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SP Manweb Future Energy Scenarios

April 2020



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Foreword

Welcome to our Distribution Future Energy Scenarios (DFES). This document sets out our forecasts for how electricity generation and consumption may evolve in North Wales, Merseyside, Cheshire and North Shropshire over the next 30 years. This is one of a suite of documents we have created to explain our forecasts. We look forward to engaging with you to hear your thoughts and feedback on these forecasts.



A changing landscape

The energy landscape is changing fast as the way we generate, distribute and use energy evolves. To 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.

But while the overall direction of travel towards Net Zero is clear, there are some areas where policy decisions and action plans are still under development. How will Local Authorities turn their Climate Emergency status into action? How will UK and Welsh governments respond to the challenge of decarbonising domestic heating? 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, between them, cover a range of credible pathways to describe the potential decarbonisation routes which our customers may follow.

Working together

We do not endorse any particular scenario – our main role is to ensure that we provide the safe, economical and reliable network capacity that is needed to deliver the decarbonisation route that our customers and communities choose. It is therefore important that we make sure we have correctly understood your requirements – feedback on these forecasts from customers and stakeholders is vital to ensure that they reflect the plans and ambitions of the communities we serve.

We look forward to engaging with you and hearing your thoughts over the coming weeks. Please do not hesitate to share your feedback and insights with us, 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. We are doing this so that we can continue to provide our customers with a safe, reliable and good value electricity supply, whatever the future holds.



Scott Mathieson
Network Planning &
Regulation Director

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Impact of Covid-19

Covid-19 has impacted every part of our society and the UK economy. It is too early to be able to accurately assess the impact of Covid-19 on our DFES forecasts, as it will depend on a complex range of societal and economic factors.



Our ways of working, socialising and living have all changed. These changes have affected UK electricity consumption, with electricity demand materially lower compared to this time last year. Looking forward to this summer, the ESO forecasts that UK demand could be up to 20% lower compared to the “pre Covid-19” forecasts¹. It is important to highlight that, during this challenging time, SPEN is focussed on continuing to provide a safe, secure and reliable supply for all our customers.

It is too early to be able to accurately assess the impact of Covid-19 on our DFES forecasts, as it will depend on a complex range of societal and economic factors. Whilst Covid-19 is having an impact on our network operations and plans, we also believe that, at some point, government and industry effort must revert to ensuring society is tackling the climate change crisis whilst protecting the vulnerable and fuel poor. If anything, our Covid-19 experience has underlined this; it has challenged how we think about resilience and how we enact our response to this imperative.

In this context, electricity networks will endure as vehicles for driving forward government plans for achieving Net Zero. However, in the post Covid-19 period, they are also likely to have increased importance in acting as an economic catalyst in recovery. This is especially important to SPEN as we consider both the national and devolved governments that we serve.

To realise this ambition, it will be important that Ofgem continue to regulate objectively; the need to invest in our networks has never been more important than it is now.

We will keep the impact of Covid-19 under review, and as our understanding of its impacts on our industry and the energy system develops, we will incorporate this into future updates. In considering the impact of Covid-19, we would note that our present DFES forecasts are long-term, looking out to 2050. We assume the Net Zero legislated targets will remain, and so the need for decarbonisation is unchanged.

We welcome stakeholder views on the impact of COVID-19 on our DFES forecasts.

¹ Source: <https://www.nationalgrideso.com/document/167541/download>

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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's 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.

3.1 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 that the DFES forecasts provide 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, the network regulator. In short, the DFES forecasts are the foundation on which we plan our business to meet our customers' needs.

3.2 Sharing your views

Given the importance of DFES forecasts, we are keen to engage with a wide representation of our customers and stakeholders. Feedback from customers and stakeholders is vital to ensure that our forecasts reflect the plans and ambitions of the communities we serve, so we can facilitate decarbonisation targets.

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"**. This is a document that goes into 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.

Over the coming weeks we will be refining these DFES forecasts. To do so we are seeking your input. Please refer to **Section 7** to see the full list of questions. Your views would be welcomed by the **29th May 2020** and can be emailed to RIIO_ED2@spenergynetworks.co.uk. We will also be hosting a range of stakeholder sessions. Further details will be published in our website.

²<https://www.spenergynetworks.co.uk/dfes>

3.3 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)

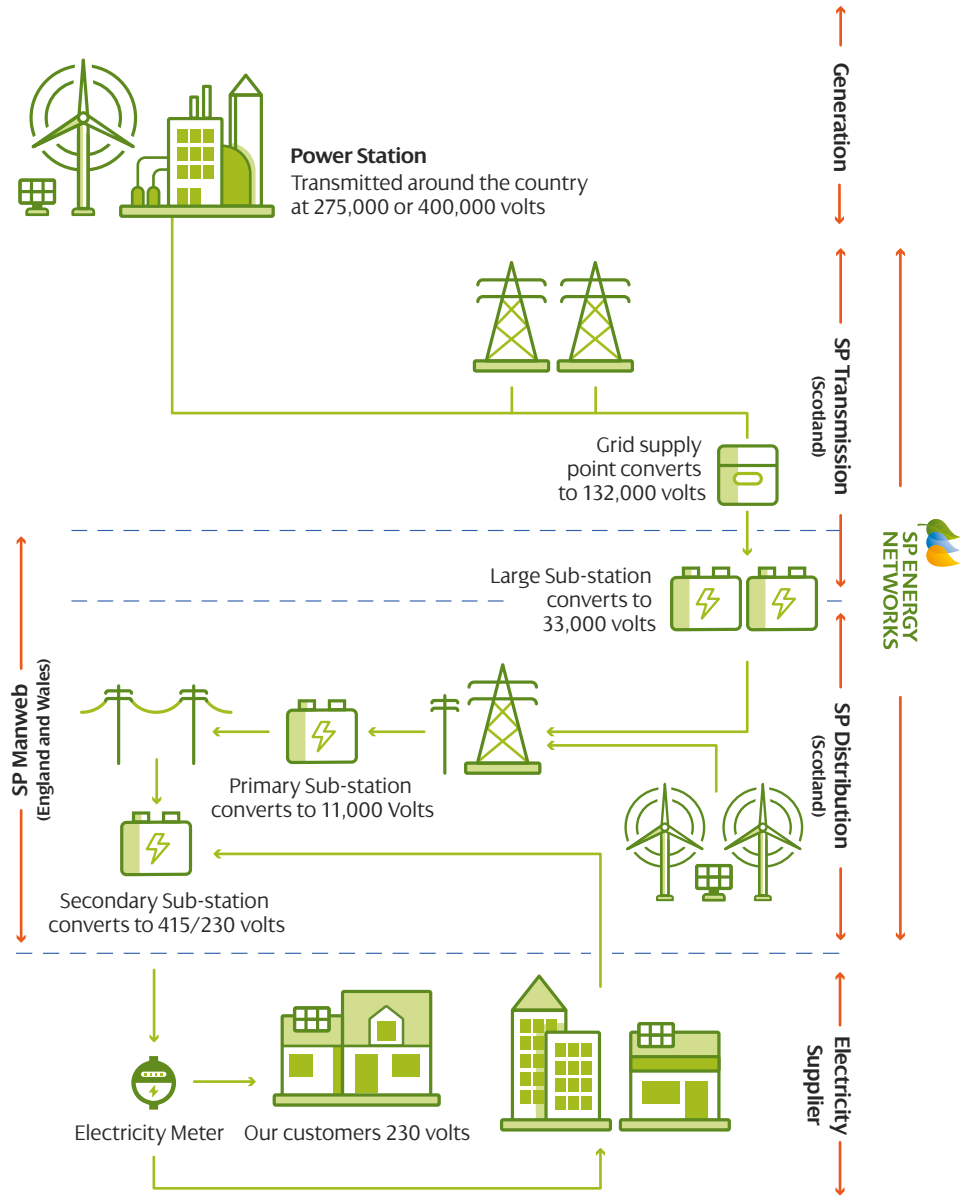
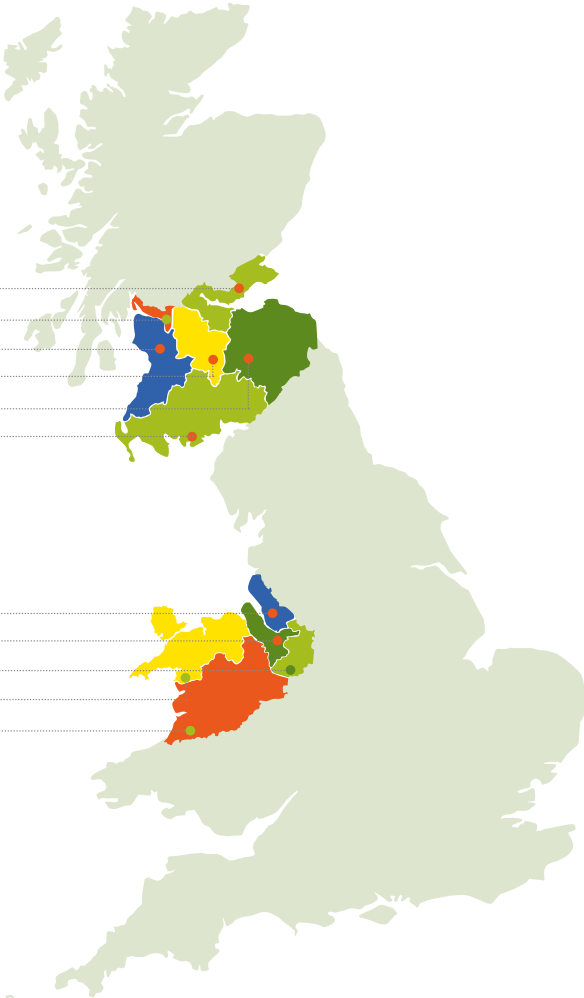
Central & Fife
Glasgow
Ayrshire & Clyde South
Lanarkshire
Edinburgh & Borders
Dumfries

SP Manweb PLC (SPM)

Merseyside
Wirral
Mid Cheshire
North Wales
Dee Valley & Mid Wales

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

⁴ SP 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.



