

Our Approach to fast tracking

Scottish Power's thoughts as a DNO

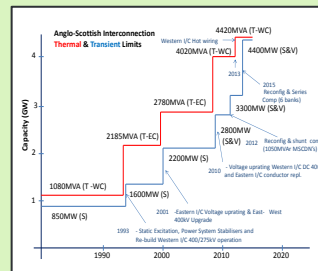
Stephen Stewart
RIIO ED1 Manager

Our RIIO-T1 'Fast Tracking' Experience

Business Plan

- Stakeholders
- Outputs
- Innovation

'Our Business Plan was considered by Ofgem to be of sufficient quality to be Fast Tracked'



Increasing Export Capacity

Low Carbon Agenda

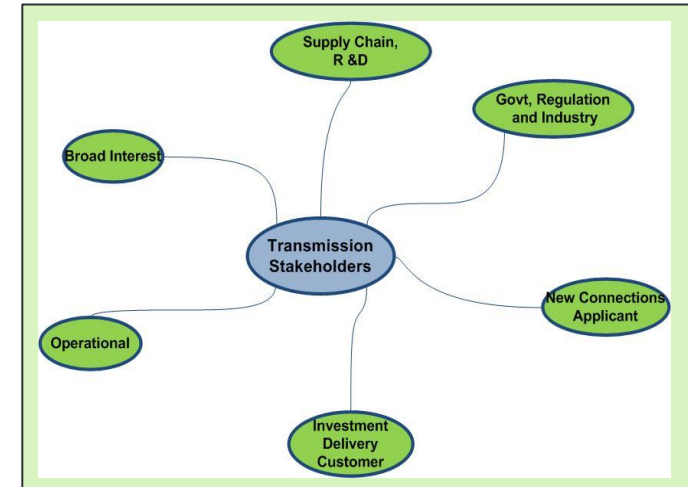
- 11GW of wind generation by 2020 (Scotland)
- SP connecting 4.5GW by 2020
- Export Capacity to 6.6GW
- 60% of plan (£1.3bn)

*Delivering the UK
Energy Policy*



Stakeholders (RIIO-T1)

- Wind farm developers were most vocal
- Visual impact of new tower lines challenging
- Significant political and government focus
- Several hundred views sought



So what did our Customers say...

1. Communication

"we must be better, more targeted and more relevant."

2. New Connections:

"We should deliver sustainable low carbon energy through fair, clearer, more accessible process"

3. Operations:

"We must maintain security of supplies and maximise long term value for end-users through improved network availability and reliability processes."

4. Delivery:

"We need to minimise our environmental impact and mitigate consenting and planning challenges through better stakeholder engagement"

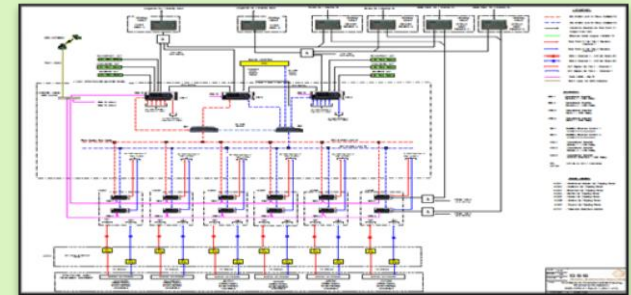
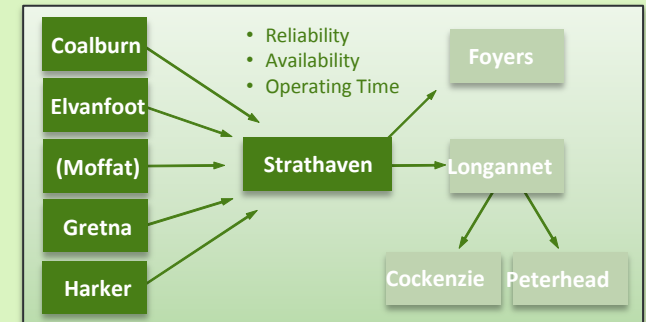
Outputs (RIIO-T1)

- All main investment linked to outputs
- Improvements in network risk
- Development of new outputs
 - **Environment**
 - Improvements in SF6 leakage
 - Broad Environmental Measures
 - **Stakeholders**
 - Stakeholder Engagement
 - Customer Survey
 - **Reliability**
 - Energy not Supplied
 - Improvement in Network Output Measures (Health & Condition)
 - **Capacity**
 - Timely Delivery of Wider System Reinforcement
 - Effective Management of Connections and Constraints



Alternative approaches to reinforcement

- Series compensation / Shunt capacitors to increase capacity
- HVDC to quickly reduce constraint cost
- Dynamic rating and operational inter-tripping to increase capacity at Capacity at Minimal Cost



Operational Inter-tripping

*Innovation was Embedded within our Business Plan
Reduced cost to customers & Greater Security of Supply*

How does this translate to ED1?

What was DPCR5 ?

Addressing an ageing Asset Base =
Outputs

Beginning the journey to a Low
Carbon Economy via Innovation

Stakeholder Engagement
“Listening”

What is ED1 ?

