

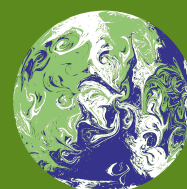
spenergynetworks.co.uk

# Enabling the path to Net Zero

Our RIIO-ED2 Executive Summary for 2023 – 2028



SP ENERGY  
NETWORKS



PRINCIPAL PARTNER  
**UN CLIMATE  
CHANGE  
CONFERENCE  
UK 2021**

IN PARTNERSHIP WITH ITALY



## Who we are

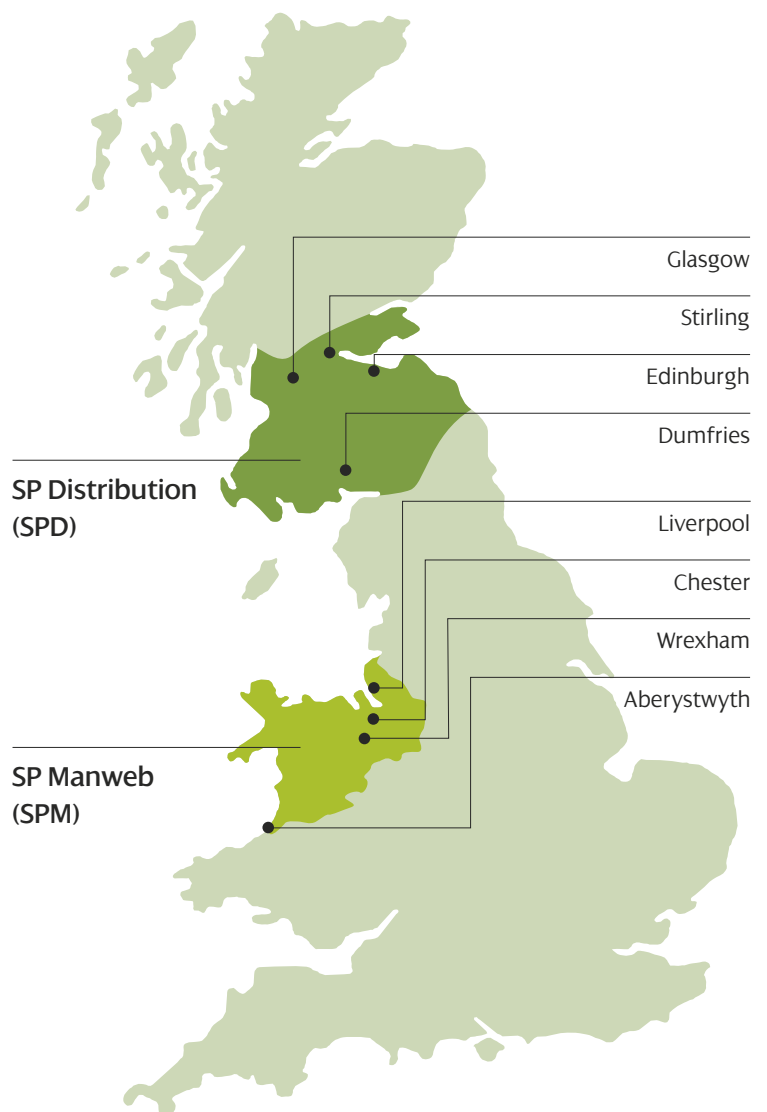
We keep the electricity flowing to 3.5 million homes and businesses, 24 hours a day, 365 days a year.

We always strive to deliver a first class service to our customers – whether that's by enhancing the safety and reliability of our network, connecting new customers, or providing support to our vulnerable customers when they need us most.

We own and operate two regulated distribution networks, SP Distribution plc (SPD) and SP Manweb plc (SPM). We are the only DNO group to operate across all three nations of GB – Scotland, England and Wales. We also own and operate one transmission network in Central and Southern Scotland, SP Transmission plc (SPT).

We are part of the ScottishPower group and fully owned by Iberdrola – a global energy leader, the number one producer of wind power and one of the world's biggest utilities by market capitalisation.

Our business is crucial to the delivery of the UK's Net Zero targets and the transition to a more sustainable future. We are committed to making this happen at pace, and placing our customers and stakeholders at the heart of this journey.



### Key facts

>7m people served

across 3.5 million homes and businesses



30,000

substations across our distribution network areas



>2,400 employees

across our distribution business



>100,000km

of cables and overhead lines, enough to wrap 2.5x around the world



### WHAT IS RIIO?

Network companies in GB are regulated by Ofgem. As part of this process, companies submit business plans for set periods of time – known as 'price controls'. These set out what we will deliver, the benefits, and costs.

This plan details out our proposals for 2023 to 2028 – the next price control period, known as RIIO-ED2.

We submitted our draft business plan in July 2021, based on extensive engagement with our customers and stakeholders. Following further engagement on our proposals, this is the final version of our plan.

Ofgem will assess our plans during 2022, with a final decision on our proposals due in December 2022.

We submit our <i>final business plan</i>	Dec 2021
Ofgem will deliver their <i>draft determination</i>	June 2022
Ofgem will deliver their <i>final determination</i>	Dec 2022
RIIO-ED2 begins	April 2023

# A message from our CEO



SP Energy Network delivers an essential public service. We 'keep the lights on' across 3.5 million homes and we are proud of the service we deliver, with customer satisfaction scores exceeding 9 out of 10, ahead of well-known high street names such as John Lewis. Our role is becoming even more central to all our lives as we seek to rapidly decarbonise generation, transport and heat systems. That's why I am delighted to present this business plan, which sets out our ambition to play a leading role in facilitating Great Britain's Net Zero targets.

*Generating economic growth in our communities through recruitment in RIIO-ED2*



## >1,100 jobs

*Our baseline RIIO-ED2 expenditure is £3.3bn across SPD & SPM*



## £3.3bn expenditure

*Through this huge period of change we'll continue to support the vulnerable to ensure no one is left behind*



## £62.5m in support

This plan is the most important we have ever produced, developed at a pivotal time. The challenge to achieve legislated Net Zero targets will impact every part of society, with electricity at the heart of the solution. We forecast that up to 1.8m electric vehicles, 1.1m heat pumps, and up to triple the amount of distributed generation, will be connected to our networks by the end of this decade. This is a radical change.

Our job in RIIO-ED2 is to make this a reality – by building on the trust we enjoy from the communities we serve, by improving our services through our extensive innovation programme, and by delivering timely and cost-effective network solutions that match our customers' expectations.

We propose to spend over £3.3bn, a 28% increase on what we do today, in enabling the path to Net Zero. This has been built upon our largest ever engagement programme, with over 19,000 customers and stakeholders shaping our 100 plan commitments. This plan reflects the voices of the communities we serve, and their priorities form the foundation of our RIIO-ED2 strategy.

Those voices have been clear: we must be bold as we reimagine the role of our network, the services we provide, and the capabilities of our business. We must match the ambition of our customers alongside the devolved governments and major cities that we serve, whose elected representatives have set out their visions to achieve Net Zero and the targets newly agreed at COP26.

But we can't do this by ourselves. To deliver what our communities want, this will also require our regulator, Ofgem, to modernise, to be more agile, and to develop a framework that is fit for delivering Net Zero.

Net zero will be a consumer-led revolution through rapid adoption of low carbon technologies. This will see electricity demand profiles, generation patterns, and consumer behaviour, dramatically change in a relatively short span of time. To respond, we will realise the Distribution System Operator (DSO) model, evolving how we plan, design, and operate the grid. We will establish a transparent and discrete DSO business unit and roll out our leading DSO innovations to 40% of our network, building a flexible grid and that will unlock capacity without sacrificing the standards of safety, security and reliability our customers expect.

Our network spans three Government regions with their own **Net Zero** targets, so we've set our own to stay out in front

# Achieve Net Zero Carbon by 2035



In response to an unprecedented rate of change, we will continue to build on our track record of exceptional service with a 9.4/10 customer satisfaction target. We will also address the changing needs of our vulnerable customers through our extended support proposals, delivering over £62m of direct benefits. And we will support local decarbonisation ambitions through both our community energy strategy and our proposals for a £30m Distribution Net Zero Fund to support local green initiatives – building on the proven success of our ground-breaking Green Economy Fund in our Transmission business.

This will require our business to ready itself for a digital and sustainable future. We are facing a significant increase in our work in a context of rapid digital evolution – we will provide a better, faster service for customers by re-thinking our digital infrastructure and how we unlock the value of our data. This will be supported by a broader, more diverse, and more inclusive workforce, enhanced with the skills we will need for the future. And, as we support Great Britain's Net Zero targets, we too will lead by example with our own, newly enhanced, Net Zero target of 2035.