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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 has introduced the Climate Change Act 2008 (2050 Target Amendment) Order 2019⁵. This introduces a legally binding target for the UK to become Net Zero (greenhouse gas emissions), reducing 100% of greenhouse gas emissions by 2050. This is in line with the Committee for Climate Change's publication "*Net Zero – The UK's contribution to stopping global warming*"⁶. In this same publication, the Committee for Climate Change recommends a target of at least a 95% reduction of greenhouse gas emissions by 2050 for Wales. However, the Welsh Government aims to go even further and reach Net Zero⁷ by 2050.

Building on these targets, the UK Government's Clean Growth Strategy⁸ also identifies a number of ambitions which will have a direct impact on the electricity network.

Some of these ambitions include:

1. During the 2020s, roll out low carbon heating in new homes and existing off gas grid homes.
2. By 2040, phase out the sale of new petrol and diesel cars and vans.

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 www.legislation.gov.uk/ukpga/2008/27/contents

⁶ www.theccc.org.uk/wp-content/uploads/2019/05/Net-Zero-The-UKs-contribution-to-stopping-global-warming.pdf

⁷ <https://gov.wales/sites/default/files/inline-documents/2019-08/decarbonisation-programme-newsletter-july-2019.pdf>

⁸ www.gov.uk/government/publications/clean-growth-strategy

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How we create our DFES forecasts

SPM DFES forecasts use the the ESO's 2019 FES as a starting point, refined with sophisticated bottom-up granular and spatially disaggregated assessments to incorporate the legislative Net Zero targets. This approach creates regional and local forecasts for demand and generation connected to the SP Manweb distribution network out to 2050.



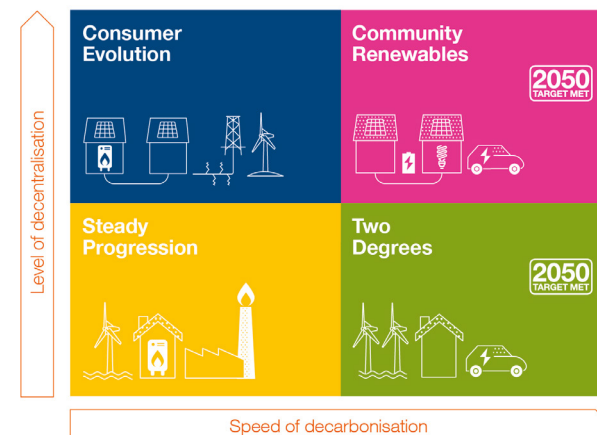
5.1 The starting point – ESO's 2019 FES

The SP Manweb DFES forecasts use the National Grid Electricity System Operator (ESO) 2019 Future Energy Scenarios⁹ (2019 FES) as a starting point. 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. Each scenario can be disaggregated to show forecasts for individual metrics (e.g. electric vehicle (EV) uptake, solar photovoltaic (PV) capacity etc.). The scenarios are developed through extensive engagement with stakeholders and are widely recognised as being an industry reference point.

To illustrate their different representations, **Figure 2** maps the four scenarios against two metrics: level of decentralisation (the extent to which energy generation is sited closer to consumers) and speed of decarbonisation (how fast low carbon technologies are adopted).

The ESO updates its Future Energy Scenarios annually; the most recent was published in July 2019 and is the version which these SP Manweb DFES forecasts use as their starting point.

Figure 2 | Overview of the ESO's 2019 Future Energy Scenarios



⁹www.nationalgrid.com/uk/publications/future-energy-scenarios-fes

5.2 Creation of the DFES

The 2019 FES provides a starting point for the SP Manweb DFES forecasts, but it is not detailed enough for our DFES forecasting needs as we can't use it to accurately predict our customers' requirements. Therefore, to create a DFES, the GB-wide ESO FES forecasts need to be significantly augmented to provide a much more regionally reflective and geographically granular view.

This is achieved using a combination of extensive top-down and bottom-up assessments, and using additional input data from:

1. UK government legislation – incorporation of Net Zero sensitivity.
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 project, which provides a detailed spatial view of electric vehicle uptake.
5. Other highly spatially disaggregated sources of data (e.g. households off the gas grid).

This input data provides a much richer and more representative view. This activity 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.

To then create geographically granular forecasts, all of the key scenario elements are 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 341 primary substation network groups across North Wales, Merseyside, Cheshire and North Shropshire. These geographic areas cover, on average, approximately 38km².

The metrics we are most interested in, given they have the greatest potential network impact, are:

1. Generation technology (e.g. wind, solar PV, combined heat and power).
2. Generation scale (e.g. behind the meter generators such as rooftop solar PV).
3. Electricity storage.
4. Residential, industrial and commercial demand.
5. Uptake of electric vehicles (EVs).
6. Uptake of heat pumps (HPs).

We have retained the approach of forecasting for four scenarios, as we feel it is important to represent a range of credible pathways.

It is important to note that two of the ESO's 2019 FES scenarios (Community Renewables and Two Degrees) only met the previous 2050 target of 80% emission reduction from 1990 levels. This is simply because the ESO's 2019 FES was produced before the UK 2050 Net Zero target was introduced. However, as part of our data input process to create the DFES, we have applied the new legislative Net Zero targets to two of our scenarios (SPM Community Renewables and SPM Two degrees).



5.3 Outputs

This combination of top-down and bottom-up assessments, additional data input and spatial disaggregation means that we can produce forecasts for all key 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, meaning that 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 include disaggregated forecasts for these.
- 2. Those which affect electricity generation and storage¹⁰.

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.

¹⁰ From 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.

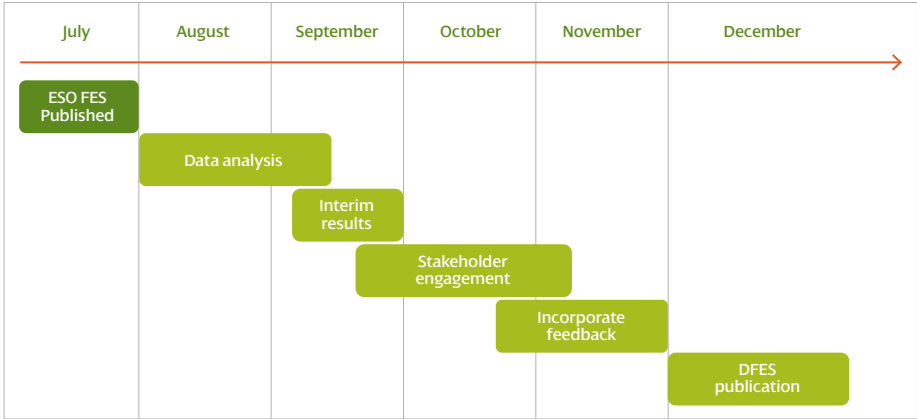
5.4 Updating the DFES

We will update and publish our DFES forecasts annually. 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.

Later on this year we will also be carrying out a further exercise to update our DFES, following publication of the ESO's 2020 FES in the summer. Whilst we are following a different timescale for this first DFES, from July 2021 the annual process will be as per **Figure 3**.

Figure 3 | Annual process to create our DFES



6

Our DFES Forecasts

This section sets out our DFES forecasts. It gives an overview of the four DFES scenarios, and then sets out detailed demand and generation forecasts for each scenario out to 2050.

All the forecast values are for the SP Manweb distribution network; they are not forecasts for the whole of England, Wales or the UK, or the transmission network¹¹.



6.1 Scenario Overview

The SP Manweb DFES consists of forecasts for four main scenarios, consistent with the ESO's 2019 FES scenario framework. A description of each scenario¹² is provided below:

In SPM Steady Progression (SP):

the pace of the low carbon transition continues at a similar rate to today but then slows towards 2050. Consumers are slower to adopt electric vehicles and take up of low carbon alternatives for heat is limited by costs, lack of information and access to suitable alternatives. Although hydrogen blending into existing gas networks begins, limited policy support means that new technologies such as carbon capture, usage and storage and battery storage develop slowly.

In SPM Consumer Evolution (CE):

there is a shift towards local generation and increased consumer engagement, largely from 2040 onwards. In the interim, alternative heating solutions are taken up mostly where it is practical and affordable, e.g. due to local availability. Consumers choose electric vehicles and energy efficiency measures. Cost-effective local schemes are supported but a lack of strong policy direction means technology is slow to develop, e.g. for improved battery storage.

