SP TRANSMISSION PLC

REGULATORY FINANCIAL PERFORMANCE REPORT

2019/20

Contents

Executive Summary

We are pleased to submit this narrative which has been prepared, in accordance with Ofgem guidelines, in support of SP Transmission plc's ("SPT") Regulatory Reporting Pack ("RRP") tables submitted to Ofgem by 31st July 2020.

In 2019/20 we continued our strong delivery focus exceeding £2Bn$_{19/20\ \text{prices}}$ totex investment for the cumulative T1 period. Delivery of key projects has resulted from meticulous long term planning as we continue to provide what we stated we would do at the outset of RIIO-T1. We currently forecast that by the end of RIIO-T1 period we will have spent £106m$_{09/10\ \text{prices}}$ less than allowance, through efficient project delivery and changes to forecast allowance and expenditure for generation connections.

In 2019/20, the net profit earned by SPT was £133.1m. The 2019/20 Regulated Accounts presented a "Net cash outflow from investing in property, plant and equipment" for 2020: £212.6m; 2019 £266.3m. In addition financial support is provided to the company by £1.37bn of intercompany loans.

ScottishPower's strategy, adopted by SPT, is to conduct business in a manner benefiting customers through balancing cost and risk while delivering shareholder value and protecting ScottishPower's performance and reputation by prudently managing the risks inherent in the business. To maintain this strategic direction, ScottishPower develops and implements risk management policies and procedures, and promotes a robust control environment at all levels, all of which in turn are adopted by SP Energy Networks, including SPT.

We believe stakeholders are displaying a fundamental knowledge gap in relation to the cost of debt (CoD) allowance for Network Owners. There is a lack of understanding that companies' annual CoD allowance does not cover the actual annual cash outflows for interest and shareholders are required to fund interest payments in excess of allowance. We believe this should be addressed through actions including prominently explaining the cost of debt is provided on a real basis however the interest rate on the majority of company debt is on a nominal basis. We have therefore provided our version of financial performance in addition to Ofgem's view in table R7.

The consistency and comparability of the RFPR needs to be enhanced through continued development of the RIGs guidance. There are areas like taxation, forecast debt costs and enduring value adjustments where different approaches may be adopted. We believe enduring value adjustments should be completed by all companies.

Ofgem have previously said that consistency was applied in some areas but no specifics were mentioned. It would be beneficial for stakeholders for this to be quantified.

Overview on Regulatory Performance

R1 RORE

Return on Regulated Equity (RoRE) has previously been published as an operational performance metric on a notional gearing basis. The RFPR now extends RoRE to include enduring value adjustments, potentially impacting Totex performance and includes performance on debt and tax. We have included the additional cashflow measure of debt in our submission to provide context around the gap between the Ofgem's measure of the full funding of debt over the depreciation period against in-year costs, versus actual in-year funding against costs.

Furthermore, RoRE is now presented on both a notional and actual gearing basis with cumulative-to-date and full ET1 period positions. There is a 0.3% difference between the notional and actual gearing basis for SPT as summarised below.

The RoRE presented excludes Transmission Investment in Renewable Generation (TIRG) as it is a legacy funding arrangement unrelated to RIIO-T1.

RIIO-ET1 RoRE	SPT Notional Gearing 2019/20	SPT Actual Gearing 2019/20
Allowed Equity Return	7.0%	7.3%
Totex outperformance	0.9%	0.9%
IQI Reward	1.0%	1.0%
Output Incentives and Innovation	0.4%	0.5%
RoRE - operational performance	**9.3%**	**9.6%**
Debt performance	2.1%	2.1%
Tax performance	-0.1%	-0.1%
RoRE - including financing and tax	**11.3%**	**11.6%**

In terms of proposing a preferred metric to RORE at this point, we strongly advocate the Return on Capital Employed (ROCE) as the most appropriate performance metric for the purpose of reporting company returns. The ROCE metric is defined as the earnings before interest and tax (EBIT) divided by total assets less current liabilities. EBIT is used as it measures the return available to meet both equity and debt holders before the impact of taxation. It best reflects operational performance since it is unaffected by corporate and tax structures. It is a commonly used and understood measure of profitability across many industries. For example, the CMA used return on capital employed (ROCE) as a principal profitability measure in the GB energy market investigation (*Source: CMA (2016): Energy Market Investigation, Final Report, Appendix 9.9, Approach to profitability and financial analysis, para 23-25*).