In delivering this plan, we can tangibly and meaningfully contribute to a just transition to Net Zero. This is both about addressing the societal impacts from climate action and doing the right thing by our communities by delivering positive social change through the low carbon transition. We will generate real economic growth by recruiting for over 1,100 jobs during RIIO-ED2, targeting this from the communities that we serve, with more again in our supply chain. This is something that resonates strongly with me, given that the areas we serve face extremes of rural and urban poverty. We must ensure all communities have opportunity in the transition to Net Zero.

I also recognise that this plan is put forward at a time when our customers will be under pressure from rising energy costs, and the potential knock-on impacts from electricity supplier failures. That is why we have robustly tested and challenged our plan for efficiency and innovation, which will reduce our costs by over £201m. Across both our licence areas, despite spending £3.3bn to deliver Net Zero, our unique regulatory model holds costs broadly flat over the next five years, and reducing in real terms over the next ten years, because our investors accept that they will recover their costs over 45 years. At a cost of 30 pence per day for the service, benefits, and opportunities that we will deliver, we think this represents great value for the consumer.

At the time of writing this plan, it is also important to note that the current circumstances in the competitive gas wholesale and retail markets presents a far more profound risk to our customers' bills. This is in stark contrast to our RIIO-ED2 plan, which seeks to spread those costs and keep bills down through our regulatory model. Our plan can ultimately drive GDP growth, employment, and better health outcomes for the communities we serve, as well as deliver our Net Zero targets. To do so, it is essential that Ofgem does not cross-contaminate their position with the energy retail markets that they regulate with their decisions on the critical Net Zero investment proposals being put forward for RIIO-ED2.

This is also why it's important that all voices are heard in this time of change. I'd like to thank all our customers and stakeholders that have engaged with us in the development of our RIIO-ED2 business plan. I would also like to thank our Customer Engagement Group, who have been with us every step of the journey in developing our RIIO-ED2 proposals, adding further independent challenge to ensure our plan is the best that it can be.

In over 30 years of my career in this industry, I have witnessed an enormous amount of change across the full value chain of the electricity sector. The decades since privatisation have delivered huge improvements in service to our customers, and I'm proud to lead a business that continues to push the boundaries. But I see greater change, and greater opportunity, ahead.

SP Energy Networks has a track record of delivering on our commitments, and we'll continue to do the same in RIIO-ED2. Getting to Net Zero is not a question of 'if', but 'when' – and we can lead by example as we enable the path to a truly sustainable future. By starting this journey now with you, our customers, and our stakeholders, we can build a better future, quicker.

Thank you,

Frank Mitchell,  
Chief Executive Officer  
SP Energy Networks



# Our RIIO-ED1 Track Record

*In RIIO-ED1, we set out over 90 commitments to meet the needs of our customers and stakeholders. These were enabled by our vision and three strategic anchors:*

- Getting closer to our customers, communities and stakeholders;
- Creating a leading position in engineering and asset management;
- Equipping our people with the skills they need for the future

These anchors enabled us to deliver our commitments across the key areas of our RIIO-ED1 contract – Safety, Reliability and Availability, Customer Service, Environment and Connections.

We have highlighted in this section some of our successes in delivering RIIO-ED1. We are proud of our track record. We're delivering on our commitments for our customers, exceeding targets, and going further to address the needs and priorities of our customers. We will continue to deliver in RIIO-ED2.

## 31p per day

Our customer bills have fallen by 6% since 2015/16, with our customers paying around 31p per day for our service – less than a Netflix subscription or less than half the price of a 2nd class stamp.

## >900

Apprentices, trainees and graduates recruited since 2015.

## Safety

Safety is fundamental to our business; our commitment to safety for our workforce and the public goes far beyond legal requirements. For our internal workforce, our total recordable injury rate has been continually below target of less than 0.35. We have also maintained 100% compliance to our extensive audit regime, and received no probation notices from the Health and Safety Executive (HSE).

During RIIO-ED1, we have also placed enhanced focus on public safety and education. We have invested in communicating the potential risks from our network assets to the public and collaborated with the wider industry to improve public understanding and minimise risk.

## Customer service

At the start of RIIO-ED1, we set ourselves the goal of becoming the top DNO for customer service. Our first step was to reorganise our business, implementing a locally based delivery model. This model ensures that our front line operations, customer service and project delivery teams were embedded in each 'district' within our licence areas. This enables a joined-up approach to how we serve our customers and stakeholders, ensuring that we deliver our plans with a community focussed approach.

Through continuous improvement, we are delivering industry leading customer service and leading the industry in our approach to Social Return on Investment. Our Broad Measure of Customer Services scores have trended upwards since the start of RIIO-ED1, and delivered 9.2 for SPD and SPM in 2020/21.

We have also pushed ourselves further than our own industry. We have benchmarked first against the top 50 companies in all UK service sectors in the Institute of Customer Service Index Survey, and were the first utilities organisation to achieve BSI Customer Service Kitemark and inclusive Service Verification Scheme certification.



# 9.23/10

We continue our progression to be a leader in customer service with a BMCS score of 9.23/10 in 2020/21.

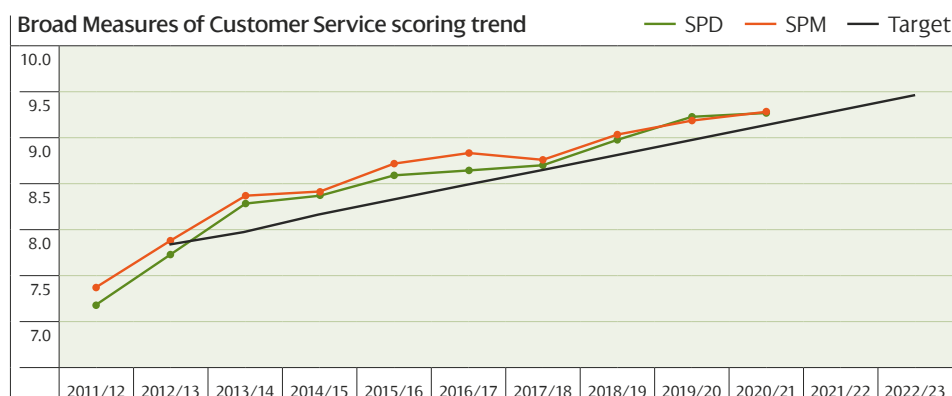
# 1st



# 7/10

Our highest scores to date for both SPD and SPM in the Stakeholder Engagement and Consumer Vulnerability Score, this positive score reflects the activities we do and relationships we have with a variety of stakeholders.

Benchmarked externally by the Institute of Customer Service above household names such as John Lewis, and the first utility to be awarded the BSI Kitemark for Customer Service.

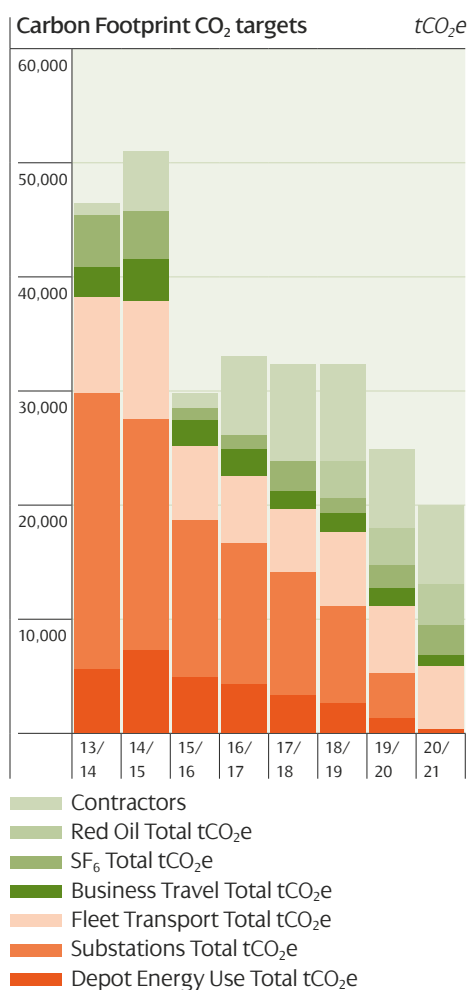


## Environment

In RIIO-ED1 we commenced our work to reach our low carbon targets and have already met many of our 2023 goals. We have prioritised the reduction of SF<sub>6</sub> leakage on our network, and have achieved significantly reduced leakage from fluid filled cable.

# -85%

85% reduction in fluid filled cable top ups in SPM with a leakage rate of 0.3%.