In SPM Community Renewables (CR):

local energy schemes flourish, consumers are engaged and improving energy efficiency is a priority. UK homes and businesses transition to mostly electric heating. Consumers opt for electric transport early and simple digital solutions help them easily manage their energy demand. Policy supports onshore generation and storage technology development, bringing new

schemes which provide a platform for further green energy innovation to meet local needs. The key adjustments we made to accommodate Net Zero targets are a significantly higher uptake of heat pumps, higher uptake of distributed generation and electric vehicles.

In SPM Two Degrees (TD):

large-scale solutions are delivered and consumers are supported to choose alternative heat and transport options to meet Net Zero targets. UK homes and businesses transition to hydrogen and electric technologies for heating. Consumers choose electric vehicles and hydrogen is widely used for commercial transport. Increasing renewable generation capacity, improving energy efficiency and accelerating new technologies such as carbon capture, usage and storage are policy priorities. The key adjustments for Net Zero targets include a slightly higher uptake of heat pumps (hydrogen is still assumed to play a key role for heating under Net Zero compared to the SPM Community Renewables scenario), higher uptake of distributed generation and electric vehicles.

¹¹ 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.

¹² Source: Scenario descriptions based on the ESO's 2019 FES (<http://fes.nationalgrid.com/media/1409/fes-2019.pdf>)

6.2 Electricity Demand

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

6.2.1 Demand Overview

Understanding how electricity demand could evolve on SP Manweb's 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 it 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 SP Manweb's 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 material split between the scenarios. SPM Community Renewables and SPM Two Degrees are the two scenarios which achieve the Net Zero targets. Both 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 Consumer Evolution and SPM Steady Progression involve less electrification of heat and transport, with more reliance on other energy vectors (e.g. petrol, diesel, natural gas) for these two activities. As a result, these two scenarios do not increase electricity peak demand to the same extent.



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 27% by 2030 and more than double by 2050.

Figure 4 | Electricity peak demand without flexibility



With flexibility, demand could increase by circa 14% by 2030 and over 40% by 2050.

Figure 5 shows how demand flexibility could reduce SP Manweb's total peak demand.

Figure 5 shows that flexibility could reduce peak demand by between 3-17% by 2030 compared to no flexibility, depending on scenario. Such a reduction will directly deliver benefits for consumers as it will require less investment in the network, resulting in lower electricity bills and fewer delays. The two more decarbonised scenarios, SPM Community Renewables and SPM Two Degrees, include a higher uptake of new sources of demand. Therefore, there are greater levels of demand flexibility associated with electric vehicles and heat pumps in 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

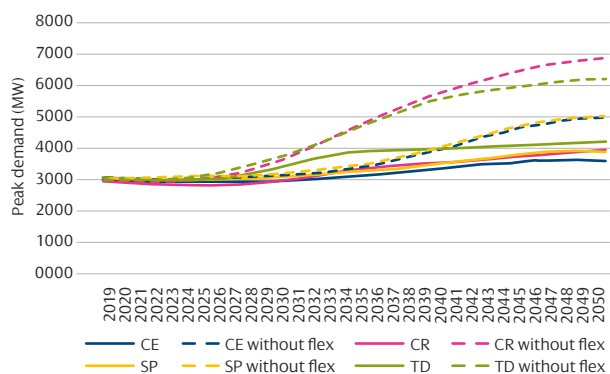
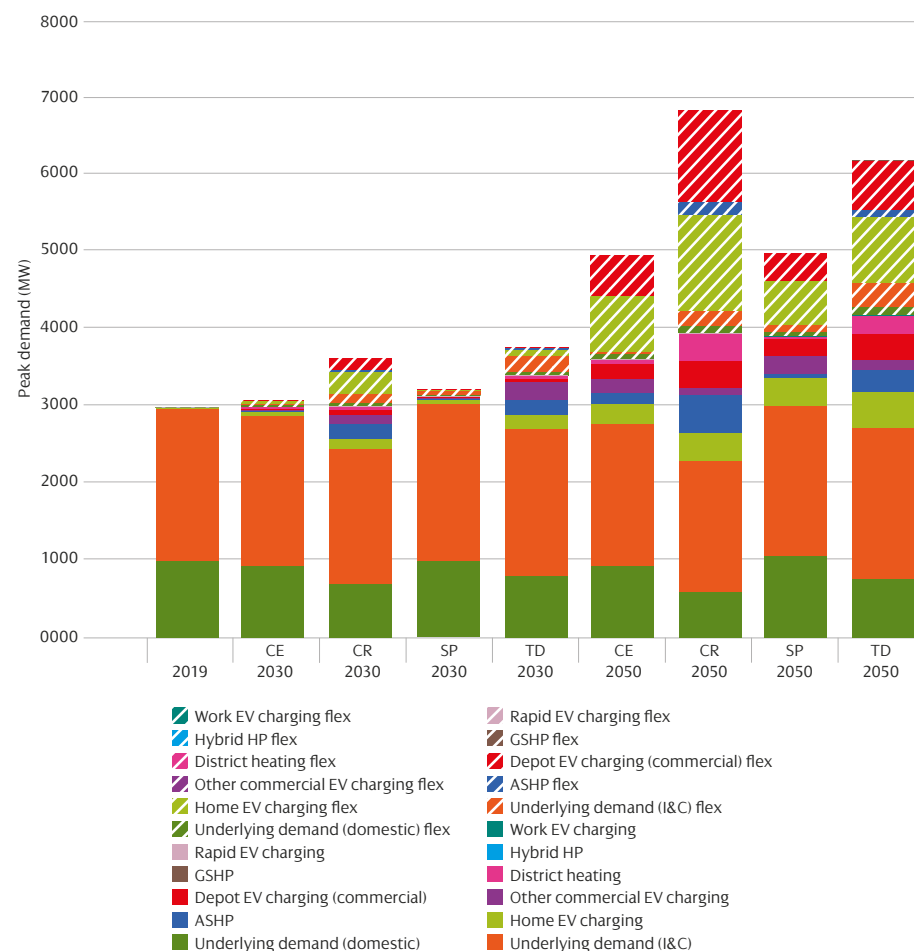


Figure 6 | Electricity peak demand breakdown for 2030 and 2050



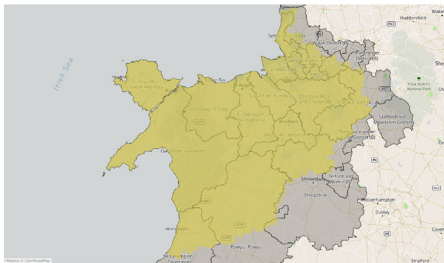
Given the benefits of flexibility, all subsequent demand forecasts in this report assume flexibility will be available to the extent shown in **Figure 5** and **Figure 6** (e.g. where an electric vehicle forecast shows the impact on peak demand, those forecasts assume electric vehicle demand flexibility).

Figure 5 and **Figure 6** show increasing electricity 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 a geographically granular view on how the demand could change from current levels for the highest and lowest forecast scenarios.

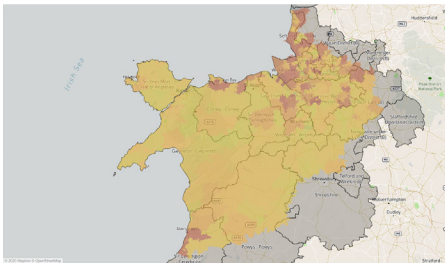
Figure 7 | Electricity peak demand changes from 2019 by primary substation area

Scale range: -3MW to >5MW

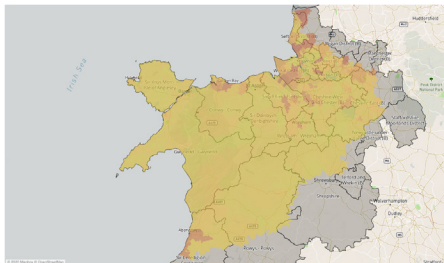
2030 – Low



2050 – Low



2030 – High



2050 – High

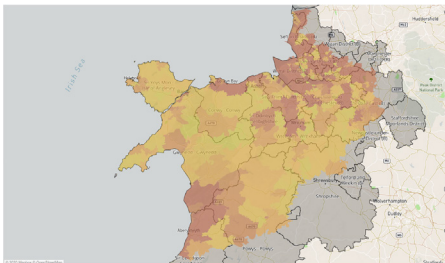


Figure 7 shows there is clear variance in the demand changes seen in different regions.

Overall demand trends:

1. All scenarios show increasing demand. This means that the distribution network will need intervention to facilitate decarbonisation.
2. Demand flexibility 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 demand is not geographically uniform – some areas of the network will be impacted earlier, and to a greater extent, than others.

6.2.2 Electric vehicles

The number of electric vehicles – both plug-in hybrids and battery electric – registered within SP Manweb's area is currently over 7,000. However, momentum in support of electric vehicle adoption is building, leading to uncertainty over how fast the roll-out may occur.

Figure 8 shows the forecast numbers of residential battery electric vehicles in the SP Manweb region.