R2 Revenue

Allowed Revenue

Our revenues are set in accordance with Ofgem guidance. They comprise an element which is fixed, an element which is linked to specific variables (such as the amount of connected generation) and an element to capture the incentives and adjustments from previous years.

We recover our revenues through charges to the system operator, National Grid, who in turn, levy charges on users of the transmission system across GB.

Base revenue in R2 – Revenue table is the revenue agreed with Ofgem at final determinations to cover the cost (*R4 – Totex*) of delivering agreed outputs; including financing (*R7 – Financing),* taxation (*R10 – Tax*) and historical pension liabilities (*R12 – Pensions*).

This table summarises the component parts of the allowed revenue cap;

- impact of maintenance and investing in the network (see *R4 – Totex/MOD*)

- incentive revenue adjustments (see *R5 – Output Incentives*)
- innovation related awards (see *R6 – Innovation*)
- uncertainty mechanisms; indexation and pass-through items

Under RIIO, base revenues are revised annually in the annual iteration process (AIP). This adjustment is the *MOD* term found in row 11 and is published by Ofgem in November of each year.

Given the timeline, the use of forecasts and other economic factors which can affect demand we may under or over collect (row 28) what the revenue cap outturns (row 26). Consequently we true-up, by increasing or decreasing, future allowed revenue under the correction factor term (row 25) as detailed in our licence.

The table has no requirement for forecast information.

Reconciliation to the Accounts

In addition to regulated revenue, SPT receive income for non-regulated activities. This is represented by row 64 in the table. It is not covered by the price control but the licence includes rules about how the charges must be calculated.

The table reconciles to the Revenue on the Income Statement in the Regulatory Accounts.

R3 Rec to Totex

This table reconciles the expenditure recorded in the Regulatory Accounts with the 2019/20 Regulatory Reporting Pack (RRP). Please see table for line item detail.

R4 Totex

Our current forecast total expenditure (Totex) over the eight years of RIIO-T1 is just over £1.72bn$_{09/10\ prices}$. This is approximately 6% below allowance (£106.5m), delivered to date through efficient project delivery and changes to forecast allowance and expenditure for generation connections.

Our total expenditure in 2019/20 was £151.8m$_{09/10\ prices}$, £31m below our original plans, taking our cumulative investment in the RIIO-T1 price control period to over £1.5bn (87%). Overall for the RIIO-T1 period, the position relative to allowance will vary, reflecting changes in project delivery profiles since the RIIO-T1 Business Plan was submitted and also the evolving view of generation connections. This can be seen in the profile of spend against the allowances for each of the seven years of RIIO T1 to date.

Our current forecast illustrates that we expect investment in the last year to be well above 2019/20. The remaining year of T1 is characterised by renewable generation works, expenditure on large 275kV switchgear replacement schemes and developments associated with RIIO-T2 programme. Investment in the latter half of RIIO-T1 is lower, on average, by c£77mpa (c30%) than investment in the first half of RIIO-T1. This relates to timing of a small number of large load-related (LR) projects (wider works) that are now delivered.

The 2019/20 RFPR – encompasses three Enduring Value Adjustments (EVA) that are already included in the base numbers for Totex allowance (row 13) to represent SPT's best view forecast position for RIIO-T1. These EVAs represent:

- Current and future claims under the generation connections incentive mechanism (LSpC6F) for Shared-Use Infrastructure. This is the only mechanism currently in use by SPT,
- Known changes to future output delivery claims under the generation connections incentive mechanism (LSpC6F) for Sole and Shared-Use Infrastructure,
- Known adjustments that result from the Mid-Period Review (MPR) parallel work-streams decisions in relation to wider works – Voltage Control (Kilmarnock South project).

SPT may reasonably expect to make further EVAs; one against MPR for Western HVDC (profile of allowance) and the other to reflect RIIO-T1 close-out for Network Output Measures (NOMs) incentive mechanism (LSpC2M). Transmission Network Owners continue working with Ofgem to complete their restatement of outputs following agreement of a common methodology. Upon completion of this work, SPT will be able to evaluate the relevant EVA impact and include in the RIIO-T1 close-out.

At this time, SPT are aware of a prospective further close-out adjustment in relation to Totex that would result from a 'true-up' of excluded services (ie connection works explicitly funded by specific customers). This has been incorporated in the file in accordance with Ofgem's treatment as per Transmission Annual Performance Report.

