



Regulatory Financial Performance Report

2025/26

SP Transmission

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Executive Summary

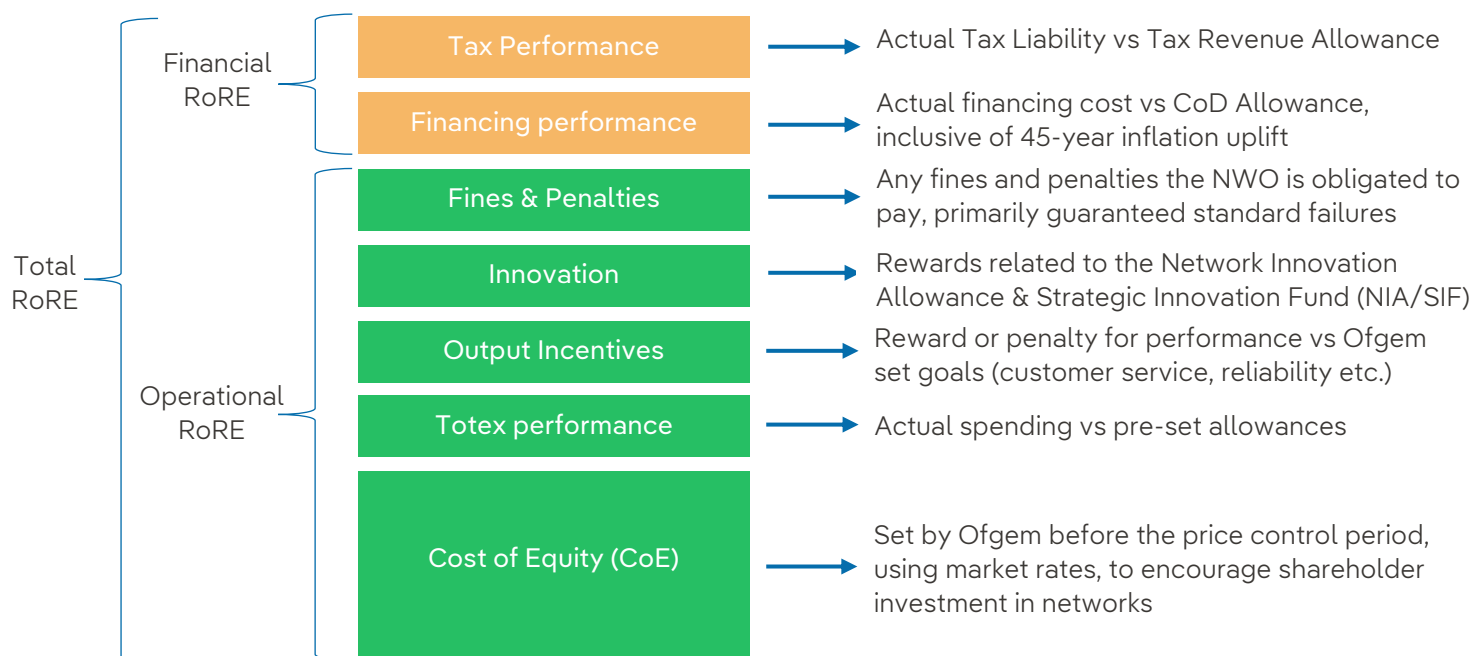
WHAT IS THE RFPR?

The Regulatory Financial Performance Report (RFPR) aims to produce a comprehensive, transparent, accessible, and accurate measure of network company Financial Performance under the RIIO framework. The RFPR comprises two main elements:

- RFPR templates for reporting the data; and
- This RFPR commentary and supporting information document to be read alongside the tables

The report consists of the different areas of Network Owners (NWO's) activities, including expenditure (totex), output incentives, innovation, financing, and tax among others.

For each of these elements the NWO's actual costs and revenues are compared against allowances (i.e., what NWO's are funded for), the difference between these forming the basis of NWO performance. Performance is shown in the form of Return on Regulatory Equity (RoRE), where the regulatory equity is the portion of the NWO's asset base which is funded by shareholders i.e., the portion of Regulatory Asset Value (RAV) given by NWO's gearing level. The return is then given by the upfront Cost of Equity (CoE) percentage allowance in conjunction with the performance versus allowance of totex, output incentives, innovation, fines and penalties, financing, and tax, as a percentage of the regulatory equity.



The RoRE is presented in terms of both notional gearing and actual gearing. Notional gearing is set by Ofgem as a reasonable level of gearing for NWO's given the level of investment risk – 55% for Transmission Network Owners (TOs). Actual gearing is given by the individual companies specific

funding structure so can vary through time and between companies – currently around **53%** for our Transmission network company.

Although this measure of performance is beneficial for comparison across the industry it is important to note that while performance can be earned during the RIIO price control this is often not realised in income and expenditure during the period. Regulatory mechanisms mean this can take up to 45 years, so there remains significant uncertainty in realising this performance. Performance for specific years or across the period should not be seen as related to profits received in that year/period.

In terms of proposing a preferred metric to RoRE, 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 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).

OUR PERFORMANCE

We are pleased to present the 2025/26 RFPR templates and commentary for SP Energy Networks (SPEN). This document contains information for the TO owned by SPEN – SP Transmission (SPT).

SPT is keen to promote transparency of our performance and the returns we make. To this end we have refreshed our commentary to provide context and further detail to the numbers presented in the RFPR template to be more straightforward and understandable to a wider range of readers.

Due to a lack of context and information around the basis of the RoRE performance measure and Ofgem's calculation methodology we continue to believe stakeholders are displaying a fundamental knowledge gap in relation to a number of elements of company performance, notably 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, this is explained in further detail below. We believe this should be addressed through actions including prominently explaining that the cost of debt is provided on a real basis while the interest rate on the majority of company's debt is on a nominal basis.

To illustrate this point further, Ofgem's methodology within the RFPR tables presents companies borrowing costs as a negative value during times of high inflation, asserting that companies face no costs to borrow money for the purposes of calculating performance. This is not the case and highly misleading, we expand on and explain our reasoning further in this document.