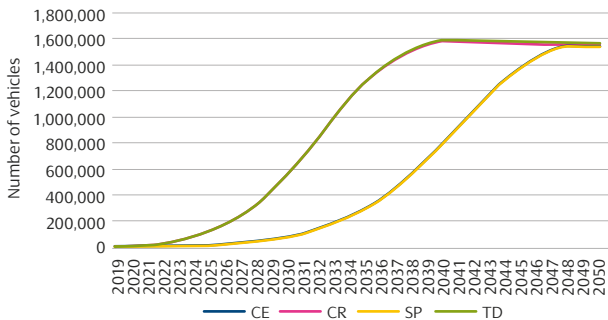
Figure 8 shows that across the scenarios, the share of residential battery electric vehicles rises from 4,000 to between 85,000 and 563,000 by 2030. The reason for this high level of variance in the 2030s is that the UK has a target to phase out the sale of new petrol or diesel cars by 2040 – this is reflected in our SPM Community Renewables and SPM Two Degrees scenarios. SP Manweb's

Welsh region could see between 25,000 and 165,000 residential battery electric vehicles by 2030 and SP Manweb's English region between 60,000 and 398,000. Overall for the SP Manweb distribution network area, compared to today, this would mean over 123 times more battery electric vehicles by 2030 and over 280 times more by 2035.

Our SPM Steady Progression and SPM Consumer Evolution scenarios contain a much slower uptake of residential battery electric vehicles between 2020-2035 followed by a much higher adoption from 2035 onwards, reaching around 1.6million by 2048.

Whilst there is significant variance between scenarios across the 2030s and 2040s, the total number of electric vehicles by 2050 is similar across all scenarios.

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 large increase in demand and potential for new technologies such as vehicle to grid (V2G) services.

Electric vehicle charging could have a significant impact on SP Manweb's peak demand if left unmanaged. Smart charging and vehicle to grid are two ways to add

flexibility to electric vehicle charging; 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 to help alleviate constraints. For the highest and lowest electric vehicle adoption scenarios, **Figure 9** and **Figure 10** show the expected contribution from electric vehicle charging at home during peak time, and the benefits of smart charging and vehicle to grid.

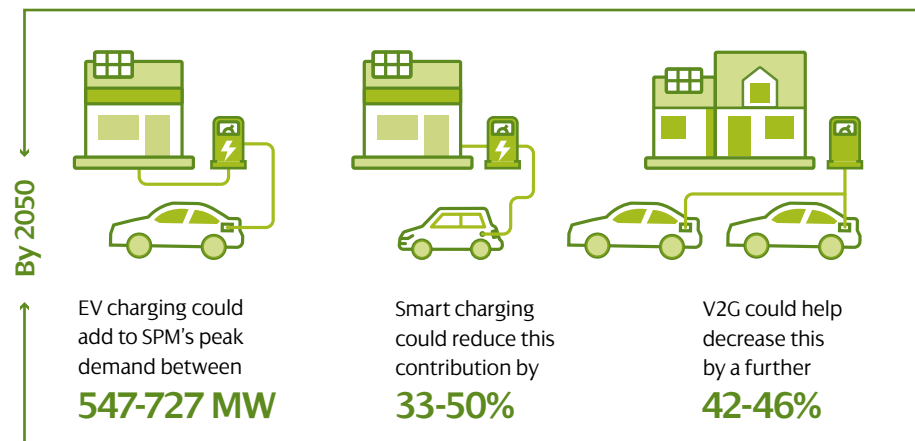
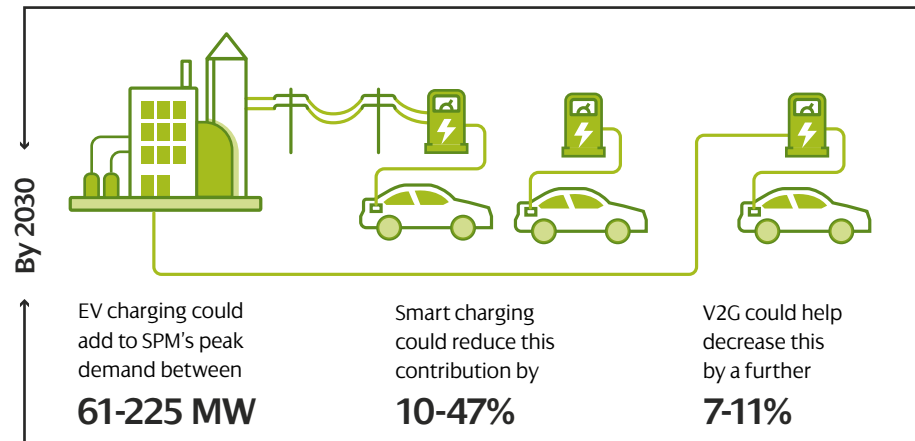


Figure 9 and **Figure 10** also show that the development of effective smart charging and vehicle to grid capabilities could reduce peak demand by 5-13 times by 2050 compared to not having this capability. This means that the development of smart charging and vehicle to grid could deliver significant benefits for customers.

There could be as many as 563,000 EVs within SP Manweb's network area by 2030.

Figure 9 | Home EV contribution to peak demand (high scenario)

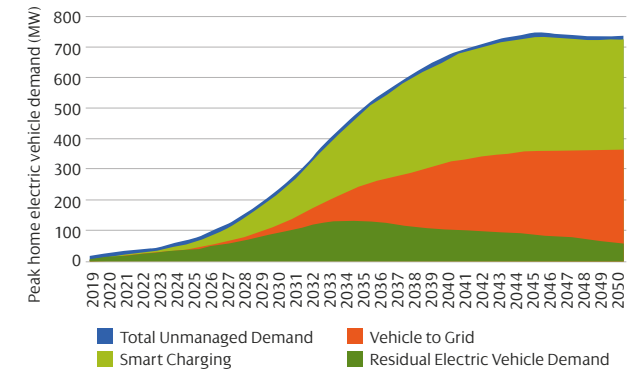
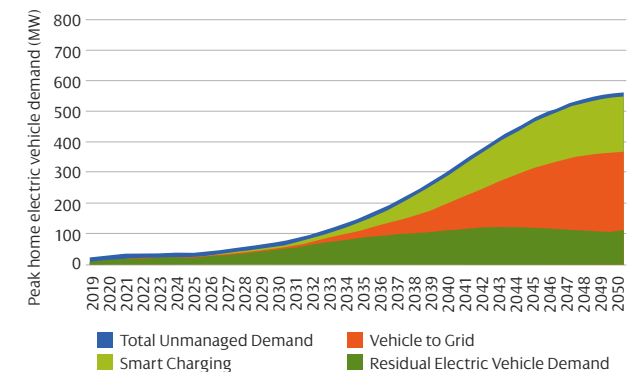


Figure 10 | Home EV contribution to peak demand (low scenario)



The degree of geographical clustering of early electric vehicle adoption will also be a key determinant 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 be seen. To do this the model combines detailed spatial analysis to determine off-street parking availability at individual property

level, and 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 11) and primary substation area (Figure 12). 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 11 represents the range between the low and high forecasts.

Figure 11 | Potential range of residential battery EV uptake by Local Authority (by 2030 and 2050)

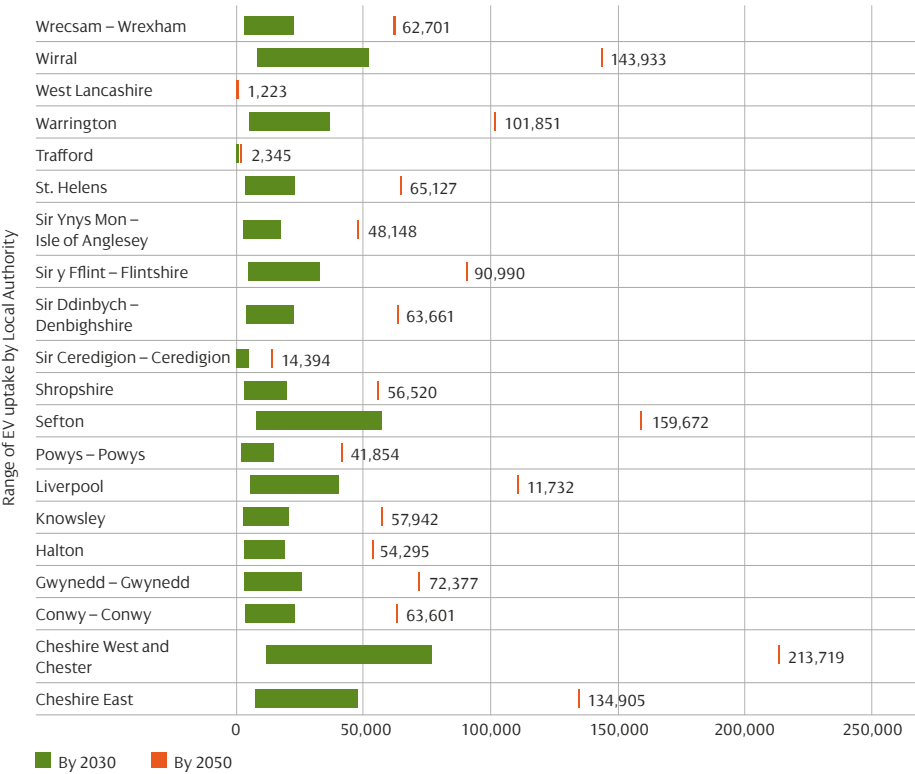
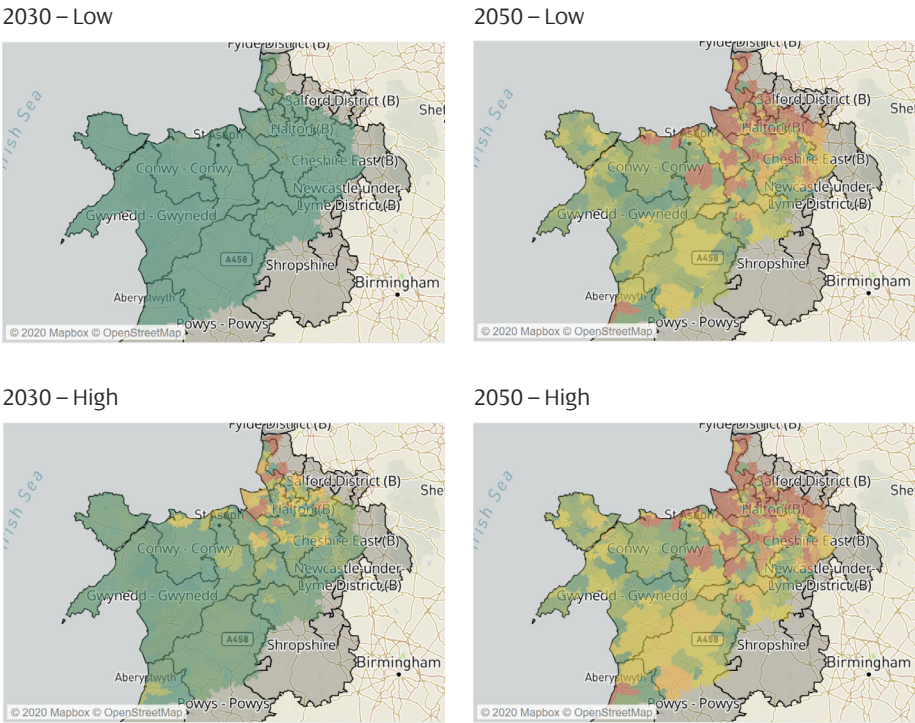