Since 2013/14, the year of our baseline measurements, SPD and SPM have jointly achieved a 57% reduction in Scope 1 and 2 Business Carbon Footprint, excluding losses. In 2013, we set a target to reduce emissions by 15% by 2023. We hit that target in our 2015/16 reporting year and are on track to achieve our 2035 Science-Based Targets.

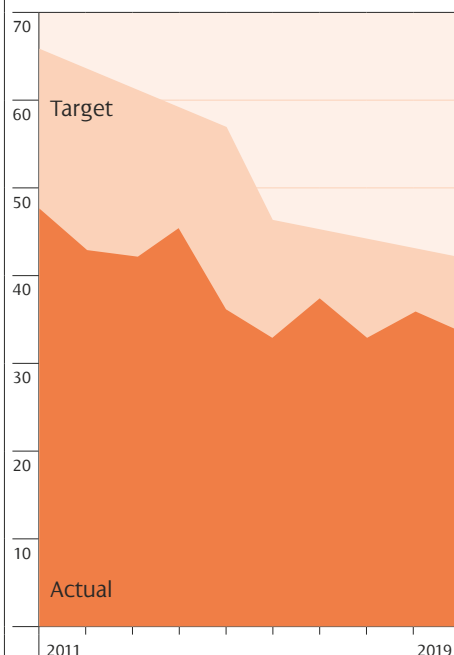
# -57%

57% reduction in Scope 1 and Scope 2 Business Carbon Footprint, excluding losses.

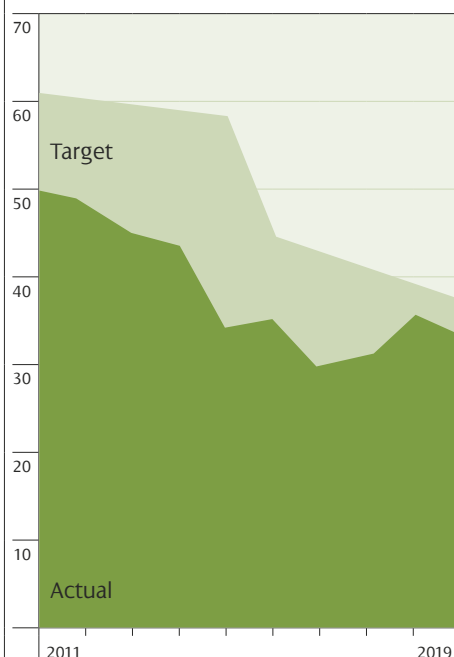
## Reliability and Availability

Our customers remind us that reliability and availability is of the utmost importance and we continue to outperform our stretching targets. In 2020/21, Customer Minutes Lost were less than 35 for SPD and SPM vs. a target of 41 and 37 respectively. 99% of vulnerable customers experienced no supply interruptions or were restored within 6 hours in 2019/20.

**SPM Customer Minutes Lost**



**SPD Customer Minutes Lost**



# >80%

Nearly 80% of our asset health outputs have been delivered, ahead of our baseline plan targets.

## Connections

In connections, our focus is on first class service where we set out to ensure the service received by our customers is industry leading. Overall, our Time to Quote has improved, delivering above average performance, however Time to Connect has remained static due to continued focus on service as a priority. This focus on quality of service rather than speed has proven effective, as demonstrated in our BMCS scores, however has meant our Time based metrics have not seen significant improvement during RIIO-ED1.



## Innovation

# 20%

20% of total industry innovation funding across 53 projects; the largest portfolio on a per DNO licence basis.

# 2.6GW

2.6GW of Flexibility tenders conducted, across all voltages and types of Flexibility. We were also the first DNO to tender for reactive power services in the flexibility market.

# 4.9GW

4.9GW of generation capacity connected directly to our networks, equivalent to c80% of maximum system demand.

# >£60m of benefits

Delivered to the local economy from our industry leading Active Network Management project at Dunbar, the precursor to our DSO plans for RIIO-ED2.

# Our RIIO-ED2 Business Plan highlights

In this plan, we set out our proposals for the RIIO-ED2 price control period, from 2023 to 2028. This comes at a critical time, as our society grapples with the radical changes needed to deliver Net Zero carbon emissions. This will mean a transformation in the energy system and our role in it.

That's why we have developed our most ambitious business plan ever. This has been built on the priorities of our customers and stakeholders – the foundation for our RIIO-ED2 strategy, summarised below.

Through this, we will deliver on **100 commitments** across the full range of our activities, working with the communities we serve to enable a just transition to our Net Zero future.

## OUR RIIO-ED2 STRATEGY AND BENEFITS

### Develop a network that's ready for Net Zero

We will develop the network of the future, to enable Net Zero. This will unlock capacity, enhance our connections service, and enable us to evolve as a Distribution System Operator (DSO). We will continue to deliver world class levels of safety, reliability, and resilience of supply.

We will enable Net Zero ambitions by connecting 670k Electric vehicles and 370k heat pumps.

>1m

Our DSO Strategy will enable the realisation of £370m of direct benefits.

£370m

Our digital enabled connections strategy could allow us to realise £15m of savings to connections customers per annum.

£15m

### Be the trusted partner for customers, communities and stakeholders

We will develop our role from service provider to trusted partner. We will engage more with our customers, enhance the services that we deliver for them, and provide dedicated support and bespoke funding to enable our communities to deliver their Net Zero ambitions.

We will increase customer satisfaction to 9.4 out of 10 – maintaining industry-leading ambition and performance.

9.4/10

We will provide support services to more customers than ever before, delivering social benefits of £62.5m.

£62.5m

We'll provide funding and support through our Distribution Net Zero Fund with 25% allocated to kick-start community-led schemes.

£30m

### Ready our business for a digital and sustainable future

We will transform our operations to build a Net Zero workforce. We will create jobs, upskill our people, drive sustainability in our business and supply chain, and embed digitalization and unlock the value of data – sharing the benefits with our customers and stakeholders.

We will reduce our carbon footprint by 37.8% in RIIO-ED2 and achieve Net Zero carbon by 2035.

by 2035

We'll create over 400 new jobs, and recruit over 700 new employees to replace retirees.

>1,100 jobs

Embedding new digital approaches, innovation and process redesign will save customers over £36m.

>£36m



## OUR PLAN IN NUMBERS

In RIIO-ED2 we will spend £3.3bn to deliver our ambitious plan. This is a 28% increase in our expenditure compared with RIIO-ED1.

# £3.3bn

100 business plan commitments, define our ambitious outputs across all of our customers and stakeholder priorities.

# 100

Our domestic customers will pay an average of 30p per day for our services, approximately 17% of the average electricity bill.

# 30p

We forecast savings of £36m in our baseline plan from planned use of flexibility to address network capacity constraints: 550MW across 1,352 locations at all voltage levels.

# £36m

We have embedded £201m of savings in our baseline plan by building on our track record of innovation and efficiency.

# £201m

We are proposing 4 unique Consumer Value Propositions (CVPs) under the RIIO-ED2 framework, which we estimate will provide £83m of total benefits.

# £83m

## OUR PLAN IS BUILT ON ENGAGEMENT

To ensure our plan reflects the needs and priorities of our customers and stakeholders, we've conducted our largest ever programme of engagement, involving over 19,000 people.

We used the feedback they provided over multiple phases of engagement to design and then refine our business plan proposals. Every one of the 100 commitments in our plan can be linked back to feedback and support received from our customers and stakeholders.

You will find more information on our approach in [Chapter 3](#) and you can see the full record of our engagement, showing the golden thread for each of our 100 commitments in our [Triangulation Records: Appendices 3.1c – 3.1m](#)

*Through various formats, we engaged 19,174 customers and stakeholders during the development of our plan.*

# 19,174



*Our RIIO-ED2 phases of engagement*

Customer segmentation



PHASE 1

Understanding what customers and stakeholders want

1

PHASE 2

Exploring needs

2

PHASE 3

Determining service levels

3

PHASE 4

Assessing acceptability

4



# Enabling the path to Net Zero for our communities

This is a time of unprecedented change for our business and the wider energy sector. To enable legislated Net Zero targets, we must transform the architecture of our network, the services to our customers, and the capabilities of our business.

This will bring many challenges but also the opportunity to support positive change in the communities we serve.

For RIIO-ED2, we have put forward an ambitious plan to enable the path to Net Zero and support a just transition.

## What is Net Zero?

To halt the devastating potential of climate change, we must reduce the amount of greenhouse gases we produce. Net Zero is a way of achieving this.

A landmark study by the Intergovernmental Panel on Climate Change (IPCC), a group of scientists whose findings are endorsed by the world's governments, have described the climate emergency as a 'code red for humanity'. But there is hope that deep cuts in emissions of greenhouse gases could stabilise rising temperatures, if the world acts fast.