We have now completed the **fifth** year of the RIIO-T2 price control, continuing with our strategy of responsibly investing in the network to balance the large scale of investment required to meet the needs of today's and future consumers, while also ensuring the level of costs to customers, via the network charge on electricity bills, stays at a reasonable level. Our investment strategy across **SPT** is to drive the growth and development of its regulated businesses through a balanced programme of capital investment.

The scale of investment is consistent with the five-year price review period allowed capital expenditure programme. We are proud of our delivery and performance over the RIIO-T1 period and are working hard to continue this into RIIO-T2 and beyond.

To provide our essential services it costs SPT customers an average of

14p /day*
*in today's prices

Less than a supermarket meal deal a month

Our essential operations during the RIIO-T2 price control are forecast to increase the transmission element domestic customer's bills over the price control period. The transmission component of the average domestic bill is forecast to increase by approximately 19%, from £44.82 per year in 2021/22 to £53.52 per year in 2025/26, expressed in 2025/26 prices. This also includes charges relating to Offshore network. This increase is driven by our ambitious investment program which will ultimately reduce customers whole bills by allowing more low-cost generation to connect to the network and reduce additional costs where electricity is constrained from moving around the country as required.

We have received a derogation to not produce and publish Regulatory Accounts for **SPT** for 2020/21 onwards. In its place the Regulatory Financial Performance Reporting pack ("RFPR") will provide the required details on regulatory and financial performance for our stakeholders. Key financial performance indicators for 2025/26 and the movement on the prior year are summarised below:

SPT			
£m	2024/25	2025/26	Δ
Revenue	486.9	584.9	+98.0
Operating profit	119.0	163.2	+44.2
Net profit	268.1	316.9	+48.8
Investment	679.4	674.5	-4.9

While this commentary focuses on **SPT's** financial performance, a separate report, the Transmission Annual Performance Report for 2025/26 provides the company's stakeholders with a comprehensive view of our operational performance and how the company is performing against the commitments made in our RIIO-T2 business plans. This report is due to be published by the end of September 2026 and can be found on our website at:

[Transmission Annual Performance Reports - SP Energy Networks](#)

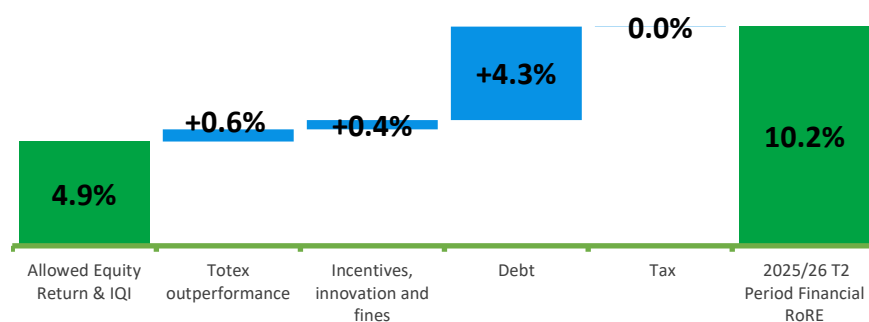
Financial KPI

OVERVIEW

SPT's financial performance is detailed below. Our Operational RoRE forecast for the RIIO-T2 period is **5.9%**, and when including our financing and tax performance, this rises to **10.2%**. As mentioned previously, Ofgem's RoRE methodology compresses performance which is earned in the RIIO-T2 period but realised over a 45-year period into in-year performance, potentially misleading stakeholders into believing reported RoRE is in line with profits.

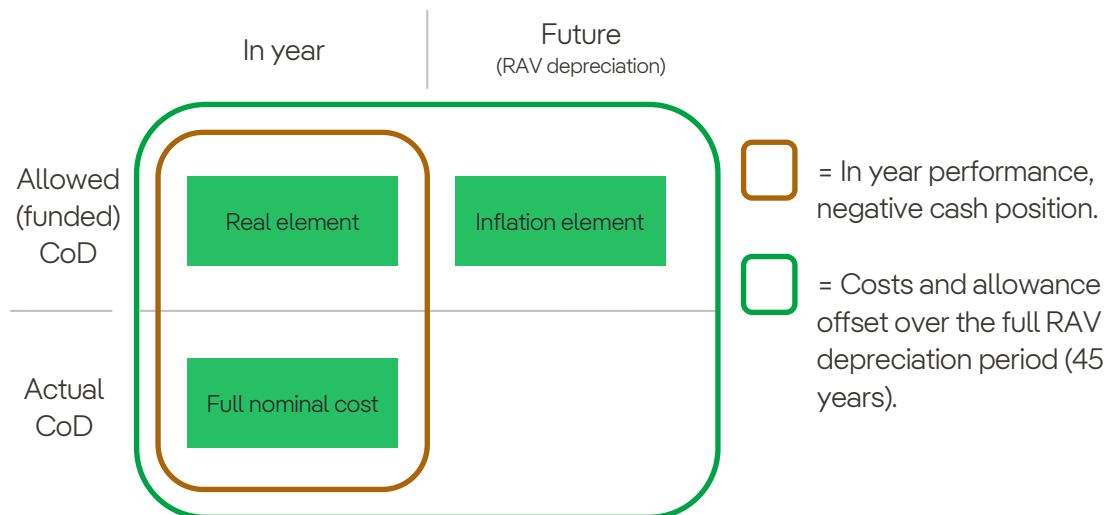
The breakdown of our total RoRE is shown in the graphs below:

SPT Post-financing RoRE



Financing performance via Ofgem's methodology, shows a positive financing performance when costs are compared against allowance. This is driven by the recent high inflationary environment, in conjunction with Ofgem's methodology for calculating performance.

