

Annual Sustainability Statement

SP Transmission plc

2014 – 2015



Introduction

Welcome to the SP Transmission Annual Sustainability Statement.



As the owner of the Transmission network (TO) in central and southern Scotland, we are responsible for planning, operating and maintaining the network, and for investing in the network to achieve the highest levels of reliability and availability.

In short, we are responsible for:

- *Providing a safe, reliable and economic transmission system for current and future network users; and*
- *delivering a sustainable, low carbon energy system.*

In this, the second of our annual sustainability statements, we outline the initiatives we have developed in 2014-15 that underpin our aim to achieve high standards of environmental management while moving closer to a low carbon energy system.

We are a forward-looking company that recognises both the potential impact of climate change, and that the development of our network is a fundamental enabler for the necessary move towards low carbon energy. Our stakeholders are already playing a vital part in the drive towards the decarbonisation critical to meeting both

the UK and Scottish Government targets by 2020, and we are working with them to facilitate the low carbon generation connections they need.

As part of our ongoing stakeholder engagement strategy, we have identified and recorded the needs and issues of our external and internal stakeholders over the past year. Directly responding to stakeholder feedback, we have reviewed our processes and approach to low carbon generation, strengthening our focus on ease and speed of connection. Feedback from our stakeholders has informed our key strategic initiatives for the future and has been a driver in the restructure of our business to give greater focus to low carbon transition over the coming years.

In our 2013-14 Annual Statement, we announced our Sustainability Strategy, based on our eight Sustainability Drivers. In the past year we have developed these

further by assessing the life-cycle risk profile of our assets and processes, and identifying key performance indicators (KPIs) to measure progress against each of our eight Drivers.



Frank Mitchell

March 2015

Strategic Initiatives

Through ongoing stakeholder feedback and our own sustainability assessment of our operational management we have refocused certain initiatives from our Annual Sustainability Statement from last year.

With Sustainability as the core, our strategy will enable us to deliver our regulatory, legal and business plan commitments, and assist us in transition to a low carbon future. The Sustainability Strategy has a number of initiatives within each of the eight drivers. As part of this year's Annual Sustainability Statement we have highlighted a small number of initiatives, to provide an example of the type of activities we are involved in.

A number of the initiatives are already in delivery and some are in development. As part of our eight year business plan timeframe, we will continue to progress our initiatives and in some cases,

refocus and review following our ongoing stakeholder feedback and assessment of our risks.

The drivers for our strategic initiatives come from stakeholder feedback and our annual sustainability assessment of our life cycle. As part of this assessment, we review our environmental impact, against the cost and aspirations of our stakeholders and customers.



Initiative 1

Maximising Transmission Capacity

As part of our review of whole electricity system planning and to increase capacity for more low carbon generators onto our transmission system, we are progressing various projects to maximise the transmission capacity available between Scotland and England by getting the most out of our existing onshore assets and a subsea HVDC link. The HVDC link is being delivered as a joint venture with National Grid. This initiative, as stated in last year's Annual Statement, supports in particular our Carbon and Energy Sustainability Driver by increasing boundary capacity between Scotland and England up to around 6600MW. The increase in capacity will allow further transfer of low carbon generation between Scotland and England. The HVDC link will transfer around 2200MW of power across several hundred kilometres using a subsea marine HVDC cable. The joint venture has developed following engagement with multiple industry stakeholders including statutory consultees,

interested parties, offshore and onshore government agencies and communities.

These boundary upgrade projects are being progressed to increase the capability of our network to achieve 2020 carbon targets and were developed against relevant background generation scenarios. This initiative, therefore, directly supports the carbon targets of Government and our Sustainability Drivers for Leakage & Losses and Raw Materials. The HVDC project, specifically, will provide higher transmission capacity, be delivered earlier, have lower losses over its lifetime and use less material than an AC onshore link of similar capacity.

Current Status

The onshore works at key existing substations and at the new converter stations at each end of the link are progressing well. Onshore and shallow water marine cable installation works are well advanced.

Timescales

Anticipated completion in 2017

Initiative 2

Technical/Commercial Innovation

We have developed a number of initiatives to drive the use of alternative technologies and collaborative ways of working as part of our approach to network development. Project FITNESS (Future Intelligent Transmission Network Substation) will be submitted to OFGEM as part of our 2015 Network Innovation Competition proposals. Project FITNESS and various other innovation activities are focussed on the boundary between the transmission and distribution systems. FITNESS aims to develop replicable solutions for both transmission and distribution networks to improve interaction between the various parties. The aims of these projects are complimentary and will allow more renewable generation and green technologies onto the existing network.

The potential positive impacts are anticipated to be a reduction in footprint and improvement in raw material use. This will be due to the optimisation of the substation layout and use of new measurement and communications equipment reducing the copper and insulating oil requirements.

Current Status

As this is a new initiative, we are currently reviewing the Project FITNESS proposal with key internal stakeholders and undertaking training / briefings on Life Cycle Assessments of substation components.

Timescales for completion

In 2015-2016 we plan to finalise the business case considering the costs, benefits, technical capability and risks associated with the project and consult with our stakeholders on these issues.

Initiative 3

Environmental Impact Improvement Plan

Following consultation and discussion with members of our Stakeholder Panel and statutory consultees, who were consulted in the development of our Sustainability Drivers. We reviewed the feedback from the consultees and formed our final Improvement Plan for this year. As a direct response to the Panel's request for clear Key Performance Indicators, we reviewed our Sustainability Scorecard to provide clear baseline and targeted objectives for this year, which will support the overall Improvement Plan.

In addition, we have formed a new Sustainability Team to provide focus and direction within the SP Energy Networks business. Another key piece of feedback on our consultations this year was with regard to our Procurement process challenging us to reduce our raw material usage. To this end, we are working with our corporate teams to incorporate Life Cycle Assessment and Eco-Design principles into our procurement process.

This initiative is linked to and will support all eight of our Sustainability Drivers through reduction targets and implementation of continual improvement within our ISO14001 system - which is to be re-certified this year.

Current status

Policies for Climate Change and Waste Management have been developed. Key personnel within our business, including our Procurement Manager have delivery of Sustainability Drivers embedded in their day to day work including their input to the Annual Scorecard. We have a network of Environmental Co-ordinators identified throughout the business to support embedding this initiative and deliver our Environmental Employee Engagement Strategy.

Timescales for completion

Our targets for this year are to develop the new Environmental Co-ordinators through training, workshops and 'on the job' knowledge transfer, from existing environmental staff. We will develop and publish an additional procurement strategy to optimise reduction of raw materials. Finally, we will finalise our programme for future transition to the new ISO14001 standard.