To meet the 1.5°C global warming target set out in the Paris Agreement, global carbon emissions should reach Net Zero by 2050. The UK and Welsh governments have adopted this target, with the Scottish government accelerating their target to 2045. Cities and local authorities have also set their own ambitious Net Zero targets – such as Liverpool City Region who are targeting Net Zero by 2040.

That's why Net Zero is at the heart of our RIIO-ED2 strategy and why we're committed to going above and beyond to enable the pathway to Net Zero for the communities we serve. It's also why we were so proud to be a principal partner for COP26, the UN Climate Change Conference held in Glasgow in November 2021.

## We're the only network operator to serve communities across all three governments: UK, Scottish, and Welsh.

Each have bold ambitions to deliver on their own sustainability and Net Zero targets. In our unique position to support these objectives, we recognise that each region has distinct opportunities and challenges.

We also recognise that our cities and communities have their own targets for Net Zero – for example, Liverpool City Region target Net Zero by 2040, with Glasgow and Edinburgh targeting 2030. As we support these ambitions for Net Zero, we are committing to our own, enhanced target of achieving Net Zero by 2035.

We will enable the communities we serve to meet their targets through our industry-leading planning tools, investment in network digitalisation to unlock capacity, and our bespoke proposals to work collaboratively with our communities. These include funding local green economy initiatives, supporting community energy, and proactive decarbonisation planning with local authorities.

### The scale of the challenge

The electricity distribution network is a product of almost a century of incremental evolution. When much of the current electrical infrastructure was installed, our homes used gas or solid fuel for heating and there was, on average, only twenty appliances running on electricity – if we compare that to today, there's more than fifty in the average home. And, over the next two decades, we expect to see electricity demand rise significantly as we decarbonise heat and transport.

Our distribution networks were designed for predictable, stable demand at a time when mainstream electric vehicles, the predicted rise in heat pumps and renewable energy would have been unthinkable. With Net Zero, electricity demand, generation, and consumer behaviour, will all change.

Our network has served us well, but, with so much change ahead, now is the time to invest for the future. We need to future-proof the network to ensure the continued safe, secure and reliable service that our customers want.

To deliver a smarter, more flexible network, we will establish a future system architecture that can support a more dynamic and active network. By realising the Distribution System Operator model, we can unlock capacity, connect more generation, support heat pumps and EV charging, and progressively digitalise our network.

Through a comprehensive strategy to evolve our services, our community partnerships, and our business capabilities, we will deliver significant benefits in RIIO-ED2. Looking further ahead, we will see the demands on our network and expectations on our business continue to evolve. That's why now is the time to prepare for this and establish the platform for our shared Net Zero future.

## Net Zero targets

UK	Scotland	Wales
Net Zero target dates:		
<b>2050</b>	<b>2045</b>	<b>2050</b> <i>Public sector by 2030</i>
% Greenhouse gas emission reduction targets:		
<b>68% by 2030</b> <b>78% by 2035</b>	<b>75% by 2030</b> <b>90% by 2040</b>	<b>63% by 2030</b> <b>89% by 2040</b> <i>Avg 58% (2026-30)</i>
Renewable generation targets:		
<b>100% decarbonised power generation by 2035</b>	<b>50% of energy consumption by 2030, and almost 100% by 2050</b>	<b>70% of generation by 2030</b> <i>(set in 2017)</i>
UK Targets for transport and heat		
<i>End the sale of new petrol and diesel only vehicles by 2030 (with hybrid sales ending in 2035)</i>		<b>by 2030</b>
<i>Install 600,000 heat pumps per year by 2028</i>		<b>600,000</b>





# Co-creating our plan with customers and stakeholders



We've engaged directly with more customers and stakeholders than at any other time in our history, to best understand their current and future needs, and to make sure the services we develop deliver maximum benefit for them. It has been important for us to understand where their priorities and ambitions lie, and this knowledge has been key to building our strategy and plans.

Building our plan for the future is not a journey we can do alone. We have engaged with a huge range of stakeholders to understand what they require both now and in the future. What is important to our customers and stakeholders is important to us, and their feedback shapes our business decisions.

Engagement is at the heart of our business plan and it is the views and preferences of our customers and stakeholders that have helped define the commitments we propose to deliver in the RIIO-ED2 period.

We know that we need more than just a well researched strategy to meet the challenges that face us. That's why everything we've developed has been tested and built following engagement, insight and direction from our customers, stakeholders and communities.

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*We've engaged over 19,000 customers and stakeholders through the process of building our RIIO-ED2 plan.*

# 19,174

## Our phased approach to engagement

To make sure our engagement and insight is robust and representative of the views of our customers and stakeholders on every aspect of our plan, we developed a phased approach to research and engagement through four defined phases.

Each of these phases have been guided by a comprehensive engagement plan that matches specific areas of engagement to the most appropriate groups of customers and stakeholders – via tailored methods.

Whenever possible, engagement was delivered by the teams building our business plan proposals.

From the beginning, our project team made sure that the needs of customers and stakeholders actively shaped the commitments we plan to deliver.

Engagement Phase	What did we engage on?	Who did we engage?	Number of customers/stakeholders	
<b>Customer segmentation</b>	Identifying the attitudinal behaviours of our customers	Representative sample of domestic and commercial customers	<b>3,076</b>	<i>focus groups and surveys</i>
<b>Phase 1:</b> Understanding what customers and stakeholders want  <b>1</b>	Customers' priorities and ambition	Representative sample of domestic and commercial customers	<b>1,353</b>	<i>customers via in-depth interviews and qualitative engagement methods</i>
	Stakeholder priorities	Expert stakeholder groups including: Local Government, Academia, Charity, Transport, Renewable Developers, Water, Construction, Government, Suppliers, Aggregators, Community Groups and more	<b>91</b>	<i>expert stakeholders via in-depth stakeholder surveys</i>
<b>Phase 2:</b> Exploring needs  <b>2</b>	Detailed engagement on customer needs and preferences	Customer groups: Domestic customers (including vulnerable customers), small businesses, large businesses, UMS and generators	<b>5,708</b>	<i>customers and stakeholders via in-depth interviews and qualitative engagement methods,</i>
	Detailed engagement on stakeholder needs and preferences	Expert stakeholder groups including: Local Government, Academia, Charity, Transport, Renewable Developers, Water, Construction, Government, Suppliers, Aggregators, Community Groups and more	<b>332</b>	<i>expert stakeholders via workshops and surveys</i>
<b>Phase 3:</b> Determining service levels  <b>3</b>	Testing proposals, service levels, ambition, willingness to pay and affordability	Representative sample of domestic and commercial customers	<b>3,927</b>	<i>customers via workshops and surveys</i>
	Detailed engagement on draft commitments	Expert stakeholder groups including: Local Government, Academia, Charity, Transport, Renewable Developers, Water, Construction, Government, Suppliers, Aggregators, Community Groups and more	<b>750</b>	<i>expert stakeholders, via facilitated workshops, surveys and bilaterals</i>
<b>Phase 4:</b> Assessing acceptability  <b>4</b>	Testing overall acceptability of the final business plan, with deeper engagement on bespoke ODIs and financial elements	Representative sample of domestic and commercial customers	<b>3,456</b>	<i>customers via workshops and surveys</i>
	Detailed engagement on our draft business plan and testing acceptability of final business plan	Expert stakeholder groups including: Local Government, Academia, Charity, Transport, Renewable Developers, Water, Construction, Government, Suppliers, Aggregators, Community Groups and more	<b>481</b>	<i>expert stakeholders, via open online consultation, facilitated workshops, surveys and bilaterals and focus groups</i>



# The changing energy landscape

Our customers prioritise four main things in their electricity supply: reliability, safety, cost-efficiency, and the freedom to consume when they want (domestic customers especially do not want to be constrained).

The challenge for us in RIIO-ED2 is how to continue delivering these customer priorities against a radically changing energy landscape. In RIIO-ED2 we have a critical role to enable these evolving customers' needs, deliver a just transition to Net Zero, and ensure the continued safe, reliable, and efficient operation of the distribution network and wider system.



