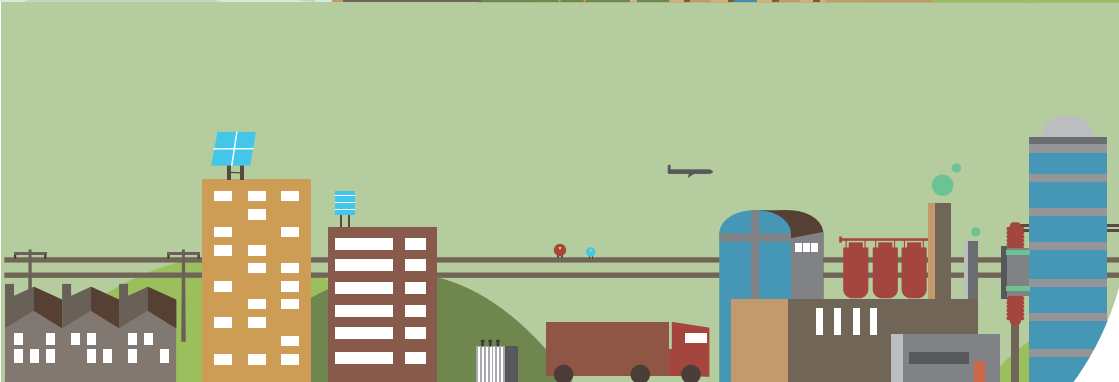


SP Energy Networks 2015–2023 Business Plan

SP Distribution Ltd
SP Manweb plc

Key highlights

www.spenergynetworks.co.uk/ourplan





Welcome

To build our plans for the period 2015-2023 we have learned from our stakeholders and customers, reinforcing our top priorities as your regional electricity network company:

Safety, Customer Service and Value for Money

Over the last few years we have focussed on these fundamentals, delivering continuous service improvements, lower cost contracts and accelerated outputs. We remain on track to deliver all of our 2010–2015 commitments.

The UK energy industry is entering the most exciting period for half a century. We have an unprecedented opportunity to play a major part in the UK's low carbon transition and help set the industry blueprint for the next 50 years. We know that the future network and its users will require a different approach, and our ambition is to transform the way you think of us, by:

- *Using smart metering data to revolutionise our customer relationship to be much more proactive.*
- *Using innovation to reduce costs, improve service, and lay the foundations for a smart network.*

Investing in your network

We plan to invest a total of £5.2bn in your network: £2.5bn to renew and maintain the network, £0.6bn to accommodate future customer energy usage, £1bn for supporting activities and £1.1bn for external costs including UK corporation tax and local business rates.

Reducing your bills

The latest analysis from Ofgem shows that electricity distribution charges represent 16% of an average UK customer electricity bill. Using the UK average consumption 3,300kWh, our customers:

- *in Central and Southern Scotland will see an 8% reduction in our portion of their bills from £99 to £91 per year.*
- *in England and Wales will see a 12% reduction from £126 to £111 per year.*

Creating jobs

We plan to create more than 2,500 jobs across our supply chain, investing up to £90m in recruitment and training, (the customer impact of which will be £60m as a result of £30m gained from improved efficiency throughout our business).

Continuing our improvement

We have set out our plan to satisfy your needs and to transform the way you think of us as your electricity network company. I would like to thank you for reading this leaflet and encourage you to give us your feedback.

A handwritten signature in black ink, appearing to read 'Frank Mitchell'.

Frank Mitchell
CEO SP Energy Networks

See our business plan in full at:
www.spenergynetworks.co.uk/ourplan

For more information, or to give us feedback, email:
RIIOED1Consultation@spenergynetworks.com

Responding to your needs and reducing costs

Our business plan makes **over 90 commitments** to our customers for the period 2015–2023. These commitments reflect stakeholder feedback and focus on those areas of our activities which are important to our current and future customers.

We are acutely aware of the financial pressures on our customers, so as well as improving our service, we are also **committed to reducing our costs and working more efficiently**. By defining how we can work more efficiently year-on-year we have already **reduced our plans by £700m**. Innovation embedded in our plans will deliver **more than £100m of customer benefits**. The use of smart metering data as it becomes available will enable us to work more proactively, improving customer service.

You asked us to...

Manage our ageing network to maintain safety

We **lead the industry** in managing public safety, actively **replacing end-of-life cables** in high-rise and tenement flats and **bringing our overhead lines up to modern safety standards** — lines over roads by 2015 — ahead of our peers.

Reduce the number and length of power cuts

Our customers already enjoy **30%** fewer power cuts than the UK average.

Reduce power cuts during major storms

Since the late 1990s we have rebuilt and cleared trees from more than **10%** of our rural high voltage overhead lines, helping to reduce power cuts during storms by **75%**.[†]

We will...

*Invest **£120m** to replace end-of-life cables in high-rise and tenement flats*

*Invest **£112m** to bring all our overhead lines to modern safety standards by 2020*

*Deliver **7%** further reduction in the number of customer power cuts*

*Deliver **16%** further reduction in the average length of customer power cuts*

*Make more than **25%** of our rural high voltage overhead lines more resilient to storms*

[†]Based on two comparable storms in 1998 and 2012.

You asked us to...

Improve customer service

Our customer service scores are increasing at the **fastest rate of improvement** in the industry. Our comprehensive set of customer commitments put the **customer first every time** and we will deliver an **improved service to vulnerable customers**.