Figure 11 shows that for the English Local Authorities within SP Manweb's distribution network area, residential battery electric vehicles are predominantly found in densely populated areas such as Cheshire West and Chester, Cheshire East, Sefton and Wirral where each could see over 48,000 electric vehicles by 2030, increasing to over 135,000 by 2050.

In the Welsh Local Authorities within SP Manweb's distribution network area, residential battery electric vehicles are predominantly found in densely populated areas such as Flintshire and Gwynedd where each could see over 26,000 electric vehicles by 2030, increasing to over 72,000 by 2050.

Figure 12 | Residential battery EV uptake numbers by primary substation area

Scale range: 0 to >10,000



6.2.3 Heat pumps

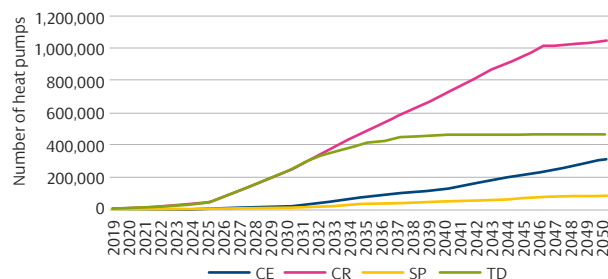
Heat pumps use electricity to heat buildings and provide hot water. Heat pumps – both air source and ground source – represent another change to the future electricity demand. Deployment is currently very low, representing well under 1,000 households within a total stock of circa 1.5 million households in SP Manweb's 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 13** shows the forecast uptake of heat pumps for the four scenarios.

Figure 13 shows that there is significant variance between the heat pump forecasts.

Total proportion of homes with a heat pump could reach 16% by 2030.

Figure 13 | Electric heat pump uptake



This is for two reasons:

1. The SPM Steady Progression and SPM Consumer Evolution scenarios achieve less decarbonisation overall compared to the SPM Two Degrees and SPM Community Renewables scenarios.
2. There are low carbon alternatives to small-scale heat pumps: district heating and hydrogen in the gas network being the two lead possibilities.

In SP Manweb's Welsh region, there could be as many as 99,000 electric heat pumps by 2030 and around 395,000 by 2050. In SP Manweb's English region, the number of electric heat pumps could reach over 145,000 by 2030 and over 655,000 by 2050.

Compared to electric vehicles, where the roll-out rate between scenarios is different but by 2050 the overall volumes are broadly similar, 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.

Heat pumps could have nine times the network impact of electric vehicles.

Figure 14 shows the impact on peak demand of the high scenario forecast and the potential of heat pump flexibility. **Figure 15** shows the same information for the low scenario forecast.

Figure 14 shows that the development of effective heat pump flexibility could reduce their associated peak demand contribution by up to 25% by 2050. This means that the development of this flexibility capability could deliver material benefits to network customers.

Figure 14 | Heat pump contribution to peak demand out to 2050 (high case)

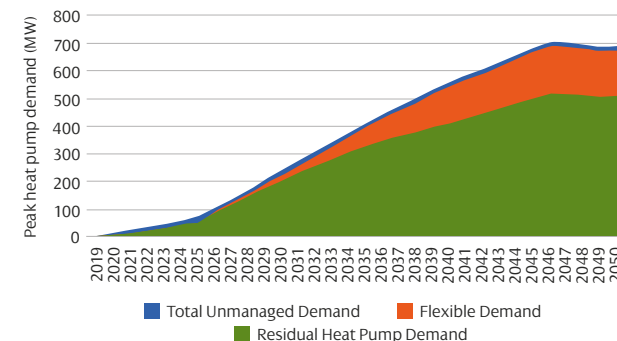
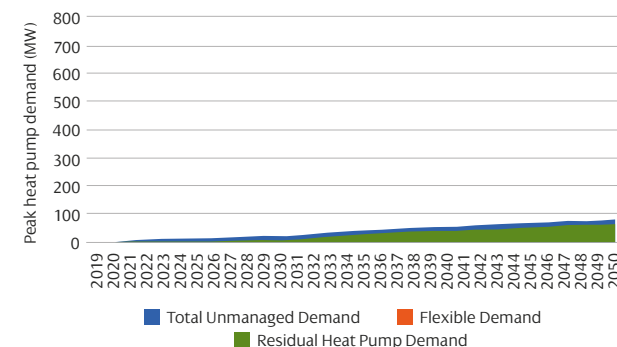


Figure 15 | Heat pump contribution to peak demand out to 2050 (low case)



The degree of geographical clustering of heat pump adoption will also be a key determinant of the impact on the network – 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 16) and primary substation area (Figure 17). 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 16 represents the range between the low and high forecasts.

Figure 16 shows that for the English Local Authorities within SP Manweb's 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 18,000 heat pumps by 2030, increasing to over 80,000 by 2050.

In the Welsh Local Authorities within SP Manweb's distribution network area, electric heat pumps are predominantly found in areas such as Flintshire and Gwynedd where each could see over 14,000 heat pumps by 2030, increasing to over 63,000 by 2050.

Figure 16 | Potential range of heat pump uptake by Local Authority (by 2030 and 2050)

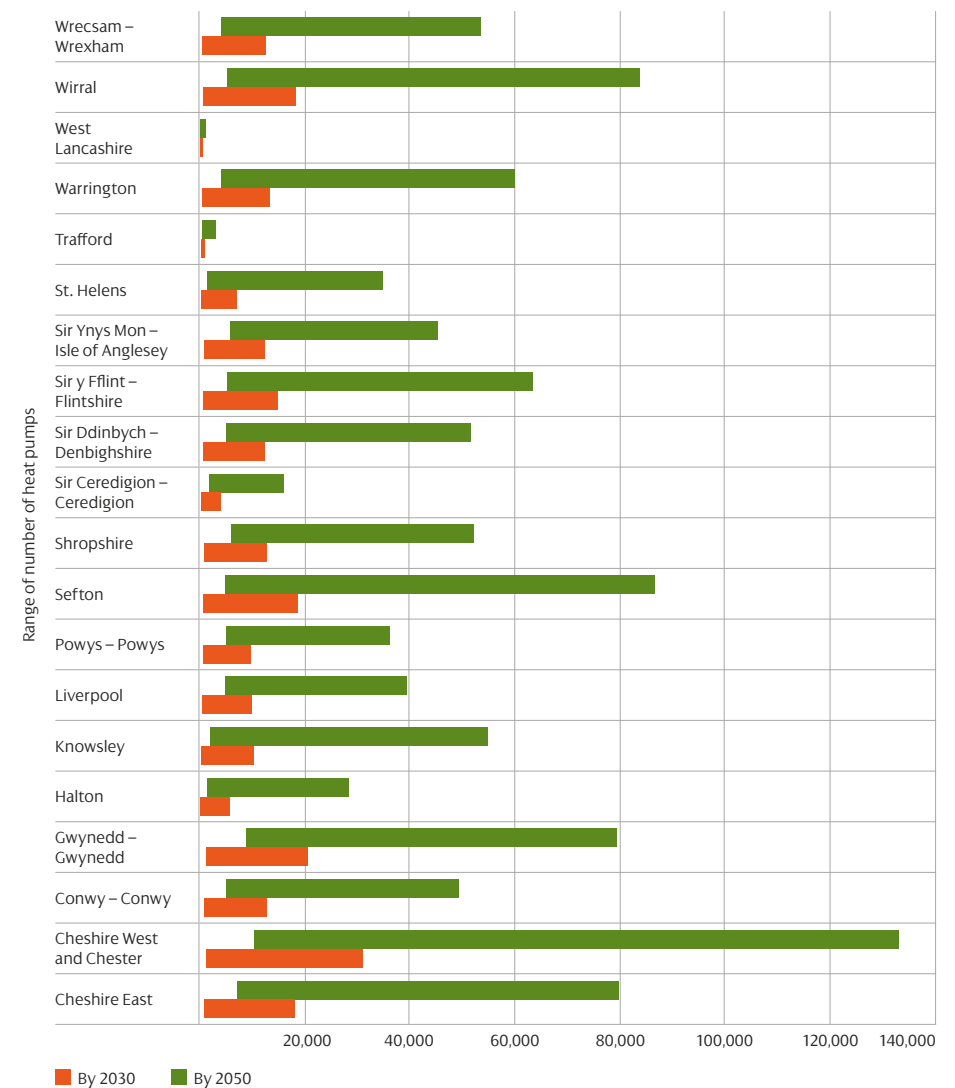
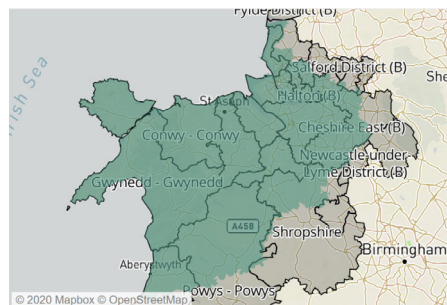