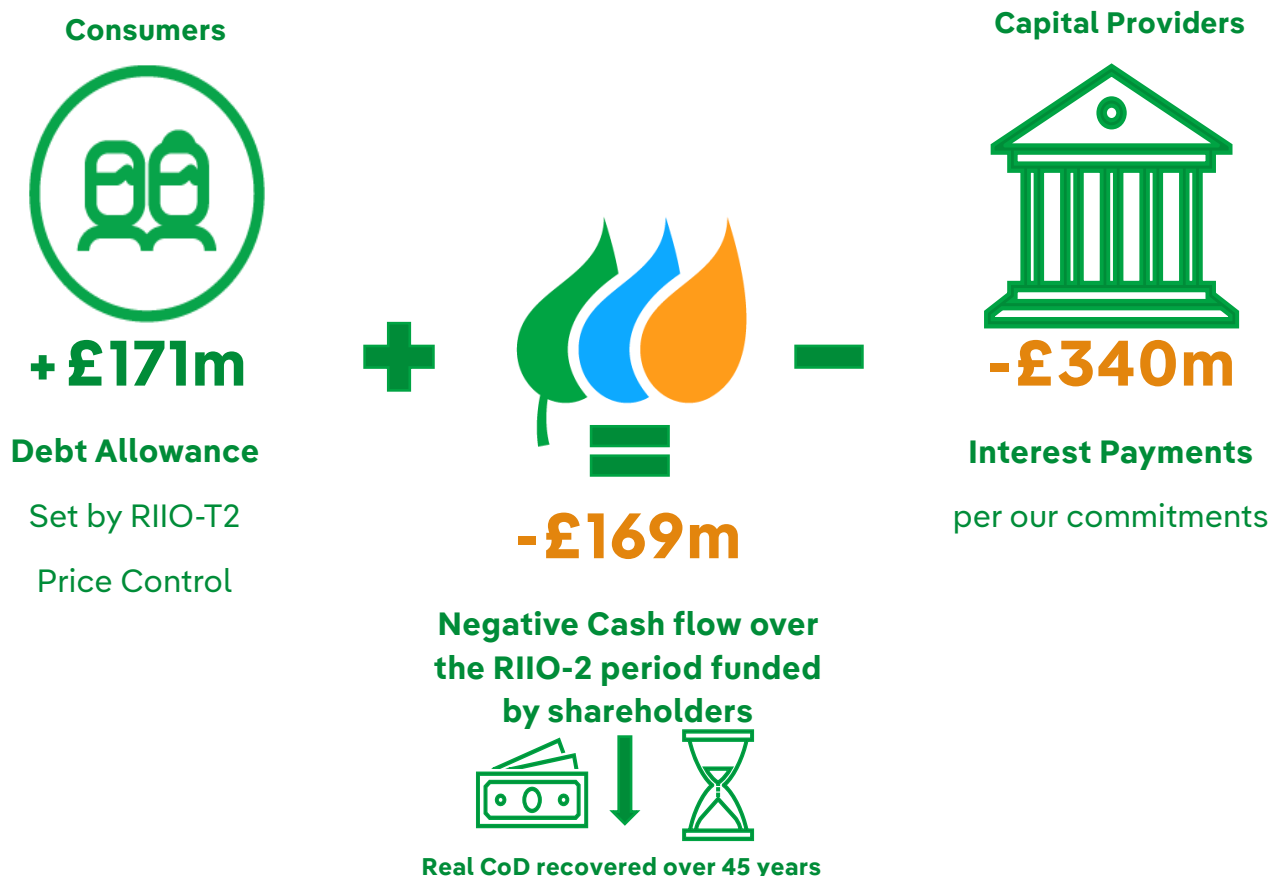
Ofgem's current "economic performance" measure of financing performance in the RFPR effectively takes the inflation element of our cost of debt allowance that would be applied to the RAV and collected over the course of its depreciation (45 years), and attributes that performance to a single year's results. This is shown visually below:



In reality, a single year's results will be driven in part by past years inflation across multiple years, smoothening peaks and troughs in inflation and tending towards long term inflation averages. Conversely, the cashflow position a network owner faces in year excludes the future inflation returns and demonstrates the cashflow impact of the year in question, i.e., the cost of debt (CoD) allowance minus actual interest costs.

Assuming our CoD is fully funded over the full RAV depreciation period (up to 45 years), we still face a cash negative position within the year. This is exacerbated by an increasing RAV, driven by **high investment requirements and in periods of high inflation – where inflation for 2023/24 & 2024/25 was 5.5% and 3.2% respectively.**

Therefore, we have a funding gap in the short term driven by this negative cashflow relating to financing, this is set out below:



SP Debt Cashflow View - Out(under) performance	21/22	22/23	23/24	24/25	25/26	RIIO-T2
Cost of Debt Allowance	29	29	31	37	44	171
Net Interest	29	49	77	88	98	340
Pre-Tax Cost of Debt performance (actual gearing)	0	-20	-46	-50	-53	-169

This long-term collection of returns is set by Ofgem to incentivise long-term responsible investment and stability in the networks, however, leads to a short term negative cashflow position which is then required to be funded by shareholders.

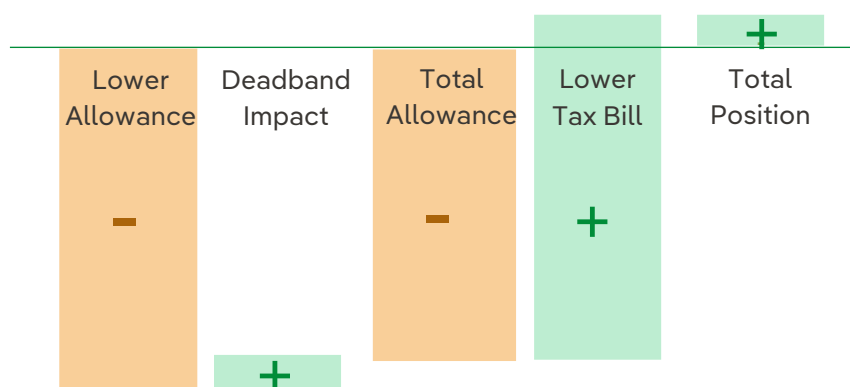
Tax performance is forecast to remain broadly neutral over RIIO-T2, with the forecast variance between liability and allowance having an immaterial impact on overall RoRE.