	Electric vehicles	Heat pumps	Generation
<b>Now</b>	ca. 20,000	ca. 1,000	4.8GW
<b>2028</b>	0.7-1m	0.3-0.8m	+4.9-6.4GW

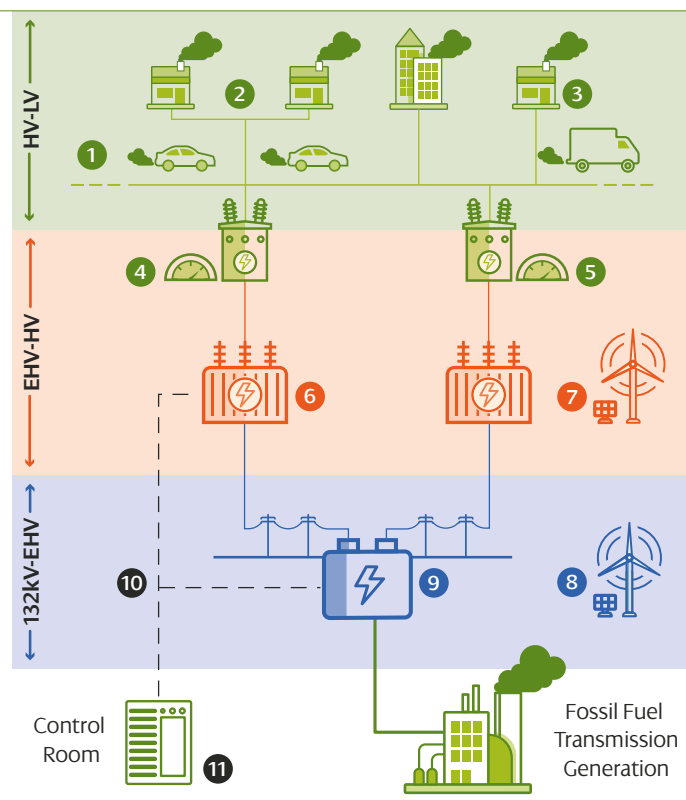
## Network of today

Our distribution network was largely developed in the 1960s' to deliver electricity from big transmission-connected fossil fuel power stations to our customers. The network was configured into four main voltage levels for this, and was sized to accommodate industrial, commercial, and typical domestic demand. Just one in ten homes were electrically heated, and there were no EVs beyond the occasional milk float.

This model has incrementally evolved over many years to meet changing customer needs. We have rolled out monitoring and control across the higher voltage networks, although the LV network remains largely unmonitored. We have materially improved network reliability through better asset management. And we have delivered new technologies, such as Active Network Management (ANM), to offer quicker and lower cost connections and accommodate renewable generation growth.

In short, the story of the last 60 years is one of customers' needs evolving steadily and incrementally. Our existing network capacity, planning tools, operational systems, and internal processes are tailored to these customer needs.

This slow evolution is now over. Decarbonisation, decentralisation, democratisation, and digitalisation will deliver a step change in RIIO-ED2: a significant increase in customer demand and generation, more dynamic and volatile power flows, more complex distribution network planning and operation, and increasing whole system interactivity.



- 1 Petrol/diesel Transport
- 2 Looped Services
- 3 Gas Central Heating
- 4 Secondary Substation (HV-LV)
- 5 HV/LV Maximum Demand Indicators (MDIs)
- 6 Primary Substation (EHV-HV)
- 7 HV Generation
- 8 EHV Generation
- 9 Grid Substation (132kV-EHV)
- 10 Telecoms Network
- 11 Control Room

## THE CHALLENGE

These customer-led changes are far beyond what the network capacity, our operational systems, and our internal processes are designed for. This creates four core challenges we must deliver in RIIO-ED2:

### Create additional network capacity

so we can accommodate our customers' EVs, heat pumps, and generation.

### Manage increasing complexity

to safeguard the distribution network and whole system, and to enable new markets and services to operate safely and efficiently.

### Respond to increasing network criticality

as our customers become increasingly dependent on their electricity supply for all their activities.

### Manage deteriorating asset condition

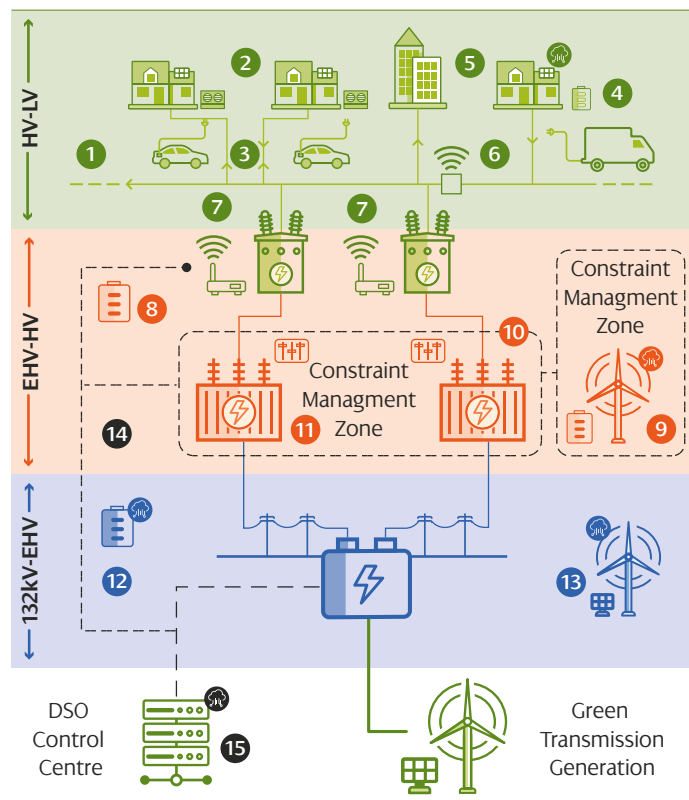
as utilisation and criticality increase due to greater levels of demand and generation.

## Developing our plan

Getting our intervention plan right has never been more important. The traditional method of developing price control plans using statistical economic models wasn't going to be good enough. That is why we've delivered a step change in how investment plans are developed, which sets the standard for others to follow.

We combined our stakeholder-endorsed Distribution Future Energy Scenarios (DFES) forecasts, our new enhanced forecasting tools which predict EV and heat pump uptake for every single customer we serve, a new analytical platform containing a full connectivity model of our network (including all 48,000km of LV), flexibility tenders at over 1,500 sites, and a linear optimisation engine which identifies and sequences solutions.

Together, these systematically identify where, when, and how we need to intervene. We're no longer building a plan on statistical estimates – we're addressing individual known constraints using market tested solutions.



- |                    |                                    |                             |
|--------------------|------------------------------------|-----------------------------|
| 1 Domestic EVs     | 7 Widescale LV Monitoring          | 12 EHV Storage              |
| 2 Heat Pumps       | 8 HV Storage                       | 13 EHV Generation           |
| 3 3-phase Services | 9 HV Generation                    | 14 Telecoms Network         |
| 4 LV Storage       | 10 DSO Constraint Management Zones | 15 Advanced Network Control |
| 5 Solar PV         | 11 Active Fault Level Management   | Flexibility                 |
| 6 LV Automation    |                                    |                             |

### Network of tomorrow

To respond to the system challenges and deliver our customers' priorities, in RIIO-ED2 we will deliver:

**1,180MW additional capacity**, including on 43,384 looped service cables, 484km of LV network cable, 1,406 secondary substations, and 36 switchgear sites. We will roll-out active fault level management. We plan to use flexibility at all voltages across 1,352 sites based on market response.

**Our Engineering Net Zero platform**, to provide real-time data-driven analytics to tell us what is happening on the network right now, and what will happen in operational and planning timescales.

**DSO capabilities**, to expand our toolbox of solutions to support flexibility markets, analyse and share data, enable transparency and competition, and help manage a more complex and interactive system. This includes expanding LV monitoring from 8% to 52% of our larger secondary substations by 2028, 22 new constraint management zones, and a new discrete DSO directorate.

**Asset management interventions**, to manage the risk, reliability, resilience, and safety of our network. We will reduce the frequency of customer power cuts by 19% and their duration by 19%, and protect our customers served by rising and lateral mains.

**Environmental interventions**, to reduce the environmental impact of our network and to increase its resilience to climate change.

**Continued innovation**, to help deliver a safer, more reliable, and more cost-efficient Net Zero system.

**Connections processes and tools**, including self-serve connections, that are fit for the forecast surge in connections notifications and applications.

### WHAT OUR RIIO-ED2 PLAN MEANS FOR CUSTOMERS

Our RIIO-ED2 Business Plan delivers the capacity our customers and communities need, enables a just transition to Net Zero, and ensures the continued safe, reliable, and efficient operation of the distribution network and wider system.

