SP ENERGY NETWORKS

SP Distribution

Business Plan

Key facts about our network

SP Distribution is the licensed electricity distributor for Central and South of Scotland and Berwickshire. 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 >22,000km2, using more than 57,000km of cables and overhead lines. We directly employ more than 1300 employees, supported by 1300 contractors.

In the period 2015-2023 our plans include:
- 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, 15% of our large substations and 10% of small substations
- Replace 8% and refurbish 20% of our overhead line network
- Complete more than 40 major network reinforcement projects to ensure continued network security
- Connect up to 2GW of new renewable generation
- Allow 5.7% of households to install solar panels, 8.3% to install heat pumps and 1.8% to use electric vehicles

What we plan to do

We are committed to continuing to transform our service to customers and stakeholders, building upon the significant improvements made in the DPCR5 period. We believe that good customer service is at the heart of an efficient organisation and we factor this into all our decision making.
- Delivering a 25% improvement in customer service scores for SPD and 12% for SPM
- Reducing fault repair costs by 1/3rd
- Reducing our customer interruptions and average time off supply by 7% and 10%
- Being on track to deliver100% of our regulatory contract

We have taken the opportunity to further improve our plans since July 2013 by:

- Updating our costs and volumes in the light of latest information, delivering some £450m reduction in our controllable costs across both SPD and SPM

- Using the latest Ofgem information to demonstrate that our costs in many areas are already more efficient than the fast tracked company or the expert view. Where there are comparable unit costs we are 12% more efficient than WPD before considering their higher Real Price Effects.

- Ensuring we build a stronger case to justify important elements of our plan that stakeholders have told us are key (e.g. at SPEN level Resilience investment of £225m and Public Safety investment of £265m)

- Our customer commitments (more than 90 in our July 2013 plan) have been retained, including our commitment to pay double guaranteed standard payments

- Our plans retain around £20m extra investment in the SPD network to meet specific objectives that stakeholders asked for and for which they said they were willing to pay extra.

All of our objectives are balanced against the cost to our customers. On a like for like basis our costs are reduced by 2% from 2010-15, whilst delivering 10% more non load investment and 28% more load investment. This is possible through our plans to move our organisation to be closer to our customers, delivering better service and reducing support costs by around 30%.

Our domestic customers in Scotland will see an 11% reduction on average from £99pa (2010-2015) to £88pa (2015-2023)

How much we propose to spend and how it will be financed

Cost of Equity	min 6.4%	Notional Gearing	65%

All amounts in 12/13 prices	Total spend £m over the course of the price control	Annual average Percentage change from DPCR5
Network Investment	£794.80	+14%
Operating Costs***	£768.20	-14%

How this will impact domestic customer bills

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

All amounts in 12/13 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	+6.5%	0%	0%	0%	0%	0%	0%	0%
Annual change in £s	n/a	£4.38	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Total distribution charge	£82.30	£87.68	£87.68	£87.68	£87.68	£87.68	£87.68	£87.68	£87.68