As part of the government's 2021 Budget, they announced a 'super-deduction' on capital allowances, impacting the general rate and special rate pool additions. The general rate was increased to 130% (from 18%) and the special rate was increased to 50% (from 6%) for 2021/22 and 2022/23 first year additions only. Most of **SPEN** investment is subject to the special pool rate. This change lowers our tax liability, however, consequently lowers our tax allowance in tandem.

Overall, the reduction in the statutory tax liability is broadly offset by the corresponding reduction in the regulatory tax allowance. In previous years the deadband has been a downside for **SPEN** when the special rate was reduced to 6% (from 8%).

Following the expiry of the super-deduction on 31 March 2023, the UK Government introduced full expensing from 1 April 2023. This provides a 100% first-year allowance for qualifying main-rate expenditure and a 50% first-year allowance for qualifying special-rate expenditure. These reliefs

reduce both the statutory tax liability and, through the PCFM tax-trigger mechanism, the regulatory tax allowance.



Totex Performance

For the year 2025/26, Net Totex, including Uncertainty Mechanisms and T1 Carry Over totalled, £765.5m an increase of £185.7m on last year's total of £579.8m, an increase of 32%. This demonstrates the continuing ramp-up of activity to deliver both our T2 Commitments, Uncertainty projects and prepare for a fast start to T3.

Spend within Price Control (Baseline Totex for 25/26), represents £262.2m, equating to an allowance overspend of £71.8m. This is reflective of recovering the position of underspend in the prior years of the T2 Price Control.

Cumulatively, Net Totex, including Uncertainty Mechanisms and T1 Carry Over was £2,224.5m, against an allowance of £2,600.1m (Net of contributions).

Cumulative Gross spend within Price Control (Baseline) is £1232.2m at the end of T2, against an allowance of £1,322.6m, representing an underspend of £90.4m. This is an improvement against the allowance position as previously forecast by the end of T2 and a recovery from a slow start within the price control. This represents 93% of allowance spend.

Incentives and other

This is the **fifth** year that we have reported on ODI performance for RIIO-T2. We have earned **£6.3m** of incentives in the year with a forecast to achieve **£30.2m** across the RIIO-2 period. More detail on the breakdown of incentive performance can be found below.

REVENUE BREAKDOWN

SPT's Regulated Revenue for the regulatory year 2025/26 was **£541.4m**, the table below:

2025/26 Regulated Revenue (£m nominal)	SPT
Adjusted Base Revenue	549.9
Legacy Allowed Revenue	-13.3
Under / Over Recovery and K term	4.8
Regulated Transmission Network Revenue	541.4

Base Revenue is the largest element of **SPT's** Regulated Revenue and is calculated in Ofgem's published Price Control Financial Model (PCFM).

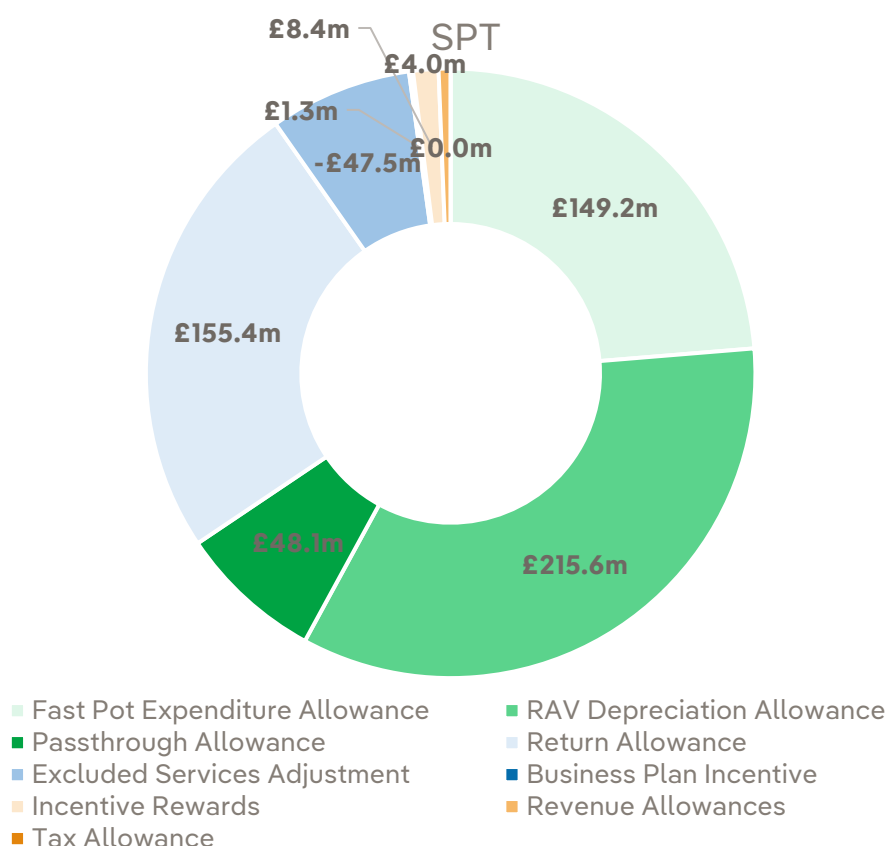
Performance incentives are a large part of the price control regime to drive service, environmental and other policy goals. These are penalties or rewards received under the various regulatory incentive schemes, plus the element of the Network Innovation Allowance flowing through Regulated Revenue, and true ups of Allowed Pass-Through costs. The main incentives are Quality of Connections, Insulation and Interruption Gas emissions incentive, Energy Not Supplied Scheme (IIS) & SO-TO optimisation.