Continuing “no regrets”
Replacement of old assets

Implement learning through LCNF
as an industry

Obtaining Greater Participation of
Stakeholders

Alleviating Upwards Investment
Pressure by being Smarter

RIIO ED1 – Key Themes



Underlying process well established

- Asset replacement volumes
- Benchmarking unit costs (Investment and Opex)
- Information Quality Incentive
- Financial aspects (cost of capital, pension costs, depreciation lives)

Many incentives work well and should remain relatively unchanged

- Quality of Supply, Areas of Outstanding Natural Beauty, etc

Incentives should reflect wider social costs & benefits

- Value of lost load, Carbon benefit of early generator connections

MUST DEMONSTRATE STAKEHOLDER ENGAGEMENT THROUGHOUT

ED1 Lessons to be learned from RIIO T1 & DPCR5

Build Credibility

Well justified business plan ESSENTIAL

Prerequisite for fast track consideration

- Extensive stakeholder engagement
- Comprehensive evidence backing up submissions (scheme papers etc)

Ofgem Reviewed our RIIO T1 Plan Against these Principles:

Robust process informed by effective Stakeholder Engagement

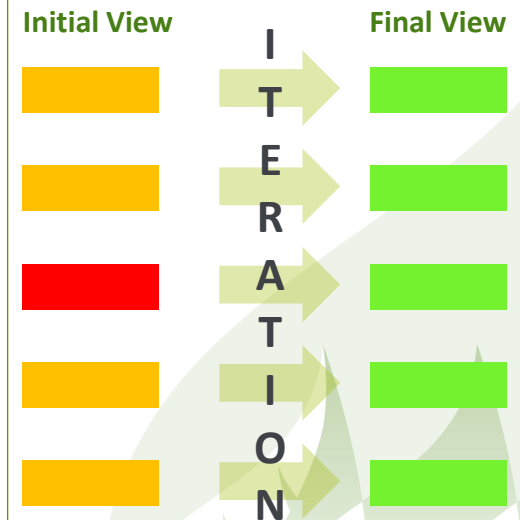
Clear and Comprehensive Outputs

Evidence of Value for Money

Demonstrate Efficient Financing Arrangements

Consider how to deal with Uncertainty and Risk

RIIO T1 Experience



Their will be no iteration process during ED1

Stakeholders (ED1)

Build upon our approach to involve stakeholders

- Social responsibilities
- Customer service expectations
- Willingness to pay for improvements

Reflect low carbon economy development

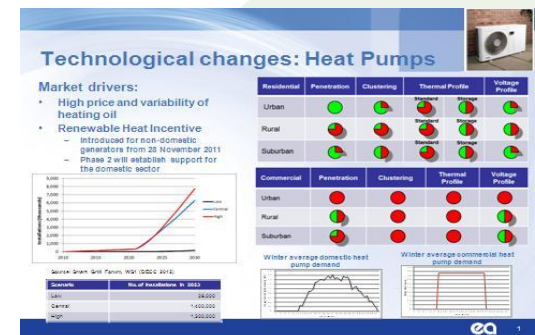
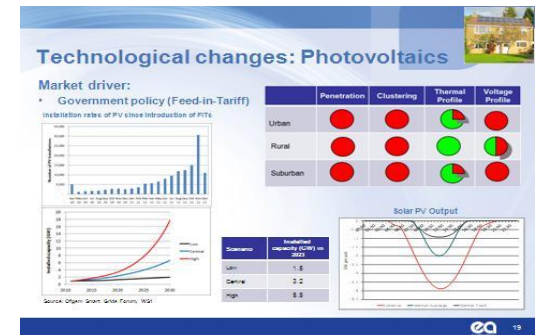
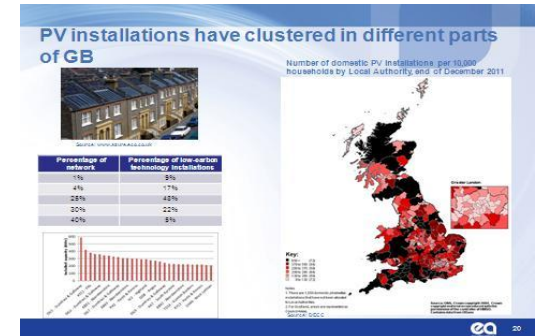
- Embedded generation growth
- Electric vehicle development

Transparent competitive connections marketplace

ED1 is different for example;



Stakeholder Input is Essential for ED1



Innovation is Key

- Building into our Business Plan

Creation of a well justified Innovation Strategy

- Identifying the underlying approach to Innovation throughout your business plan

Demonstrating stakeholder feedback and value for money

- Meeting customer's needs in the short and long term

Demonstrating how innovation is embedded in the business plan



How do we improve knowledge transfer ?

Environment

- SP Energy Networks seeks to foster competition in all relevant market segments
- Actively participating in the Extension of Contestable Works (EoCW) trials
- In area, we have the largest number of IDNO networks and see the greatest penetration of 3rd party connections
- Our networks currently supports a 1/3 of all wind generation in the UK

Objective

- Leading connection provider in the UK
- Customer service is at the forefront in all that we do
- Provide a dynamic organisation that minimises the risk of market uncertainty

Development

- Application of innovative technology to meet the needs of the customer and our network
- Commercial innovation will be key throughout ED-1
- Lead the development of further incentives

Provider of Choice in Our Area

Fast tracking for ED1

Depth & justification for all activities in business plan

- Comprehensive and clear business plan

Enable environment improvement through the low carbon economy is essential

- Commercial and technological innovation

Significant change from DPCR5



Our Approach



Our Objective is to be Fast Tracked

Importance of Delivering outputs in DPCR5

Senior Manager taken out of line

Desire to change the existing model to allow a better market for the customer we serve