Improve service to poorly and worst served customers

A **very small** number of our customers receive a service which is much worse than average.

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%** respectively. We serve less than **14%** of UK customers but we already have around **28%** of distributed generation connected to our network.

We will...

Deliver 20% improvement in the overall rating our customers give us for customer satisfaction

Double the compensation for all guaranteed standard failures*

Compensate you £10 if we fail to take the agreed action on your enquiry

Improve our service to 40% of our poorly served** customers

Improve our service to 25% of our worst served*** customers

Invest £0.2bn to support the use of low carbon technologies such as electric vehicles

Invest £0.4bn to accommodate customers' future needs, including connecting renewable generation such as wind turbines

...at the same time we will reduce your bill.

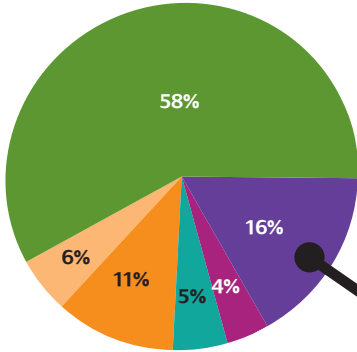
* Excluding exceptional events where we make other arrangements including providing hot meals and accommodation

** We define 'poorly served' as customers experiencing more than ten times the average number of power cuts.

*** Ofgem define customers experiencing on average at least four higher voltage interruptions per year over a three year period (ie 12 or more over three years) and a minimum of three higher voltage interruptions in each year during the three year period as being 'worst served'.

Electricity bill make-up

We do not send you your electricity bill directly, but the work we do makes up around 16% of the electricity bill your supplier sends you.



An average UK customer electricity bill is made up of:

58% — Wholesale energy, supply costs and profit margin

16% — Distribution charges

11% — Environmental charges

6% — Other costs

5% — VAT

4% — Transmission charges

Ofgem customer bill fact sheet January 2013.

Our investment (16% of your bill)

46% — £2.4bn to manage our ageing network

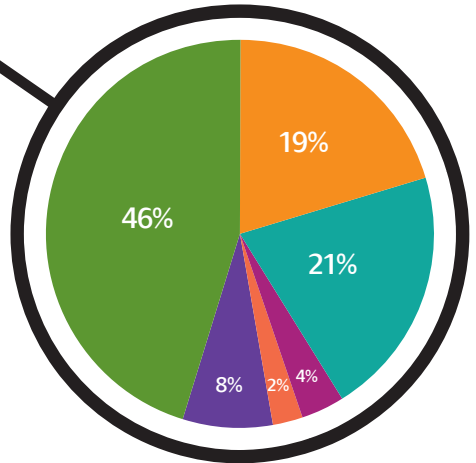
4% — £0.2bn to facilitate the uptake of low carbon technologies

8% — £0.4bn to accommodate customers' future needs

21% — £1.1bn for other costs such as corporation tax and business rates

19% — £1.0bn for engineering and corporate support activities, including recruitment and training

2% — £0.1bn for Real Price Effects — forecast fluctuations in cost above the retail prices index



Our focus on reducing your bill

As your distribution network operator, we work hard to **reduce our costs, improve our efficiency** and give you **long term value for money**.

Compared on a like-for-like basis with the period 2010-15, **our 2015-23 plans will deliver more of the things our customers value at lower cost.**

Based on UK average consumption and 2012/13 prices, we forecast that our customers:

- in Central and Southern Scotland will see an 8% reduction in our portion of their bills, from £99 to £91 per year.
- in England and Wales will see a 12% reduction in our bills, from £126 to £111 per year.

The difference between bills North and South is a consequence of differences in the way the networks are built and managed[†]. For transparency, we always show our customer bills **by area** rather than as an average.

[†]We are required to maintain and run network equipment up to 132,000 volts in England and Wales, but only up to 33,000 volts in Scotland. In Scotland, the costs of managing the network above 33,000 volts are included in the Transmission charges, but in England and Wales these are included in the Distribution charges.

About us

We are a **customer service focused company** trusted by our communities and stakeholders

We are an engineering company with **strong stewardship of assets and world class safety credentials**

We are a company that **attracts and develops skills** for the future from **the communities we serve**

SP Distribution — 2 million customers

Zone	Staff	Recruit*
Lanarkshire	675	400
Glasgow & Clyde N	75	50
Ayrshire & Clyde S	100	75
Dumfries & Stranraer	75	50
Central & Fife	200	125
Edinburgh & Borders	200	100

Our workforce of 2,500 internal employees is spread widely across 34 locations and supported by around 2,500 contractors.

Between now and 2023, over 1400 of our employees and 1000 of our contractors will leave, mainly through retirement or changing jobs.

We plan to recruit 1500 staff between now and 2023, including 100 additional staff to support our commitments to deliver improved customer service and new and increased programmes of work.

SP Manweb — 1.5 million customers

Zone	Staff	Recruit*
Wirral	425	225
North Wales	150	100
Mid Wales	50	50
Merseyside	250	125
Mid Cheshire	150	100
Dee Valley & Oswestry	150	100

*Plus 1000 contractors across both our areas

We distribute electricity to 2 million customers in Central and Southern Scotland and 1.5 million customers in Merseyside, Cheshire, North Wales and North Shropshire.

We maintain 300,000 substations (one for every 100 customers), more than 40,000km of overhead power lines (once around the globe) and 65,000km of underground power cables.