Legacy allowed revenues are revenues in relation to performance in the previous RIIO-T1 price control where revenues functioned on a 2-year lag between performance and revenue so, for example, incentives performance in the last two years of the RIIO-T1 price control (2019/20 and 2020/21) are collected in allowed revenues across the RIIO-T2 price control. Legacy revenues include true-ups for totex over or under spend, tax allowances, inflation, incentives, passthrough items and over or under recovery of revenues in the RIIO-T1 period.

SPT revenues for customer tariffs are set 3 months in advance, based on forecast volumes of customer usage, and provided to energy suppliers for inclusion in customer bills. However, the revenue **SPT** collects is based on how much energy customers use and is billed by suppliers. Any under or over recovery of revenues against our allowances are adjusted through future years' revenues. This is the Under/(Over) recovery, and K factor is the true up of the previous years under/(over) recovery.

Base Revenue Breakdown

This is the largest element of **SPT's** Regulated Revenue. **SPT's** 2025/26 Base Revenue was **£549.9m**. The chart below shows the breakdown of this:



Under the RIIO framework, **SPT** receives a Totex allowance, ~15%¹ of which is received in the year incurred; this is the **Fast pot expenditure allowance**. The remaining ~85% is added to the Regulatory Asset Value (RAV) and funded over time (45 years) through the **RAV depreciation allowance**.

Passthrough allowances relate to costs recovered on a 'pass through' basis; these include business rates and pension deficit payments.

Allowance for return is calculated using the cost of capital and comprises an indexed allowance for the cost of debt and an allowance for the cost of equity as set at the start of a price control period which flexes in line with the outturn risk free rate.

Excluded services adjustment is the removal of excluded services revenues from the regulated revenue as they relate to customer connection projects which are collected separately.

Business plan incentive is agreed by Ofgem and relates to the reward we receive for the quality of our RIIO-T2 business plan submission. Other **incentive rewards** include rewards (or penalties) for meeting or exceeding customer service, connections, environmental or other objectives.

Other revenue allowances include allowances for other initiatives and innovation projects, such as our Net Zero fund to play our part in achieving the government's net zero ambitions.

¹ Capitalisation rate applied to "Baseline" expenditure (84%) differs from the rate applied to "Uncertain" expenditure (85%), therefore the actual Fast pot/slow pot rate applied varies depending on the level of baseline/uncertain expenditure in a given year.

The **Tax Allowance** allows network operators to recover the current regulated tax charge, calculated by Ofgem's methodology.

RoRE BREAKDOWN

Our overall Return on Regulatory Equity (RoRE) forecast for the RIIO-T2 period is **10.2%** based on Ofgem's notional gearing calculation (**10.0%** based on actual gearing) which we believe is a fair and reasonable return on equity for a company expecting to over-deliver on its business plan, over the long term in which it is realised.

SPT RIIO-T2 RoRE	Notional Gearing	Actual Gearing
	2025/26	2025/26
Allowed Equity Return	5.1%	5.3%
Totex Performance	-1.1%	-1.1%
Business Plan Reward	0.1%	0.1%
Output Incentives and Innovation	0.3%	0.4%
RoRE - Operational Performance	4.4%	4.6%
Debt Performance	2.6%	2.7%
Tax Performance	0.1%	0.1%
RoRE - Including Financing & Tax	7.1%	7.3%

Allowed Equity Return & BPI Reward

The Allowed Equity Return percentage is set before the beginning of the RIIO-T2 price control.

The level of return was set at **5.09%** for TOs (on a notional gearing basis), based on prevailing market rates at the time, and is set to incentivise shareholder investment in the networks that is required to replace and expand network assets to deliver for current and future customers. Shareholder investment is key to plug the funding gap for the investment required versus the revenue currently being collected from customers.

The Business Plan Reward we receive reflects the quality and comprehensiveness of our business plan submission setting out the outputs we will deliver and the expected cost over the 5-year price control period.

Totex

Forecasts for **SPT** have consistently been prepared based on fully delivering our outputs for customers, managing emerging asset risks on our networks, and in line with our long-term asset management strategy. As outlined in previous years, reviews of our investment plan have led to a reprofiling of our expenditure and outputs across categories in **SPT** over the RIIO-T2 five-year period.

Significant progress has been made by SPT in the delivery of the final year of RIIO-T2 with a Net Totex of £765.5m, an increase of £185.7m (32%) compared to last year.

Spend within Price Control (Baseline Totex for 25/26), represents £262.2m, equating to an allowance overspend of 71.8m. This is reflective of recovering the position of underspend in the prior years of the T2 Price Control.

Within the 2025/26 regulatory year Baseline Load expenditure was £83.3m against an allowance of £39.9m, and Baseline Non-Load expenditure of £65.4m versus an allowance of £70.2m, both of which represent a recovery from the previous year position.

SP Transmission (SPT) has delivered 80.4% against its Baseline Network Risk Outputs (BNRO) for the RIIO-T2 period. The areas of under-delivery are mainly due to delays in the Glenlee to Tongland modernisation and related reinforcement projects affected by a public inquiry.

Price Control Deliverables (PCDs) are progressing well or are now completed, demonstrating strong progress toward Net Zero objectives. Several projects have

Overall, we have seen progress to date across all areas, and continue to focus on the challenges to help us achieve our RIIO-T2 objectives successfully.

Incentives

On a notional gearing basis, total incentives contribute **+0.5%** to **SPT** RoRE over the RIIO-T2 period.

SPT Output Incentive Rewards (£m _{18/19 prices})	SPT	
	2025/26	Total T2
Reliability	1.3	5.4
Emissions	0.6	5.9
Quality of Connections Survey	1.6	4.9
SO-TO Optimisation	2.8	14.0
Timely Connections	0.0	0.0
Total Incentives	6.3	30.2

In 2025/26 we added **£6.3m** _{18/19 prices} to our earned incentive reward for going above and beyond delivering a safe, secure, and reliable service to our customers and meeting our stakeholders' needs. Resulting in a total incentive reward of **£30.2m** _{18/19 prices} in RIIO-T2.