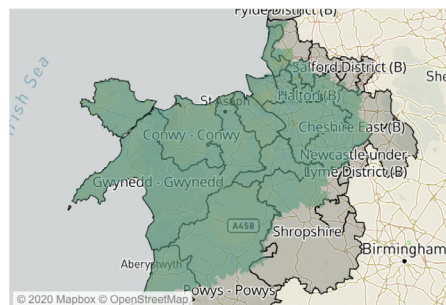
Figure 17 | Heat pump numbers by primary substation area

Scale range: 0 to >6,000

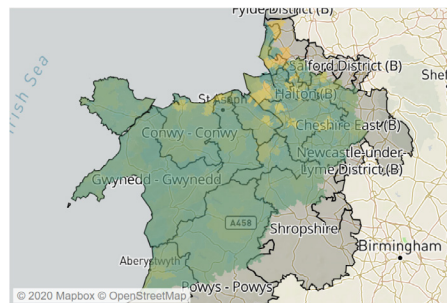
2030 – Low



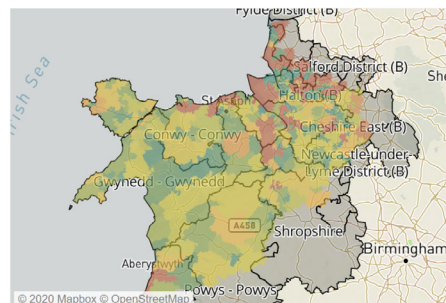
2050 – Low



2030 – High



2050 – High



6.3 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.

6.3.1 Generation and storage overview

Understanding how electricity generation and storage could evolve on SP Manweb's 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.

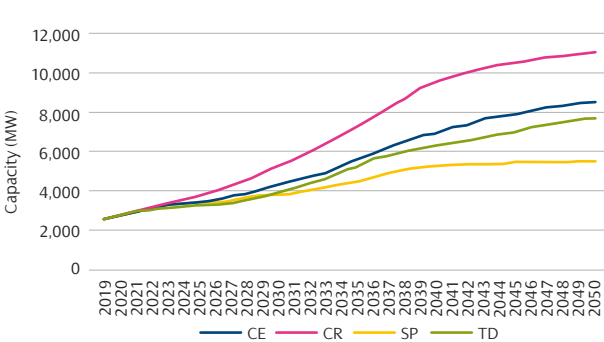
These two factors will affect the extent to which distributed generation and behind the meter generation may help to offset increases in demand (which would reduce the need for more network capacity), or may lead to greater power flows across the distribution network (which would increase the need for more network capacity).

Figure 18 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. 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 18 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 2-4.5 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 5.2GW.

Figure 18 | 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 centralised scenarios but could more than triple the amount of small-scale generation in the two decentralised scenarios by 2030.

To better illustrate what is driving the changes in generation, Figure 19 shows a breakdown of the generation and storage forecasts from Figure 18 by technology type, for 2030 and 2050.

Figure 19 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.¹³ This means that the distribution network may need intervention to accommodate wind and solar PV generation capacity.

It also means that there may be 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 18 and Figure 19 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 20 shows a geographically granular view on 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 21 shows a similar representation, but only for domestic-scale and smaller-scale generation and storage capacity.

¹³ This 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 19 | Breakdown of installed generation capacity by technology type

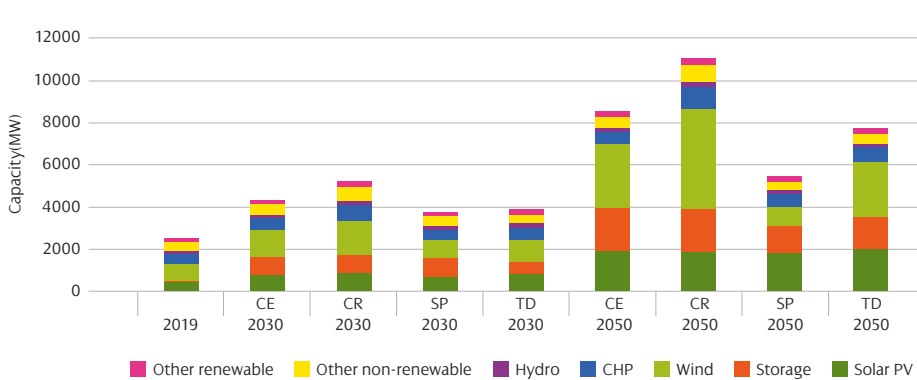
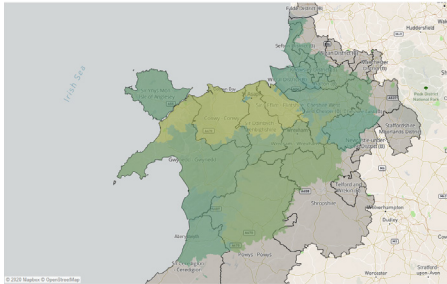


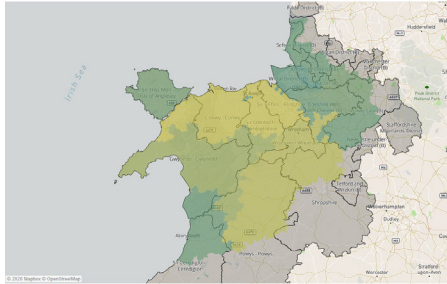
Figure 20 | Installed generation and storage capacity by GSP area

Scale range: 0MW to 2,210MW

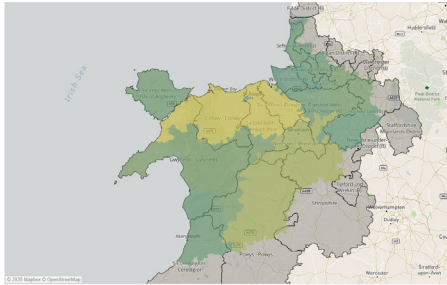
2030 – Low



2050 – Low



2030 – High



2050 – High

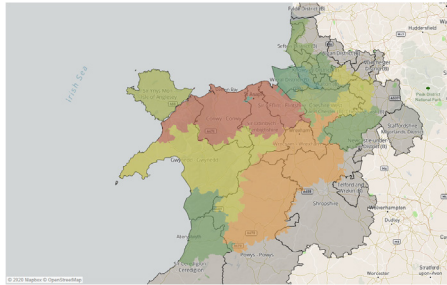
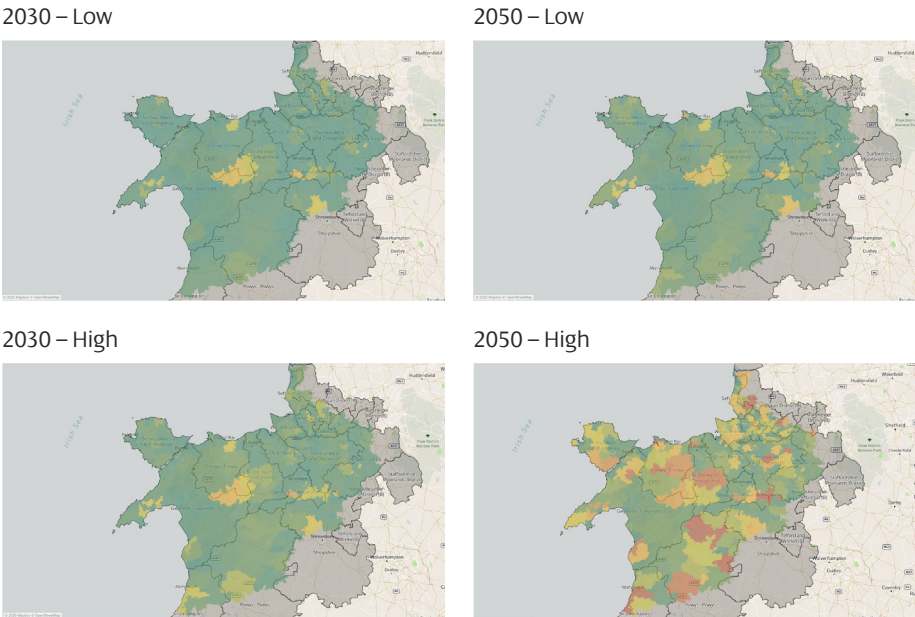


Figure 21 | Domestic-scale and smaller-scale installed generation and storage capacity by primary substation area



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 decarbonisation.
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.