**Customers will have the capacity they need to decarbonise** – they will be able to use EV chargers and heat pumps immediately and at full capacity. ✓

**Customers will have an increasingly reliable supply** as they become more dependent on it, as we reduce the frequency and duration of power cuts. ✓

**Customers, our staff, and the general public will be safe** from a range of network risks. ✓

**Customers will experience a more timely, efficient, and simpler connection process.** ✓

**Customers will only be paying for what they need** – our approach means we have sufficient investment to enable Net Zero, but no excess allowances. ✓



# Our RIIO-ED2 Strategy and Commitments

We have an ambitious plan for RIIO-ED2, encompassed by a clear strategy that has been shaped by the priorities of our customers and stakeholders.

These priorities have been aligned to three strategic pillars, which provide a consistent focus to our plan and enable us to deliver our ambitious agenda. To support this framework, we have a future vision for our business which articulates the role we must play in RIIO-ED2 and beyond.

We will:

*“Work with the communities we serve to enable a just transition to our Net Zero future”*

## OUR COMMITMENTS

Based on feedback from our customers and stakeholders, we are making **100 commitments** in our business plan to deliver outcomes that meet their needs. Over the following pages we summarise, under our three strategic pillars, and outline more detail on each throughout the business plan document. We will use **clear performance indicators** to track and report on our delivery throughout RIIO-ED2.

### Develop a network that's ready for Net Zero

Develop the network of the future

Ensure a safe and reliable electricity supply

Provide timely and efficient connections



### Be the trusted partner for customers, communities and stakeholders

Deliver excellent satisfaction and enhanced services for all customers

Support vulnerable customers and communities to ensure no-one is left behind

Work with our communities to facilitate the energy system transition



### Ready our business for a digital and sustainable future

Deliver an environmentally sustainable network

Build a Net Zero workforce

Embed digitalisation and unlock the value of data



### 30 commitments

## Develop a network that's ready for Net Zero

*We will develop the network of the future, to enable Net Zero. This will unlock capacity, enhance our connections service, and enable us to evolve as a Distribution System Operator (DSO). We will continue to deliver world class levels of safety, reliability, and resilience of supply.*



### Develop the network of the future

1. Install innovative fault level monitoring across 41 constrained locations.

2. Size and co-ordinate interventions to 'touch the network once' where this delivers benefits for our customers.

3. Continue to assess flexibility, smart, innovative, and reinforcement solutions for all our Load related interventions.

4. Deliver over 14,100 network monitors at large secondary substations and enhanced use of smart meter data.

**14,100**

5. Deliver £87.2m of savings by embedding innovation trials into BAU and adopting best practice from industry.

6. Work with key stakeholders, to accurately forecast Net Zero pathways and update our DFES forecasts annually.

7. Be a neutral facilitator of an open and accessible distribution flexibility services market.

8. Deliver a discrete DSO directorate for the start of RIIO-ED2.

9. Share data with customers through an online data portal, including visibility of short and long-term forecasts.

10. Implement a new function to consider whole system planning at the start of the investment process.

11. Change processes to embed whole system planning, with executive oversight, and engage strategically with other utility companies.

12. Support Local Authorities to site public EV chargepoints, collaborating to identify optimal sites.

13. Provide a team of specialists that will partner with Local Authorities and regional Governments to support Local Heat and Energy Efficiency Strategies (LHEES) and Local Area Energy Plans (LAEPS).

### Ensure a safe and reliable electricity supply

14. Maintain ISO55001 accreditation and ensure all asset managers are certified with Institute of Asset Management.

15. Reduce asset deterioration from ~5.4% per year without intervention to ~1.1% through targeted modernisation.

16. Ensure, on average, customers are 19% less likely to experience an interruption and the average duration reduces by 19%.

**19%**

17. Improve reliability for 7,857 worst served customers, reducing their interruptions by 33%.

18. Ensure that in an exceptional event, no customer should be off-supply for more than 36 hours.

19. Proactively identify overhead line issues using risk based digitalised inspections, flying 1/3 of the network per annum, rectifying clearance issues within 12 months.

20. Work with regional environment agencies and continue to target 100% compliance as flood maps and assessments evolve.

21. Improve fire safety at over 1,000 substations integrated in third-party buildings.

22. Employ smarter security measures and access restrictions to 100% of ground mounted substations.

23. Safeguard 14,000 residents of flats and tenements each year by proactively upgrading poor condition internal mains, regardless of ownership.

24. Replace nearly 2,000 of our last remaining poorest condition underground link boxes, and modernise over 2,000 low voltage pillars.

### Provide timely and efficient connections

25. Offer 100% of connections customers a pre-quotation consultation, face to face or virtually, by 2025.



**100%**

26. Offer a point of contact to all connections customers with 30+ quotes per year, or with a project exceeding £1m by 2025.

27. Offer 80% of HV and EHV customers the choice of a flexible connection, where known constraint exists by 2025.

28. Quote within 70% of industry deadline for major connections and by 2028 budget offer at enquiry for 100% of customers.

29. Make connections related network information available near real-time, including capacity and constraints by 2025.

30. Improve timescales for delivery of a connection by 2% a year.





### 35 commitments

## Be the trusted partner for customers, communities and stakeholders

*We will develop our role from service provider to trusted partner. We will engage more with our customers, enhance the services that we deliver for them, and provide dedicated support and bespoke funding to enable our communities to deliver their Net Zero ambitions.*



### Deliver excellent satisfaction and enhanced services for all customers

31. Deliver customer satisfaction of 9.4/10 across every service and every channel, by 2028.

# 9.4/10

32. Resolve 90% of complaints in 1 working day, 99% in 31 days, with 0 repeat complaints or Ombudsman findings against us.

33. Respond in 10 seconds or less, regardless of channel, in a power cut or emergency, and less than 1% of these calls abandoned.

34. Respond on average within 5 minutes to all non-urgent matters, providing the customer with key information.

35. Establish and promote a service for customers to register contact method and language of choice, and use this to contact them.

36. Proactively contact 99%+ of customers who register contact method choice, during a power cut and when power is restored.

37. 95% of highest risk customers (vulnerable and commercial) spoken to face to face in advance of a planned power cut.

38. Contact all PSR customers when a power cut occurs via their channel of choice and highest risk customers by phone call.

39. State restoration time, name dispatched, reason, location and support available for vulnerable customers in 99% of unplanned power cut updates.

40. Restore 80% of customers within the restoration time initially stated, during an unplanned power cut.

41. All customers notified at least 10 days before a planned outage, 90% notified by preferred method 48 hours before.

42. Visit 99% of customers within three hours, when asked to carry out a safety check.

43. Deliver 90% of requests for earthing, shrouding or maintenance work to the customers' date, subject to access and traffic.

44. Support 40,000 customers with services to reduce costs and benefit from energy transition, achieving SROI of £1.47 per £1.

45. Undertake risk assessment for all commercial customers who register with us, and record actions within 3 months.



### Support vulnerable customers and communities to ensure no-one is left behind

46. Transition our vulnerability partnership model to be proactive.

47. Create a single vulnerability register for all our partners, introducing a 'register once' service for customers.

48. Register 80% of customers in our PSR, across all common needs codes, based on national available data, by 2028.

49. Broaden our view of vulnerability beyond common utility codes, building into service offerings and partnership model.

50. Contact 100% of vulnerable customers every 2 years, achieving minimum 60% fully validated data.

51. Create an LCT prioritisation ranking to target services, using data on social and technological factors.

52. Achieve relevant recognised international standards and score Top 5 in UK through ICS benchmark.

53. Capture customer individual needs during a power cut, with 99%+ of needs being met.

54. Deliver direct support to 276,000 vulnerable and disadvantaged customers.



# 276,000

### Work with our communities to facilitate the energy system transition

55. Deliver community energy outreach campaigns and partner events.

56. Deliver new Community Energy Strategy developed with partners and reviewed annually.

57. Offer extra technical advice and signposting to communities who wish to explore low carbon technology.

58. Ring-fence ~25% of our proposed Net Zero Fund for community-led energy projects.

59. Create a £30m Net Zero Fund to support low-carbon projects, aligned to national, regional and local ambitions.

# £30m

60. Launch a new Just Transition Strategy by 2023, engaging further on local needs and embedding principles in business. Progress checked via independent annual review.

61. Achieve highest category status on AA1000SE stakeholder engagement standard annually following evidence check and interviews.

62. Retest stakeholder priorities annually, present results and actions to independent group.

63. Launch new online collaboration and engagement platform, where stakeholders can influence decision making.

64. Embed annual engagement programme, including executive level-led strategic events.

65. Report annually on engagement performance, including generating a positive SROI value of every initiative over 5 years.

