forecasts



9

Glossary



Behind the meter – generation and storage which is connected within a domestic, commercial, or industrial building as part of that site's internal electricity system (e.g. rooftop solar PV panels on a domestic property). This is as opposed to a dedicated generation or storage site (e.g. a wind farm) which has no other major demands or processes within the same site.

Decarbonisation – the process to reduce the amount of carbon dioxide (CO₂) and other greenhouse gas emissions by introducing new low carbon alternatives and technologies. Much of the decarbonisation strategy is based on switching carbon energy vectors (e.g. petrol and diesel for transport, and natural gas and oil for heating) to electricity, and then using renewable generation to provide zero carbon electricity.

Decentralisation – this reflects the extent to which generation is sited closer to demand consumption (or is even undertaken by consumers themselves) via the use of smaller-scale technologies such as solar PV and local energy storage. A less decentralised system would be characterised by fewer, larger-scale generators sited further from where the electricity is ultimately consumed (demand); a more decentralised system would be characterised by more smaller-scale generators sited closer to demand.

Distributed generation – generation connected to the distribution network, as opposed to the transmission network.

Distribution network – in England and Wales this consists of overhead lines, underground cables and other network infrastructure that operate at 132kV and below; in Scotland this is the infrastructure that operates at 33kV and below. The distribution network delivers electricity from the transmission network and distributed generation to end users (consumers/demand). Nearly all demand in the UK is connected to the distribution network; only very large demand users (e.g. the rail network) are connected to the transmission network. Nearly all medium-scale and smaller scale generation in the UK is connected to the distribution network; typically only large fossil fuel power stations, offshore generation, and large onshore generation are connected to the transmission network.

Flexibility – ability of a consumer or generator to change their operation (i.e. their generation/consumption levels) in response to an external signal. With the push towards the electrification of heat and transport, being able to flexibly utilise demand and generation will help minimise the amount of additional network capacity required, balance the system and provide system stability – these can all help reduce customer electricity bills.



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