6.3.2 Solar PV

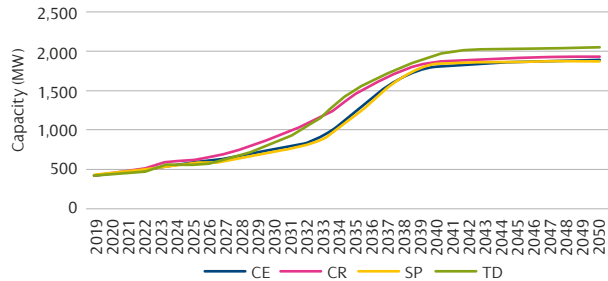
Over the past seven years, our distribution network has seen a moderate uptake of solar PV generation. This growth is likely to increase to facilitate further decarbonisation of electricity generation.

Figure 22 shows the forecast uptake of solar PV for the four scenarios. It shows future increases in solar PV capacity are significant across all scenarios, doubling by 2030 and potentially increasing five 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, which has a lower visual and noise impact than other forms of renewable generation. Unfortunately, the beneficial

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

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 23 shows a breakdown of the Figure 22 solar PV forecasts for these two categories, for 2030 and 2050.

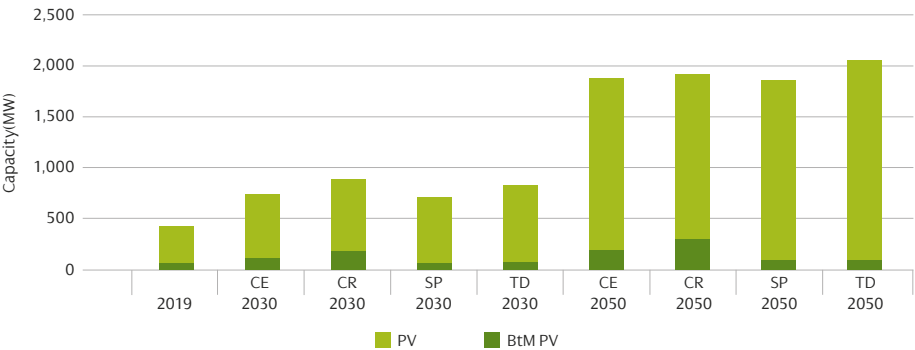
Figure 22 | Installed solar PV generation capacity



Solar PV generation could double by 2030.

Figure 23 shows that, for all scenarios, the main growth of solar PV 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 23 | Distribution connected and behind the meter solar PV capacity



6.3.3 Wind

Over the last ten years, there has been steady growth in wind capacity on the SP Manweb network leading to over 700MW of installed capacity. Figure 24 shows the forecast uptake of wind generation for the four scenarios.

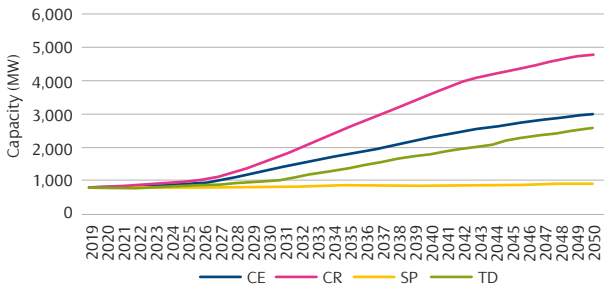
Figure 24 shows significant variance in the levels of wind generation across the four scenarios. Wind generation is a cost-effective, proven technology, so the extent of new wind generation will likely depend on the onshore planning regime, government/policy support, and local support for individual 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 double by 2030.

Figure 24 | Installed wind generation capacity



6.3.4 Storage

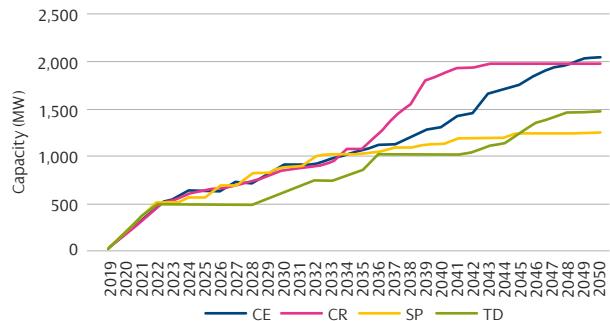
Electricity storage means any technology which can import, store and export electricity. It can range from large-scale pumped hydro schemes down to domestic-scale battery units. Electricity storage can help manage peak demand (by exporting to reduce local demand) and provide valuable system services (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 25 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 25 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 14 times higher than today by 2030.

Figure 25 | Installed storage capacity



In the next five years there is likely to be more storage growth than all other generation technologies combined.

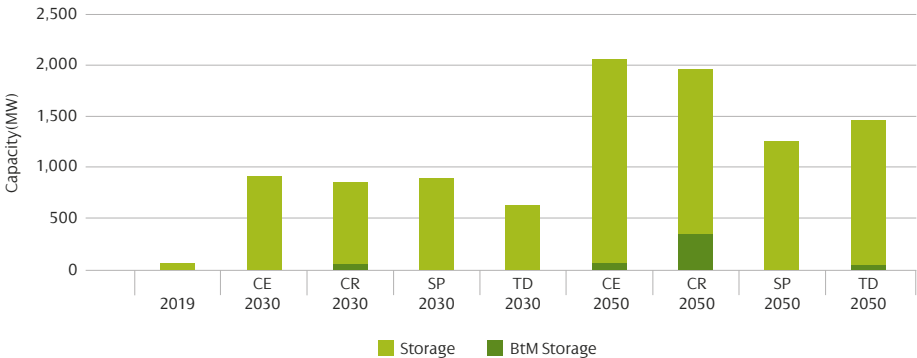
Distribution connected storage is assumed to be sited initially in areas with low network constraints (to allow services to be provided to the wider system). At different points in time, depending on scenario, the siting of storage then shifts to areas of high network constraint, as the value of providing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