## 35 commitments

### Ready our business for a digital and sustainable future

*We will transform our operations to build a Net Zero workforce. We will create jobs, upskill our people, drive sustainability in our business and supply chain, and embed digitalization and unlock the value of data – sharing the benefits with our customers and stakeholders.*



### Deliver an environmentally sustainable network

66. Maintain and improve our ISO14001 certificated Environmental Management System, achieving 'beyond compliance'.

67. Publish an annual report of progress against all sustainability commitments.

68. Improve quality of environmental data collected and analysed at all stages of the asset lifecycle.

69. Identify and ensure delivery of appropriate environmental training for staff, contractors and suppliers.

70. Further enhance sustainability standards in contracts and target more than 80% of RIIO-ED2 contracts by value, meeting these by 2023.

71. Reduce Scope 1, 2, 3 business carbon footprint by 67.2% by 2035 from a 2018/19 base, in line with science based targets.

72. Minimise carbon footprint to achieve Net Zero carbon by 2035.

# 2035

73. Achieve Carbon Neutrality by 2023 for our Scope 1 and 2 business carbon footprint, excluding Losses.

74. Replace 100% (over 800) of our cars and vans with electric alternatives by 2030 and seek to accelerate this to 2028.

75. Reduce our SF<sub>6</sub> leakage by 10% over the RIIO-ED2 period, compared to RIIO-ED1.

76. Analyse our generator use and set targets to reduce carbon emissions by the end of RIIO-ED2.

77. Continue with a 100% UK renewable energy tariff for all buildings and reduce consumption by 15.2GWh (8%) over RIIO-ED2.

78. Avoid an estimated 36GWh of network losses, limiting losses to a lower level than would otherwise be the case during RIIO-ED2.

79. Reduce business travel emissions by at least 580 tCO<sub>2</sub>e by the end of RIIO-ED2.

80. Require strategic suppliers to set science based targets within 5 years, aiming for 80% of our supply chain by value.

81. Continue to target 0 environmental regulatory interventions and notifiable breaches.

82. Implement Pollution Prevention Plans at 100% of our 132kV projects.

83. Reduce the volume of fluid (oil) used to top up pressurised cables by around 10% (3,490l) by replacing over 19km of cable.

84. Remove PCBs from our network by the end of 2025.

85. Use low-carbon alternatives to concrete bunding for RIIO-ED2 retrofit projects, where technically feasible.

86. Continue to proactively minimise impacts of noise and take timely action to rectify noise complaints.

87. Deliver 10% enhancement of biodiversity on 25 hectares of non-operational land through local collaboration.

88. Deliver 500 biodiversity units across our RIIO-ED2 work programme to mitigate our impacts and enhance local biodiversity.

89. Remove 35km of overhead line in Areas of Outstanding Natural Beauty, National Parks and National Scenic Areas.

90. Divert 100% of our waste from landfill by 2030, excluding compliance waste.

91. Establish baseline and targets for waste reduction per £1m of annual expenditure, by the end of RIIO-ED2 and 2030.



### Build a Net Zero workforce

92. Grow talent from our local communities, to fill 90% of field vacancies and 50% of engineering/technical vacancies through our trainee programmes.

93. Create opportunities for our workforce to develop new skills for the journey to Net Zero through internal trainee programmes and upskilling plans.



94. Drive for an inclusive and diverse workforce through our policies, recruitment and by training our people leaders in diversity and inclusion, measured by improved D&I data for our workforce.

95. Safeguard the health and wellbeing of our people through action plans driven by employee feedback and increased mental health first aiders to a 1:25 level by 2024.

96. Embed a digital and sustainable culture within our workforce through new and enhanced capabilities, giving them the skills for the future.

### Embed digitalisation and unlock the value of data

97. Operate a risk-based approach to Cyber Security, creating actions plans for mitigation steps.

98. Create a new digital environment for our business including a representation of our energy system and operation.

99. Refresh and publish our Digitalisation Strategy every 2 years and our Action Plan at least every 6 months.

100. Make data more accessible and take a 'presumed open' approach.



## Our RIIO-ED2 expenditure in summary

To deliver our RIIO-ED2 commitments, our expenditure plan covers all aspects of our business, which is summarised here by Ofgem's high-level cost categories.

**£164m**

Non Operational Capex

**£331m**

Business Support

**£607m**

Closely Associated Indirects

**£444m**

Load Related

Network Operating Costs

**£526m**

Non-load Related

**£1,178m**

**£3.3bn**

*Proposed baseline expenditure for RIIO-ED2 before ongoing efficiency.*

**£20m**

Smart Metering

### Expenditure, efficiency and innovation

**£3,423m**

*Initial bottom up forecast*

**£87m**

*efficiencies from innovation*

**£66m**

*embedded efficiency*

**£3,270m**

*Final plan before ongoing efficiency*

**£48m**

*ongoing efficiency, at 0.5% per annum*

**Total efficiency**

**£201m**

**£3,222m**

*Final plan after ongoing efficiency*

We have embedded £87m of benefits from innovative techniques, successfully proven in RIIO-ED1.

We have embedded £66m of efficiency in our direct work programmes.

We have committed to deliver a further efficiency stretch, targeting £48m of ongoing efficiency.

We have embedded efficiency throughout our RIIO-ED2 plan. We have applied learnings from RIIO-ED1 to ensure that our plans deliver in the most cost effective manner for our customers, and will maintain a focus on efficiency in the delivery of our plans.



## Our proposed total expenditure (Totex) and cost drivers

Our proposed RIIO-ED2 expenditure is £3.3bn, before ongoing efficiency, which will mean we spend £144m more each year during RIIO-ED2 than we have in RIIO-ED1 – a 28% increase. Some of the core drivers of the increased level of expenditure are outlined below. These are imperative to facilitate the transition to Net Zero, meet the needs of our customers and to manage our impact on the environment.

	<i>Expenditure £m (2020/21 Prices)</i>	RIIO-ED2 Total	Annual Average	
			RIIO-ED2	RIIO-ED1
<i>Customer demand will increase with the uptake of Net Zero technologies such as electric vehicles and heat pumps – we need to invest to reinforce our LV network to enable these to connect and to improve visibility of our network.</i>	Connections Inside the Price Control	63.6	12.7	3.1
	> Network reinforcement	358.7	71.7	40.7
	New Transmission Connection Charges	22.2	4.4	1.6
	<b>Total Load Related Expenditure</b>	<b>444.5</b>	<b>88.9</b>	<b>45.4</b>
<i>We are investing in Distribution System Operations, to enable faster connection, improved management of constraints and increased levels of flexibility and reliability.</i>	Asset Replacement & Refurbishment	584	116.8	97.8
	> Operational IT & telecoms	221.4	44.3	10.4
	Safety Programmes	126.6	25.3	38.2
<i>Sustainability is a feature throughout our RIIO-ED2 plan. A key programme of work will be to remove all traces of PCBs – hazardous to health and the environment – through a targeted replacement programme, in addition to our other environmental programmes.</i>	> Environmental Programmes	103.3	20.7	4.4
	Resilience & Network Diversions	142.6	28.5	25.0
	<b>Total Non-load Related Expenditure</b>	<b>1,177.9</b>	<b>235.6</b>	<b>175.8</b>
	Faults, Severe Weather & ONIs	306.6	61.3	54.9
	Inspection, Maintenance and Tree Cutting	196.4	39.3	34.3
	Other activities	22.6	4.5	4.0
<i>The majority of our Network Operating costs, Closely Associated Indirects and Business support costs are broadly in line with RIIO-ED1 levels, and have increased only in areas which facilitate new or increased activity such as DSO and Net Zero.</i>	> Network Operating Costs	525.5	105.1	93.2
	> Closely Associated Indirects	606.6	121.3	111.8
	> Business Support Costs	331.4	66.3	67.7
<i>Our Digitalisation Strategy is a critical enabler of our plan to offer new, enhanced services to our customers, share more data, improve the effectiveness of our operations, and increase the use of data in decision-making.</i>	> Non Operational Capex	164.3	32.9	12.4
	Smart	20.2	4.0	4.1
	<b>Totex Within Price Control</b>	<b>3,270.4</b>	<b>654.1</b>	<b>510.3</b>
	Ongoing Efficiency	48.3	9.7	
	<b>Totex net of Ongoing Efficiency</b>	<b>3,222.1</b>	<b>644.4</b>	

## Connections

The majority of our connections expenditure is funded directly by customers, and is therefore not included in the above 'Totex Within Price Control'. In our plan we discuss our forecasts, which predict a significant increase in our connections activity during RIIO-ED2, and we outline our strategy to provide timely and efficient connections.

## Network Innovation Allowances

In addition, we are forecasting to spend a further £35m on Network Innovation Allowances (NIA) during RIIO-ED2, which builds on our successful RIIO-ED1 innovation projects, and will deliver benefits for the future.