Quality of Connections Satisfaction Survey

All Connections Customers were surveyed at key milestones known as the 'Moments that Matter' throughout the connections process. There are six 'Moments that Matter',

1. Pre-application Engagement
2. Application Process & Offer
3. Development Phase
4. Delivery Phase
5. Outage Management
6. Connected Customer Reviews

The surveys were undertaken on our behalf by a specialist third party 'Taylor McKenzie Research & Marketing Ltd' and carried out in line with our scope and provision of contact information from the relevant business area responsible for each MTM.

The overall satisfaction score across all MTMs was 9.2, demonstrating a consistently high level of customer satisfaction. This represents an improvement from 8.9 in 2024/25, reflecting the effectiveness of service improvements and process enhancements implemented during the reporting period. Performance varied across the customer journey. Pre-application Engagement (MTM 1) achieved the highest satisfaction score at 10, indicating strong customer experience at the earliest stage of engagement. The Delivery Phase (MTM 4) returned the lowest satisfaction score at 8.5, representing a marginal decrease from 8.8 in the previous year. This stage remains a key focus area for further review and improvement. Connected Customer Reviews (MTM 6) achieved a satisfaction score of 9.9, an improvement on the 2024/25 score of 9.8, demonstrating sustained positive customer experience following connection to our network

We have identified key areas for improvement across all MTMs and remain committed to acting on feedback and enhancing the customer experience. These results underscore our commitment to delivering a consistently high-quality customer experience.

We are proud of the progress, but we recognise there is more to do. Every piece of feedback is a chance to do better—and we are committed to making every moment matter.

Insulation and Interruptions Gas Emissions (IIG)

We have stated in our RIIO-T2 business plan we will only use SF6 where alternative IIGs are not viable. This currently means all our 132kV projects will be specified SF6 Free and where we have GIS installations at 275 & 400kV, the GIB associated with these sites may be SF6 free where viable.

We are currently outperforming our targeted IIG emission for 25/26 and are forecasting to continue this trend across the RIIO-T2 period.

The total emissions of SF6 for 2025/26 RRP year are 603.57kg versus last year's figure which was 497.8 kg (291 kg in 2022/23 RRP). The 2025/26 actuals are higher than the 534kg previously forecasted. Whilst our SF6 emissions increased from 497.8 kg in 2024/25 to 603.6kg in 2025/26, over a third of this volume was as a result of the decommissioning of assets and the recovery of SF6 from assets being retro filled with a new IIG. This is split across 21 returns with the highest disposal being associated with Kilmarnock South 400kV retrofill project.

This was a significant scope of works where SF6 gas was recovered (circa 450kg) and filled with an alternative g 3 variant. In the T2 period we have invested circa £3.0m in our worst performing SF6 filled assets with a view to offsetting future leakage. Furthermore, out with the named scheme, SF6 repairs are progressed during normal operating cost interventions such as maintenance and repairs when opportunities are presented through planned/unplanned outage access to assets. SF6 repairs are complex and, in many instances, requires implementation of a repair plan spanning numerous interventions from leak investigation to repairs and managing further additional leak points, etc. SF6 continues to be a key focus for progression of repairs and drive towards our commitment for SF6 free solutions and alternatives which have been mentioned above

Energy Not Supplied

Energy Not Supplied (ENS) covers the number of transmission incidents, including exceptional events, and their MWh volumes that result in a loss of supply for our customers, which was introduced for the RIIO-T1 reporting period and has been amended for RIIO-T2.

The Energy Not Supplied (ENS) performance for 2025/2026 has improved on last year's performance from 27.92MWh lost in 2024/2025 to 7.62MWh lost in the period 2025/2026.

The total number of Transmission system incidents in 2025/26 was 3, which was a decrease from 2024/25 where 13 incidents occurred with losses totalling 27.92MWh.

Timely Connections

Timely connections is a penalty only incentive that covers (in area) transmission connection offers received by SP Transmission during the RIIO-T2 period

For 25/26, 123 relevant (in area) transmission connection offers were issued during 1st April 2025 to 31st March 2026. All offers were issued on time

We are aiming to deliver £mnomina

all relevant offers in line with licence requirements over the remainder of the RIIO-T2 period and so are currently forecasting no penalty.

SO-TO Optimisation

In addition to delivering significant constraint cost savings for GB consumers, the SO:TO Optimisation Incentive continues to drive wider benefits across SPT's outage planning and network planning functions. While identifying and developing STCP 11-4 solutions requires dedicated resource and investment, the incentive reward available for successfully implemented schemes enables continued process improvements and innovation within these teams.

During 2025/26, SPT implemented four SO:TO Optimisation schemes and developed a number of new Dynamic Line Rating (DLR) solutions for deployment in RIIO-T3. These projects have demonstrated how innovative operational and network solutions can unlock additional network capacity, reduce system constraints, and support efficient delivery of reinforcement programmes.

The Western HVDC Runback Scheme and Tongland Overload Protection Scheme continue to deliver substantial consumer value by managing congestion across heavily constrained parts of the SPT network. Both schemes increase network capability through the innovative application of protection and control systems, particularly during periods when major transmission circuits are unavailable due to reinforcement outages.

In November 2024, SPT completed deployment of its Temperature Adjusted Rating System (TARS), supported by the Predictive Analytics of Energy (PRAE) platform. This solution provides NESO with daily dynamic ratings for all SPT 400 kV and 275 kV circuits based on prevailing weather forecasts. As the first transmission licence-wide implementation of daily dynamic circuit ratings in the UK, TARS delivered over £2 million of constraint cost savings during 2025/26.

Further innovation was delivered through the Westfield Overload Protection Modification, commissioned in December 2025. This scheme leverages the unique Scottish SQSS criteria to enable cascade tripping of the Westfield Supergrid Transformers as a post-fault corrective action to secure the B4 Boundary. The modification increases permissible boundary transfers under specific outage scenarios and is expected to provide additional operational benefits throughout the RIIO-T3 period.

There remains significant scope for STCP 11-4 solutions to continue delivering substantial consumer savings at relatively low cost. This is particularly important as the transmission network enters a period of unprecedented development to support Net Zero ambitions and Clean Power 2030 targets, resulting in increased system access requirements and outage volumes.