SPT, for 2019/20, has utilised a single EVA applied across six work-streams to reflect timing differences in delivery of projects or activity compared to original plan. The adjustment re-profiles allowance by project and/or category to match actual/ forecast expenditure across the eight years of RIIO-T1.

The aforementioned EVA has been applied in a single uniform approach, however, SPT recognise that the adjustment to the timing of allowances in relation to Western HVDC (offshore) is subject to a separate and specific agreement with Ofgem under the Mid Period Review (MPR). In this regard, the approach applied may be considered as illustrative for this report. Nonetheless, its application reveals that efficiency has been delivered through the early years of the price control; mainly in relation to wider works and asset replacement schemes.

It important to note that savings across all aspects of our load and non-load investment programmes are derived in a similar manner. The current estimated savings are calculated predominantly from schemes that are complete (or nearing completion), which is reflected in the adjusted profile within Totex table R4. Whilst, this is mainly from actual costs to date we are working very hard to deliver cost efficiency in current schemes as reflected in our forecast future costs. Future cost estimates are prepared for each project, taking account of award values and possible future variations. SPT are committed to delivering the outputs at the best possible price we can realise for the consumer.

Whilst our approach to driving efficiency centres around dis-aggregated competitive tendering philosophy it is much wider than that. Our comprehensive planning approach enables us better coordinate works and take advantage of market position, coupled with engineering expertise and knowledge (eg specify tighter parameters for contract specifications, enabling better comparisons of bidders to drive tendered costs down) that has benefits regardless of tendering approach.

There has been significant efficiency realised from wider works schemes. The deployment of innovative solutions e.g. Series Compensation re-design coupled with reduced supply chain costs e.g. MSCDNs, Hunterston East GIS has delivered value for money projects for consumers. The original baseline schemes are complete. The last wider works scheme is the network voltage control project, which is currently under construction with final reactor expected in service during 2020/21.

In addition to our strong performance on wider works our non-load related programme has continued with delivery of a broad range of outputs. This is evident from the extent to which we are ahead of plan – on a cumulative basis; we have delivered 80% of our total non-load outputs, ahead of our T1 plan of 76% for the first seven years. Our comprehensive planning approach has enabled us to achieve more than this without increasing network risk. During the year, up to the commencement of lockdown, works progressed well on site for the delivery of all the remaining units in RIIO-T1. This has included units delivered on 275kV overhead lines, 275kV and 132kV switchgear, 275kV shunt reactors and 132kV transformers.

We provided 1360MVA of additional capacity in the reporting year around Coalburn and Kilmarnock areas, facilitating connection of new generation directly to our network and also enabling connections via the distribution network. Our forecast has increased very marginally to 3,561 MVA for the full period, over three times the original target. As per our forecast, no new wind farms were connected in the year. The cumulative total remains at 1500 MW, 60% of output target of 2503 MW for the price control period. Our forecast for the RIIO-T1 period has increased to 1950MW (78%), following commencement of construction works for Nearth Na Goithe (NNG) offshore windfarm. The portfolio continues to be forecast at below our T1 threshold of 2503MW; a clawback of allowance is factored into our forecast.

Further to a wider review of TO performance in RIIO-T1 SPT, following discussions with Ofgem, is providing £20m[1] through the introduction of a Green Economy Fund (GEF) to enable uptake of low carbon technology. All GEF projects were all on track to deliver prior to March 2021 when the GEF scheme comes to an end, however, the impact of the COVID-19 crisis has meant that the delivery of some projects could be delayed.

R5 Output Incentives

In 2019/20, we earned a £4.3m$_{09/10\ prices}$ reward for going above and beyond delivering a safe, secure and reliable service to our customers and meeting our stakeholders' needs.

We have earned £31.3m$_{09/10\ prices}$ to date with a further £2.5m$_{09/10\ prices}$ forecast for 2020/21 resulting in total forecast incentive reward of £33.8m$_{09/10\ prices}$ in RIIO-T1 which we estimate to pay c£6.5m$_{09/10\ prices}$ of tax on.

a) Network Reliability Incentive

Our network is critical to delivering reliable supplies to customers and has delivered excellent levels of reliability this year, continuing a trend of strong performance. While transmission faults are rare, when they do occur they can have large impacts. Our network was responsible for only 2.0MWh of unserved energy this year. This represents the annual electricity consumption of a single house and