## Managing uncertainty

Due to the scale and pace of change necessary to deliver Net Zero targets, there is cost and volume uncertainty in several aspects of our plan. We have detailed how our plans can adapt if mechanisms for managing uncertainty are available.

## Bespoke incentive mechanisms

The RIIO-ED2 framework has introduced the opportunity for DNOs to propose bespoke outputs and incentives, developed in collaboration with customers and stakeholders. We outline £185m of bespoke initiatives in our plan which will deliver further benefits to our communities.

## Domestic customer bill impact

Distribution Network Operator (DNO) charges account for around 17% of the average domestic electricity bill. These charges can vary across DNOs due to their size and number of customers. For SPEN, 90% of our customers are domestic, representing 44% of our revenues. The majority of our costs are recovered over a 45-year period, controlled through Ofgem's regulatory model.

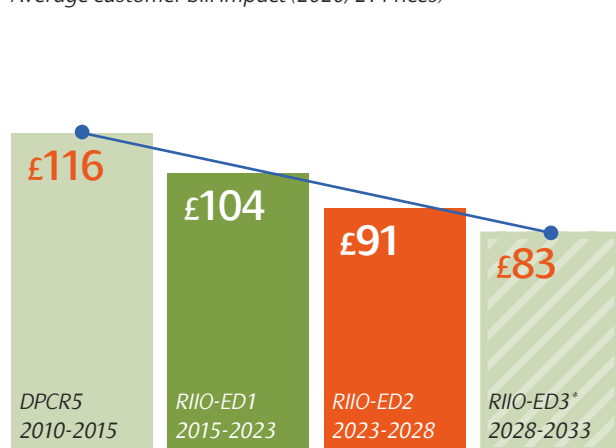
In SPD, we forecast a 12% reduction in the average domestic bill during RIIO-ED2. Although our expenditure increases, this is offset by two other reductions: the ending of historic financing arrangements (linked to the timing of privatisation) and the ending of our established pension deficit funding, as agreed with the Government's Actuary Department as part of the 2020 Reasonableness Review.

In SPM, our expenditure also increases, but the reductions from the ending of our established pension deficit funding will not arrive until 2029, the first year of RIIO-ED3. This means that average bill during the period will increase by 6%. However, due to the impact of COVID-19 on electricity demand, our annual charges in RIIO-ED2 will remain broadly aligned with the final year of RIIO-ED1. Looking ahead to RIIO-ED3, using equivalent RIIO-ED2 parameters, we would anticipate around a 10% reduction in bills, to a level below RIIO-ED1.

All of the above is based on Ofgem's instructed financing arrangements for this draft plan submission. The bill calculation shows our actual published domestic tariffs to 2023. For RIIO-ED2, we have adapted Ofgem's approach to provide a statistically more robust forecast.

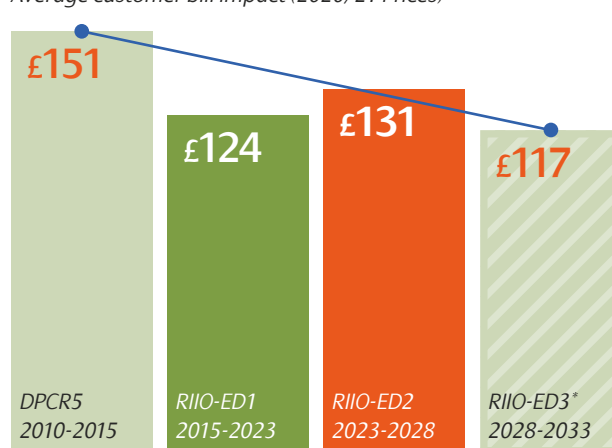
### SP Distribution

Average customer bill impact (2020/21 Prices)



### SP Manweb

Average customer bill impact (2020/21 Prices)



\*RIIO-ED3 estimate uses same expenditure & financeability arrangements as RIIO-ED2.

## Forecast revenues

£m (2020/21 Prices)

Our revenues are derived from Ofgem's regulatory model, where the majority of our expenditure is recovered over 45 years, via our Regulated Asset Value (RAV).

SP Distribution's RAV is forecast to grow by around 8% during RIIO-ED1 (from £1.8bn to £2bn), and is projected to grow by a further 26% (to £2.5bn) during RIIO-ED2.

SP Manweb's RAV is forecast to grow by around 21% during RIIO-ED1 (from £1.8bn to £2.2bn), and is projected to grow by a further 21% (to £2.7bn) during RIIO-ED2.

Ofgem are proposing that the return on equity for this investment reduces from 6.0% in RIIO-ED1 to 3.65% in RIIO-ED2, on a comparable RPI measure of inflation (which is 4.65% on their revised CPIH inflation basis).

	SPD Total	SP Distribution Averages		SPM Total	SP Manweb Averages	
		RIIO-ED2	RIIO-ED1		RIIO-ED2	RIIO-ED1
Depreciation	732	146	172	776	155	166
Return	325	65	64	362	72	68
<b>Revenue associated with RAV</b>	<b>1,057</b>	<b>211</b>	<b>236</b>	<b>1,138</b>	<b>228</b>	<b>235</b>
Fast Pot	484	97	48	534	107	53
Non-Controllable Opex (Rates)	337	67	71	223	45	44
Equity Issuance Costs	5	1	0	5	1	1
Tax Allowance	58	12	9	59	12	3
Pension Deficit Funding	60	12	33	160	32	32
Other	29	6	5	27	5	-1
<b>Revenue not associated with RAV</b>	<b>973</b>	<b>195</b>	<b>166</b>	<b>1,008</b>	<b>201</b>	<b>132</b>
<b>Allowed Baseline Revenues</b>	<b>2,029</b>	<b>406</b>	<b>402</b>	<b>2,146</b>	<b>429</b>	<b>366</b>

## Our RIIO-ED2 submission and supporting documents

We have an ambitious business plan for RIIO-ED2, and this document provides an executive summary of our proposals.

There are many important and complex topics to address in RIIO-ED2. That's why we have compiled a comprehensive suite of supporting information and evidence – covering every single feature of our plans and every pound of expenditure.

For more information, please see our website: [www.spenergynetworks.co.uk/RIIOED2](http://www.spenergynetworks.co.uk/RIIOED2)

### Core business plan

- A 200 page synopsis of our plan, designed for both industry and public consumption.

### Supporting Documents

- Our RIIO-ED2 Commitments.
- Executive Summary.
- SPEN RIIO-ED2 Board Assurance Statement.

### Annexes

- >120 Strategies and Supporting Evidence.
- 132 Engineering Justification Papers (EJPs).
- 119 Cost Benefit Analyses (CBAs).

### Additional Information

- RIIO-ED2 Business Plan Strategic Summary.
- Business Plan Data Tables (BPDTS).
- Ofgem Financial Models (SPD / SPM).
- RIIO-ED2 Output Summary Table.
- RIIO-ED2 Business Plan Incentive Table.
- Ofgem Minimum Requirements Index sheet.



## Commenting on our proposals

At such a critical time for the energy sector, we think it's important that all voices are heard.

We've developed our plan following our largest ever engagement programme, with over 19,000 customers and stakeholders shaping our priorities and commitments, which is the basis of our RIIO-ED2 strategy.

Before our plan is finalised with the regulator, Ofgem, there is a final opportunity to input into the process.

You can tell us what you think about our final plan by emailing us at:

[RIIO\\_ED2@spenergynetworks.co.uk](mailto:RIIO_ED2@spenergynetworks.co.uk)

Ofgem will also be holding a 'Call for Evidence', where our stakeholders can provide feedback on our RIIO-ED2 plans directly to the regulator. This will be open from early December 2021 to early February 2022. Further information can be found on Ofgem's website.

## Be kept in the loop

If you'd like to be kept up-to-date with the latest information about SPEN and our RIIO-ED2 activities, you can register as a stakeholder and join our stakeholder online community. You can also keep up with the latest news on our website and social media channels.

You can find more information on how to register and how to get involved on our website:

[www.spenergynetworks.co.uk/pages/online\\_community.aspx](http://www.spenergynetworks.co.uk/pages/online_community.aspx)

**We've engaged over 19,000 customers and stakeholders through the process of building our RIIO-ED2 plan.**

# 19,174





**SP ENERGY  
NETWORKS**

SP Energy Networks  
320 St Vincent Street  
Glasgow, G2 5AD

**Contact us**

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[RIIO\\_ED2@spenergynetworks.co.uk](mailto:RIIO_ED2@spenergynetworks.co.uk)

[spenergynetworks.co.uk](https://spenergynetworks.co.uk)