The processes, expertise and collaborative approaches developed through the SO:TO Optimisation Incentive are strengthening SPT's ability to identify and implement future solutions. Continued availability of the incentive in RIIO-T3 will allow SPT to maintain the dedicated resource, focus and innovation needed to develop these opportunities.

Working in partnership with NESO, SPT will continue to utilise the SO:TO Optimisation Incentive to maximise constraint cost savings for consumers while supporting the efficient delivery of the green energy transition.

Innovation

SPEN is dedicated to becoming the Utility of the Future, embedding innovation throughout our business in order to respond to the opportunities and challenges presented by the UK's evolving energy landscape. These changes mean we must look at new innovative solutions to ensure that we can continue to deliver value to customers whilst ensuring that costs are fair and equitable for all. We stand ready to facilitate the Government's low carbon aspirations and are innovating to ensure that the smart networks of the future are flexible, resilient, and accessible to all.

Our RIIO-T2 Innovation Strategy focuses on the key energy transition challenges we foresee as facing our transmission network and reiterates our commitment to our customers and stakeholders. In our strategy we have developed 4 Innovation Clusters, mapped against the ENA Innovation Themes, which are guiding our innovation delivery and ensuring we develop a balanced Network Innovation Allowance portfolio:

- Network Modernisation
- Network Flexibility
- System Security and Stability
- Digitalisation of Power Networks

Within each priority area, we highlighted the opportunities and challenges that our stakeholders have told us should be the focus of our attention over the remainder of this price control period through until 2030. We outline how interested parties can get involved through different platforms and help develop our Innovation Strategy. We will continue to engage with stakeholders and communities to ensure our Innovation Strategy is developing according to our customers changing needs.

Network Innovation Allowance (NIA)

The Network Innovation Allowance provides limited funding to RIIO NWO's to fund smaller technical, commercial, or operational projects directly related to the NWO that have the potential to deliver financial benefits to the NWO and its customers

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)

SPT are allowed to recover £13.5m 18/19 prices of allowable expenditure through TUoS charges across the RIIO-T2 period.

Unrecoverable Expenditure

Unrecoverable NIA Expenditure cannot be recovered from Allowable NIA 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. No Unrecoverable Expenditure has been incurred to date, nor is forecast for the remainder of RIIO-T2.

Strategic Innovation Fund (SIF)

The SIF will support network innovation that contributes to the achievement of Net Zero, while delivering net benefits to energy consumers. It will coordinate network innovation funding with other public sector funding initiatives, thereby ensuring greater flexibility and strategic alignment in innovation funding, and eliminating both unnecessary duplication and funding gaps.

Ofgem is the decision-maker in relation to the SIF. However, to support the SIF's operation, Ofgem is partnering with UK Research & Innovation (UKRI). UKRI's role is to deliver the SIF in line with this SIF Governance Document - administering the funding programme, monitoring the delivery of Projects, making recommendations to Ofgem on operational matters, supporting third-party

innovators and, where possible, supporting successful Projects to become business as usual activities.

SPT is working with numerous third parties to realise projects that help tackle some of the UK's biggest and most complex challenges in the push towards the UK achieving its net zero emissions targets.

These are categorised in the following areas:

- Whole System: Fast Flex and Asset Reuse and Recovery Collaboration
- Data and Digitalisation: Digi-GIFT, Predict4Resilience and EnTWiNe
- Heat: Flexible Heat and Heat Balance
- Net Zero Transport: A Holistic Hydrogen Approach to Heavy Duty Transport and Resilient and Flexible Railway Multi-Energy Hub Networks for Integrated Green Mobility

This exciting and ambitious portfolio of innovation projects will help Energy Networks deliver a resilient, flexible and agile electricity network that facilitates the transition to low-carbon technology for the country.

SIF is the successor mechanism to the Network Innovation Competition (NIC) from RIIO-T1.

Financing

Actual finance cost and debt figures are populated from our underlying reporting systems with further details reported within our published Statutory accounts on a calendar year basis. This information can be found on our website at:

[Annual Reports & Accounts - SP Energy Networks](#)

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 of 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.

As mentioned above, we believe there is a knowledge gap in the understanding of network companies' financial performance detailed within the report. It should be highlighted that companies annual CoD allowance does not cover the actual annual cash out flows for interest, due to the CoD allowance being set on a real basis while the majority of companies' debt is on a nominal basis. To this end we have included our own view of financing performance within the Financial KPI narrative above. Where our own view details the cash performance impact over the 5-year period, Ofgem's view shows an estimated RIIO-2 performance over the full depreciation period. To reiterate further, we believe Ofgem's current methodology misrepresents the performance over the full 45-year depreciation period as in year returns, this is of particular issue in the current high inflationary environment.

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').

To compare like-for-like performance against the allowance, we have revised the tax calculation updating for actual capital allowances and financing costs. **SPT** have an accounting period to December, therefore our taxable profits, capital allowances and liabilities are on a calendar year basis. 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 have attracted a rate of 6% from 1st April 2019. However, with the introduction of the super deduction on main rate and special rate items in both 2021/22 and 2022/23 (for first year additions only) this rises to 50% for the special rate pool items, therefore lowering our tax bill. However equally our tax allowance has lowered in tandem, save for a small deadband tax adjustment in the PCFM providing a small uplift to allowance. This is also set to continue across the RIIO-2 period with the introduction of "First Year Allowances" by the UK government from 2023/24 to 2025/26.