[1] Nominal prices

Overall Reliability of Supply of 99.999989%. This is considerably below the benchmark level of 225MWh which was derived from the 10 year average prior to the RIIO-T1 review period, resulting in a reward of £2.2m$_{09/10\ prices}$ in 2019/20. We expect to earn a small reward to the end of the RIIO period.

b) Stakeholder Satisfaction Output

I. Stakeholder Satisfaction Survey

Each year a stakeholder survey is performed by an independent company which provides feedback and scoring from the broad range of stakeholders we interact with. For the second year in a row we have seen a substantial increase in the satisfaction of our stakeholders recorded in this survey achieving an overall satisfaction rating of 8.4 (with an Ofgem break-even level of 7.4). To ensure we are driving on the matters that stakeholders value we measure the indicators which underpin these. To this end, we have achieved a reward of £1.8m$_{09/10\ prices}$

II. Stakeholder Engagement

Ofgem's independent panel assessment of our 2019/20 regulatory submission and subsequent Q&A session will be determined later in the year.

From previous performance we are striving to achieve an award for the remainder of the RIIO period.

c) SF6 Emissions

We continue to outperform the historic SF6 leakage rate of 3% and over RIIO-T1 aim to reduce this rate even further.

In 2019/20, we observed an overall decrease in SF6 emissions from 18,795 to 12,079 tCO2e mostly due to a decrease at one of our sites at Torness. This was achieved by utilising specialist repair companies to apply external polymer coatings to reduce leakage. Overall, our SF6 emissions are within forecast, at 12,079 tCO2e against a forecast of 20,269 tCO2e. We were awarded £0.3m$_{09/10\ prices}$ in 2019/20.

d) Environmental Discretionary Reward

We achieved leadership status in 2015/16, 2016/17 and 2018/19, earning £7.3m$_{09/10\ prices}$. We have made a prudent forecast going forward. This in no way implies any less commitment to delivering the benefits of this activity for customers.

e) Performance re offers of timely connection

100 connection offers were made in year; all offers were issued within the licenced timescale.

R6 Innovation

We continue to hold a leadership position in innovation and remain the only TO with projects under all three of the RIIO-T1 innovation funding mechanisms. We have continued to develop our Transmission innovation programme whilst delivering key outputs. The construction work on the Innovation Rollout Mechanism schemes have been substantively completed realising cost savings against the approved funding level.

Network Innovation Allowance (NIA)

The Network Innovation Allowance provides limited funding to RIIO network licensees to use for two purposes:

- To fund smaller technical, commercial, or operational projects directly related to the licensees network that have the potential to deliver financial benefits to the licensee and its customers; and/or
- To fund the preparation of submissions to the Network Innovation Competition (NIC) which meet the criteria set out in the NIC Governance Document.

Allowable Expenditure

Allowable NIA Expenditure is the total expenditure that can be recovered from the NIA. It includes Eligible NIA Expenditure (90% of the total expenditure incurred) and, in relation to NIC Projects which passed the NIC Initial Screening Process (ISP) in or before Relevant Year 2017/2018 only, Eligible Bid Preparation Costs.

SPT have so far received £7.0m for Allowable NIA Expenditure in the ET1 price period. We continue to make active use of the Network Innovation Allowance (NIA) to support smaller innovation projects. This year we have been working on 19 projects funded through this mechanism. Experience has demonstrated that this is an effective pipeline for future larger innovation projects, and for eventual business as usual deployment on our network.

Examples of NIA projects include:

Our 400kV Dynamic Cable Rating Retrofit Project Utilising RPMA Communications Technology project; As the penetration of low carbon technologies increase in the UK greater circuit loading will be experienced on the transmission network. This project will investigate the feasibility of using Random Phase Multiple Access (RPMA) wireless technology coupled with point sensors and integrated with a Dynamic Capacity Rating scheme to provide a cost effective retrofit dynamic rating solution to evaluate real-time thermal behaviour of strategic cable circuits. This offers the potential to determine additional headroom capacity on a cable circuit which could eliminate or defer network reinforcement, avoid the various costs and risks during the associated outages and extend the life time of network assets.

Our Transient Recovery Voltage Investigation project; Transient Recovery Voltage (TRV) can be defined as the voltage which appears across a circuit breaker's terminals upon interruption of the current resulting from a switching operation. When specifying circuit breakers, designers are often unsure about the TRV requirements that should be requested, particularly when switching. This investigation will address the TRV issue through network modelling, estimating the prospective TRV, identifying potential consequences and risks, and the means to mitigate these. Based on the outcome, standard TRV requirements can then be established. Also, guidance will be formulated on how to identify cases where this standard TRV capability is insufficient and how to remedy the situation.