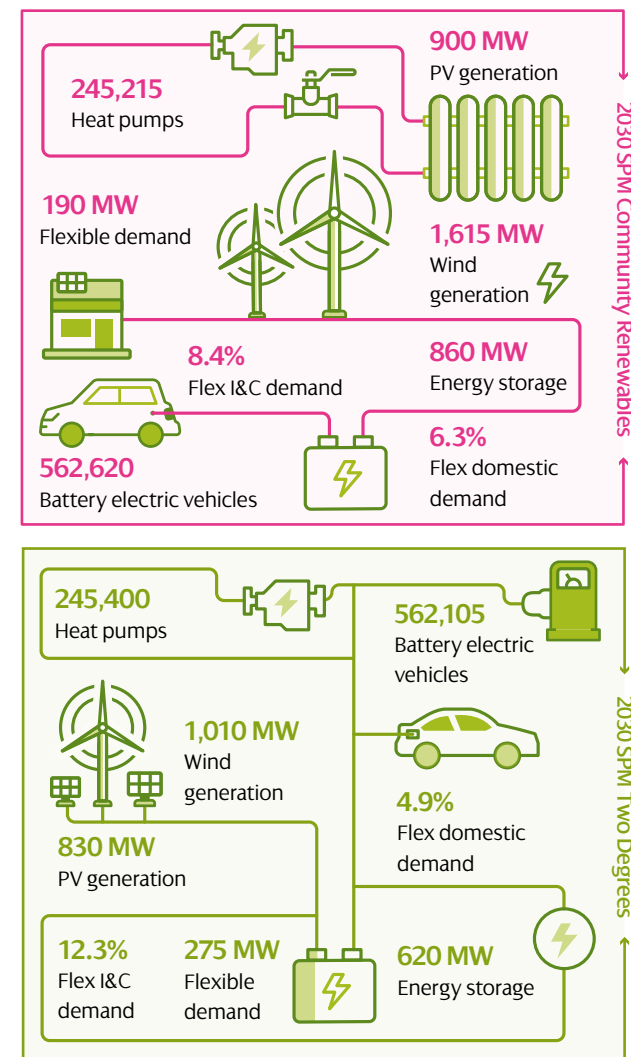
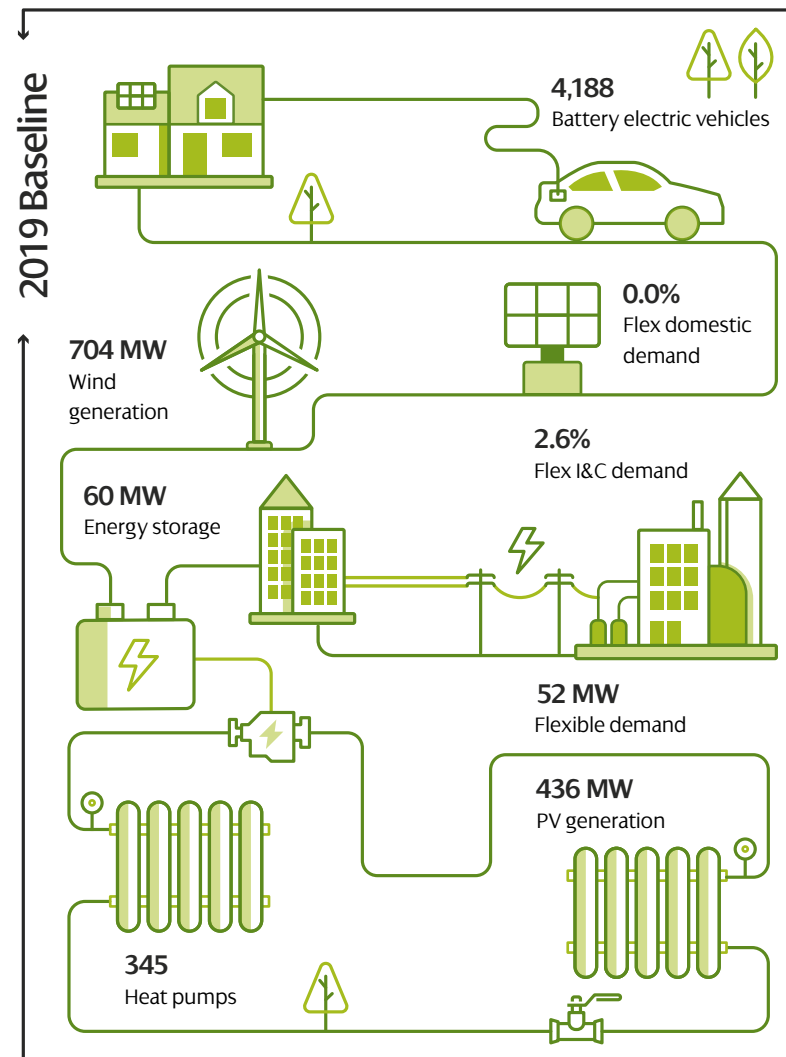
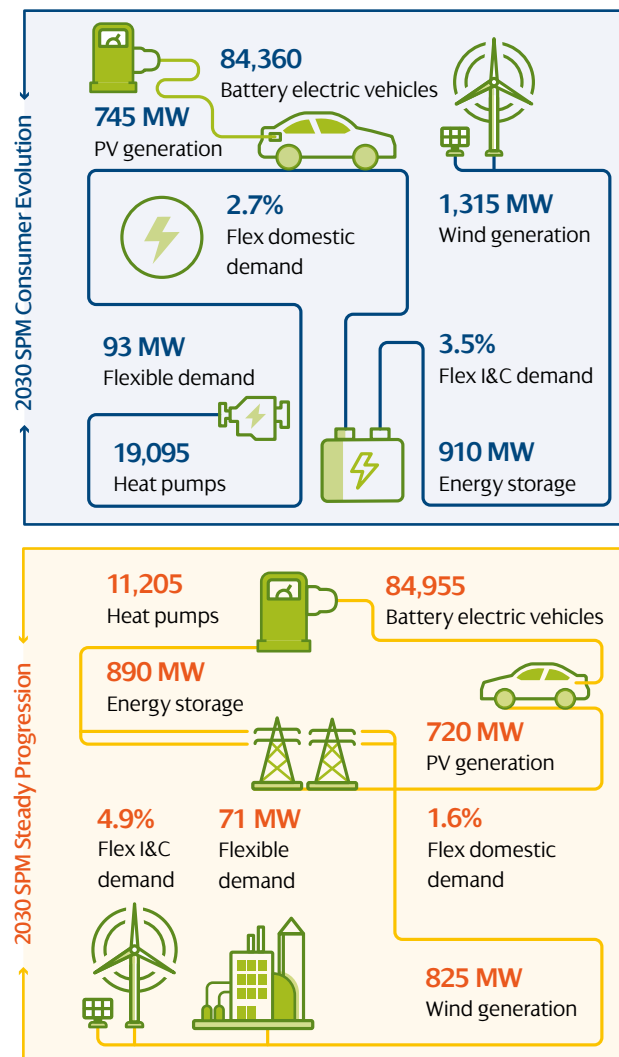
storage is assumed to be sited alongside rooftop solar PV installations. Figure 26 shows a breakdown of the Figure 25 storage forecasts for these two categories, for 2030 and 2050.

Figure 26 shows that, across all scenarios, the majority of storage growth is for standalone storage. It is worth noting that, the forecasts in Figure 25 and Figure 26 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 26 | Distribution connected and behind the meter storage capacity



6.4 Key Figures – Changes from 2019 to 2030



7

Your views

We welcome your views to help refine our Distribution Future Energy Scenarios. Feedback from stakeholders is vital to ensure our scenarios reflect the plans and ambitions of the local communities we serve and to enable decarbonisation objectives.



This document provides an introduction to how we are planning for this future and we are seeking your views to help shape this.

Views on the following areas would be welcomed by the 29th May 2020 and can be emailed to RIIO_ED2@spenergynetworks.co.uk

1. In your view, which of the overall scenario forecasts will electric vehicles most closely follow (Figure 8)? What is your reasoning?
2. Consider the Local Authority you represent, reside or operate in. Do your own expectations for battery electric vehicle uptake by 2030 and 2050 sit within our low to high forecast range (Figure 11)? What are your expectations for electric vehicle uptake in your Local Authority by these dates?
3. In this document, we identify an important longer-term dependency on flexibility, i.e. the ability to move demand to quieter times of the day in order to minimise peak demand and reduce the need for network interventions (and so keep costs lower for customers). For electric vehicles, flexibility can be delivered by smart charging and vehicle to grid. Do you believe that we have correctly captured the potential of electric vehicle flexibility (Figures 9 and 10)?
4. In your view, which of the overall scenario forecasts will heat pumps most closely follow (Figure 13)? What is your reasoning?
5. Consider the Local Authority you represent, reside or operate in. Do your own expectations for heat pump uptake by 2030 and 2050 sit within our low to high forecast range (Figure 16)? What are your expectations for heat pump uptake in your Local Authority by these dates?
6. In this document, we identify an important longer-term dependency on flexibility, i.e. the ability to move demand to quieter times of the day in order to minimise peak demand and reduce the need for network interventions (and so keep costs lower for customers). Do you believe that we have correctly captured the potential of heat pump flexibility (Figures 14 and 15)?
7. In Figure 19, we set out generation forecasts by different technology for 2030 and 2050. Which of these forecasts do you think best represents what the generation split and capacities will be in 2030 and 2050, and why?
8. In your view, which of the scenario forecasts will solar PV generation most closely follow (Figure 22)? What is your reasoning?
9. In your view, which of the scenario forecasts will wind generation most closely follow (Figure 24)? What is your reasoning?
10. In your view, which of the scenario forecasts will storage capacity most closely follow (Figure 25)? What is your reasoning?
11. Are there any other major issues that we should be planning for the distribution network to accommodate, which we have not detailed in this document? Is there any other feedback or comments that you would like to make?

8

Glossary



Behind the meter – means 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 is the overhead lines, underground cables and other network infrastructure that operate at 132kV and below; in Scotland it 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.

Grid Supply Point (GSP) – the interface points between the transmission network and the distribution network.

MW – megawatt is a unit of power (not energy). It can describe both the amount of power that a demand user is consuming (e.g. “this town’s peak demand has increased by 3MW due to an increase in electric vehicles and heat pumps”), and the amount of power that a generator is producing (e.g. “3MW of solar PV generation has been installed in this area”).

Minimum demand – the point in the year, typically during the summer months, when our distribution network as a whole sees the lowest demand. It is an important study condition (along with peak demand) as a network with low demand can experience voltage control issues.

National Grid Electricity System Operator (ESO) – the company responsible for operating the GB transmission network.

Peak demand – the point in the year, typically during the winter months, when our distribution network as a whole sees the highest demand. It is an important study condition (along with minimum demand) as it places the greatest need on network capacity – our network must be sized to accommodate peak demand.

Primary substation – the interface points between the 33kV and 11kV networks.

SP Transmission (SPT) – the Transmission Network Owner for Central and Southern Scotland, owns the transmission network at 132kV, 275kV and 400kV.

SP Distribution (SPD) – the Distribution Network Operator for Central and Southern Scotland, owns the distribution network at 33kV, 11kV and LV into the home.

SP Manweb (SPM) – the Distribution Network Operator for Merseyside, Cheshire, North Shropshire and North Wales, owns the distribution network at 132kV, 33kV, 11kV and LV into the home.

Transmission Network – the high voltage electricity network used for the bulk transfer of electrical energy across large distances. The transmission network takes electricity from large generators (e.g. coal, gas, nuclear and offshore wind) to supply large industrial customers and the distribution network.

Vehicle to grid – this is where plug-in electric vehicles, such as battery electric vehicles, plug-in hybrids or hydrogen fuel cell electric vehicles, can flexibly alter their demand consumption, either by reducing their charging rate or exporting their stored electricity back onto the network. Like other flexibility, this can help reduce the need for new network capacity, balance the system and provide system stability – these can all help reduce customer electricity bills.

Notes

[illegible]

Notes



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