What we plan to do

We are committed to transforming the way our customers and stakeholders think of us. Our plan sets out our vision to efficiently deliver the things that our current and future customers value. Applying technological innovation in our plans has reduced our costs by over £100m. Our plans to innovate across all our activities have reduced our combined forecast costs by more than £700m since our May draft plan, whilst we have increased our output commitments to reflect stakeholder feedback and underline our commitment to improving customer service.

We have learned from our stakeholders and built our plan around their priorities:

Manage our ageing network to maintain public, staff and contractor safety. We will renew our network over several decades to minimise customer bill impact. We will continue our industry leading programmes to replace end of life cables in flatted properties and ensure old overhead lines meet modern height and clearance standards by 2020, completing high risk lines including those across roads by 2015.
Reduce the number and length of power cuts. Our customers enjoy 30% fewer power cuts than the UK average. We will use reduce the number of power cuts by 7% and the average length of those power cuts by 16%, using the ED1 quality of supply incentive.
Improve customer service. We have laid out a set of comprehensive customer commitments and will pay additional compensation where we fail to meet these.
Reducing power cuts during major storms. Our investments in the last 15 years have reduced power cuts during storms by up to 75%. We will make more than 25% of our rural high voltage overhead lines more resilient and continue to support our vulnerable customers.
Improve service to poorly served customers. We will continue to improve service to our very small number of `poorly served' customers and collaborate with other agencies to help our most vulnerable customers.
Prepare the network for low carbon technologies. While the 2020 UK carbon emission reduction target is 34%, both Scotland and Wales have more ambitious targets of 42% and 40%. Our investment and innovation plans have been built to meet these challenges.

Our total SP Distribution plan. We plan to create more than 1,250 jobs across our supply chain, investing up to £50m in recruitment and training. Our forecast costs of £2.5bn include £1bn to renew and maintain our network, £200m to accommodate customer future energy usage, £550m of supporting activities and £700m of other costs including UK corporation tax, local business rates and innovation trials (*excluded opposite). We have set out more detail of the impact on our network during 2015-2023 in the key facts section.

Licence area: SP Distribution — Business Plan Summary

Key facts about our network

SP Distribution is the licensed electricity distributor for the South of Scotland and the Borders (Map link http://www.spenergynetworks.com/about_us). We are part of SP Energy Networks which holds the SP Transmission, SP Distribution and SP Manweb licences. Each year, SP Distribution distributes more than 21,000GWh of electricity to 2 million customers across an area of >22,000km^2, using more than 57,000km of cables and overhead lines. We directly employ 1300 employees, supported by 1300 contractors.

In the period 2015-2023 we will:

- Repair around 95,000 network faults and attend around 290,000 other reported incidents
- Complete more than 1.5 million asset inspections and maintain nearly 500,000 items of network equipment
- Replace or refurbish around 15% of our major substations, more than 15% of our large substations and 10% of small substations
- Replace 8% and refurbish more than 50% of our overhead line network
- Complete more than 50 major network reinforcement projects to ensure continued network security
- Connect up to 2GW of new renewable generation
- Allow 3% of households to install solar panels, 9% to install heat pumps and 4% to use electric vehicles

How our plan will be financed

Cost of equity	6.7 %	Notional gearing	65.0 %

How this will impact domestic customer bills

Distribution charges make up 16% of the average overall domestic bill*

In 2012 prices

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Percentage change in distribution costs	N/A	+10.6 %	-0.1 %	+0.8 %	-0.1 %	-0.2 %	-0.4 %	+0.1 %	-0.3 %
Annual change in £s	N/A	£ 8.72	£ (0.06)	£ 0.29	£ (0.13)	£ (0.16)	£ (0.33)	£ 0.06	£ (0.74)
Total distribution charge	£ 82.18	£ 90.90	£ 90.96	£ 91.65	£ 91.52	£ 91.36	£ 91.03	£ 91.09	£ 90.83

How much we propose to spend

In 2012 prices

	Total spend £m over the course of the price control	Annual average % change from DPCR5
Network Investment*	£ 850 m	+2.4 %
Operating costs*	£ 890 m	-4.1 %