Unrecoverable Expenditure

Unrecoverable NIA Expenditure is any NIA Project Expenditure arising from a failure to conform to technical requirements or arising from an increase in payments associated with a reduction in standards of performance and as such can't be recovered from NIA expenditure. No Unrecoverable Expenditure has been incurred to date, nor is forecast for the remainder of RIIO-T1.

Network Innovation Competition

The Electricity NIC is an annual opportunity for electricity network companies to compete for funding for the development and demonstration of new technologies, operating and commercial arrangements. Funding will be provided for the best innovation projects which help all network operators understand what they need to do to provide environmental benefits, reduce costs, and maintain security as Great Britain (GB) moves to a low carbon economy. Network companies make a compulsory contribution of 10% of the total project funding approved at the start of the project. This is the maximum value of the Successful Delivery Reward (SDR) for each project. Companies can apply to receive this once their project is complete if they can demonstrate how they have met certain criteria.

We have commenced the PHEONIX project (£15.6m) which is scheduled for completion in 2020/21 whilst progressing to programme and budget for FITNESS (£8.3m).

Following successful completion of our NIC project, VISOR was eligible to apply for a Successful Delivery Reward (SDR), which received 100% successful delivery funding (£0.7m), representing the high standard of our innovation project delivery at national level. This reward returned our initial contribution from 2014/15 in 2018/19.

R7 Financing and R7a Financing Input R8 Net Debt and R8a Net Debt Input

Actual finance cost and debt figures are taken from regulatory accounts information for each licensee. This information can be found on our website at:

https://www.spenergynetworks.co.uk/pages/accounts_information.aspx

Forecast finance costs and debt figures are derived from business long term plan projections of cash requirements, and assume that all new debt/refinancing will be via an intercompany on demand loan at a variable rate plus margin.

We have a licence derogation in place as agreed with Gas and Electricity Markets Authority (GEMA). SP Distribution Plc and SP Transmission Plc provide guarantees to Scottish Power UK plc with respect to their external debt holders outstanding as at October 2001.

The overriding rationale of the debt guarantee provided by SP Distribution and SP Transmission to the then Scottish Power UK plc external debt holders, at the time of business separation in October 2001, was to ensure that the existing debt holders, effectively had access to the same asset base, and cash flows that they would have had pre that imposed asset separation and that they had originally lent to. The companies providing the guarantees, ultimately, being responsible for the repayment of both the interest and principal of that guaranteed debt. If the guarantees were ever called the companies would assume that external debt obligation and therefore be required to generate sufficient cash flows to satisfy the external debt holders requirements.

R9 RAV

The regulatory asset value (RAV) is a key building block of the price control review. RAV represents the value upon which the companies earn a return in accordance with the regulatory cost of capital and receive a depreciation allowance. Additions to the RAV are calculated as a set percentage (90%) of Totex.

The latest Price Control Financial Model (PCFM) was published in November 2019 following the Annual Iteration Process (AIP). The AIP PCFM is designed to update future revenues as a result of past performance and the latest available debt index allowance. It does not forecast future total expenditure performance. Consequently, future RAV values and allowances (including debt and tax) are not necessarily representative of a network company's position through the remainder of RIIO-T1.

This table addresses that issue above and updates RAV for the Totex, allowances and enduring value adjustments reported in *R4 – Totex*. This allows revised allowances for which debt (*R7 – Financing)* and tax (*R10 – Tax*) performance is based upon.

SPT report a compound annual growth rate of 7.1%, a 73% increase from opening ET1 RAV of £1.094bn$_{\text{09/10 prices}}$ to an ET1 closing RAV of £1.895bn$_{\text{09/10 prices.}}$

R10 Tax

We receive a tax allowance calculated through the Price Control Financial Model (PCFM), based on a fixed split percentage of tax pool additions and forecast nominal financing costs ('*net interest paid*').

In order to compare like-for-like performance against the allowance, we have revised the tax calculation updating for actual capital allowances and financing costs. SPT has an accounting period to December, therefore our taxable profits, capital allowances and liabilities are on a calendar year basis. In order to convert our accounting period reported values to compare with a regulatory year allowance, we have assumed a 25%/75% split of capital allowances to date.

Most of our assets are Special Rate Pool items and will attract a rate of 6% from 1st April 2019 (previously 8%).

Our 2019 CT600 is not yet due for submission to HMRC, consequently the 2018/19 value in [*R10 – Tax, H12*] is a forecast to compare against the allowance. The additional *other adjustments* will be trued up in due course.

In respect of previous years and up to 2017/18, SPT paid an additional £47.7m$_{\text{09/10 prices}}$ in tax to HMRC above what we receive an allowance for, calculated by our tax performance £1.9m$_{\text{09/10 prices}}$ in addition to the tax we pay on incentives and our IQI reward where no allowance is given in the licence £12.3m$_{\text{09/10 prices}}$ and the other revenue items where there is no tax allowance prescribed £33.5m$_{\text{09/10 prices}}$.

R11 Dividends

A dividend is proposed annually and is based on distributable reserves at a level no greater than the notional gearing levels for SPT (55%). This proposed dividend goes through a rigorous diligence process to ensure it is not in breach of any licence conditions (Licence condition B7) and in order to state that SPT would not be in breach of these obligations in the future. Once satisfied the dividend is approved by the Board of Directors prior to payment.

R12 Pensions

Figures in R12 Pensions reflect the total of established and incremental licensee costs associated with both the ScottishPower Pension Scheme (SPPS) and the Manweb Group of the ESPS (Manweb).

PDAM licensee provided information from the PDAM tables (tables P1.1/2.1) submitted in 2014 are used to calculate established and incremental deficit payments for regulatory years ending March 2014-2017. PDAM tables submitted in 2017 are used to calculate established and incremental deficit payments for the regulatory years ending March 2018-2020.

Results of the 31/3/16 valuation have been input in nominal terms (i.e. assumed price base 15/16) and are taken from the relevant PDAM tables submitted in 2017."

R13 Other Activities

SPT has not been subject to any investigations, fines or penalties as shown on Ofgem's website: https://www.ofgem.gov.uk/investigations

Quality of Service Guaranteed Standards

SPT has no quality of service guarantees.

Data Assurance statement

Data assurance was conducted in accordance with SPEN's "Regulatory Submissions Procedure" developed and implemented to ensure compliance with Ofgem's DAG. The details of the accountabilities we have in place are contained in the SPEN NetDAR Submission, 28 February 2020, Section 1.4 Organisational Data Assurance Process.

Based on DAG methodology, a risk assessment was carried out on the submission and the result is as below:

Submission	Total Risk Score	Impact Score	Probability Score	Impact and Probability Breakdown
RFPR	Medium	'3'	'2'	**Impact:** • Financial category was allocated '3' • Comparative Efficiency was allocated '3' • All other categories were allocated '1'. **Probability:**

				Reporting Assessment: • Complexity and Manual intervention '4' • Completeness '2' • Reporting rules 3' Control Framework Assessment: • Control activities '1' • Experience of personnel '2' • Historical Errors '2'

The minimum DAG was applied per table and based on the Total Risk Score and amount of data in the submission, we selected an Internal Data Audit and Director Sign-off as additional assurance. Also, due to parts of the submission being published, CEO Sign-off was deemed relevant.

The Internal Data Audit was performed by our Licence and Assurance Team and our Finance Department who are independent from table preparation. Assurance was performed on a sample basis on the following tables in the submission. No findings were noted.

Table No.	Table Name
R3	Reconciliation to Totex
R6	Innovation
R7	Financing
R8	Net Debt

In summary, the following assurances were completed:

- Method Statement
- Second Person Review
- Senior Manager Sign off
- Internal Data Audit
- Director Sign off
- CEO Sign-off

Appendices to include

Reconciliation between regulatory year end and statutory year end

Given that price controls are set on a March year end we have reconciled to the March Year End publicised Regulatory Accounts. Our Statutory Accounts are prepared on a calendar year basis. Our Regulatory Accounts can be found on our website using the following link:

https://www.spenergynetworks.co.uk/pages/accounts_information.aspx

Enduring value adjustments

The enduring value adjustments we have made and the methodology of these adjustments are embedded within this document. We believe it is more helpful to explain these in the context of the specific projects where they are applied. Therefore we have not explained them in this section separately.

Basis of estimations and allocations

We do not consider our Regulatory Financial Performance Report to contain any estimates and allocations nor does it include apportionments.

Other relevant information

We do not consider any further information to be relevant in addition to the tables and this commentary.

We have provided our opinion above on a weighted average RoRE and consideration of other methods to be a more appropriate basis of evaluating performance.