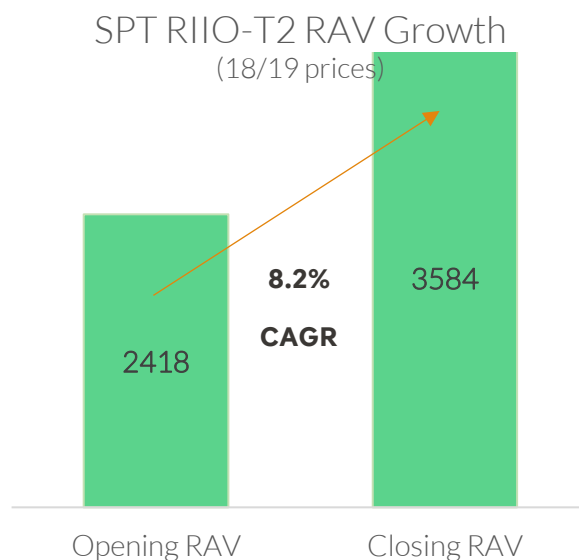
Our 2025 CT600 is not yet due for submission to HMRC, consequently the 2024/25 value in [R8 – Tax, E36] is a forecast to compare against the allowance. The additional other adjustments will be trued up in due course.

RAV

The regulatory asset value (RAV) is a key building block of the price control and RoRE performance measure. 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 (~85%) of totex, while in simple terms, the depreciation in a given year is formed of 1/45th of additions in all previous years. The RAV is the mechanism by which return allowances for shareholder investment and financing are collected over the long term.

The latest Price Control Financial Model (PCFM) was published in Jan 2026 following the Annual Iteration Process (AIP). The AIP PCFM is designed to update future revenues as a result of both past and forecast performance. Therefore, the RFPR reflects our current best estimate of RIIO-T2 performance.

Because of the scale of investment required to deliver a network for today's and future customers we see the RAV value growing across the period:



SPT report a compound annual growth rate of **8.2%**, an **48.0%** increase from opening T2 RAV of **£2.4bn**_{18/19 prices} to an T2 closing RAV of **£3.6bn**_{18/19 prices}. This is driven by the large scale of investment required in the UK's transmission system as the demand to move electricity around the country, and the continent, in large volumes has grown and is expected to grow substantially in the coming years in line with increasing renewable generation connections amid the drive towards net zero.

Operational KPI

OVERVIEW

The key strategies for the company to the end of the RIIO-T2 price control period and beyond are outlined in our strategic goals.

A sustainable, Net Zero future

We will take the lead to build a healthier, more accessible energy model – one which leaves the carbon economy behind. We will meet carbon targets, customers' low-carbon ambitions, and make a large, proactive contribution towards Net Zero

Increase efficiency through constant innovation

We will continue to improve our performance through a continual cycle of innovation. With smarter solutions, we can do more with less – deploying new technology, processes, and ways to share data. Innovation will help us deliver uninterrupted supply, faster connections, and meet the ambitions of consumers, network users and wider stakeholders.

Adapt our world-class, resilient network

This is a critical time for networks. Demand is changing, generation is evolving, and new threats are emerging. We will adapt our world-class network to meet these challenges, including extreme weather, cyber security, and black start events – delivering ever-higher performance for consumers, network users and wider stakeholders

Keeping network users and consumers at the heart of our decisions

We will listen and learn even more from our stakeholders. This will allow us to continue to raise our efforts as we work to improve lives, create jobs, and protect vulnerable consumers. In everything we do, we aim to do more. We will be reporting strong performance against our commitments and are performing on, or ahead of, targets in our approach to safety, reliability and availability, and customer service.

A detailed overview of our Output performance is provided as part of our Transmission Annual Performance Report for 25/26 which was published in September 2026 and can be found on our website at:

[Transmission Annual Performance Reports - SP Energy Networks](#)

RFPR Tables

This section provides context and information on the specific tables within the RFPR excel template. Please refer to the below section as you navigate through the excel template for assistance in understanding the content of the relevant tabs.

R1 RORE

The purpose of this worksheet is to produce a view of the TOs Return on Regulatory Equity (RoRE) which uses a consistent approach across sector and regulated TOs.

The RoRE is presented using both the notional and actual gearing and reflects both actual and forecast performance over RIIO-T2. The table provides a RoRE value for; each individual year of RIIO-T2, cumulative actuals to date and for the full price control period (actuals and forecast).

R2 REVENUE

The purpose of this worksheet is for the TO to report allowed and actual revenue and reconcile this to the value reported in the regulatory accounts (Underlying accounting records from 2020/21 onwards). In addition, the worksheet also provides a reconciliation for regulated network profit to statutory accounts.

Therefore, this table contains the actual revenue values over the first, second and third years of RIIO-T2 for **SPT**. There is no requirement to forecast revenue.

The first section shows a breakdown of Allowed Revenue calculated in accordance with the RIIO-T2 licence. The main input values are:

- Calculated Revenue,
- AIP Adjustment term,
- Adjusted Revenue,
- Legacy Allowed Revenue,
- Correction factor (K term).

Collected Regulated Network Revenue (RR term) is then compared with the Allowed Revenue to derive the Under/Over recovery of revenue for each year of RIIO-T2.

The final revenue section of the table then provides a reconciliation between the revenue recovered in year and the total turnover/Revenue as per the Income Statement from the regulatory accounts (Underlying accounting records from 2020/21 onwards).

The second part of the table seeks to compare the components of network profits (such as Operating costs, depreciation, interest, depreciation & tax) to the values published in the regulatory accounts (Underlying accounting records from 2020/21 onwards). Each of these elements are covered off in the corresponding RFPR table to show how they reconcile to the published values (such as R3 Totex which covers the difference between regulatory and statutory Opex).

The main difference between the Net Profit values per the Statutory Accounts and related to the Regulatory Business is due to the impact of Deferred Taxes on the Statutory accounting profits. This is offset by the impact due to;

- Transfer of assets revenue (deferred income) being included in the Statutory value but not included as part of the regulatory revenue above (RRt)
- Impact of over/under recovery of revenues due to volume movements
- Impact of our enduring value adjustments for "Timing" on totex performance which reduce the regulatory tax charge (as lower assumed totex allowances will reduce revenues and therefore taxable profits in the PCFM)

R3 REC TO TOTEX

The purpose of this worksheet is twofold:

- For the NWO to report their Totex performance against the RIIO-T2 allowance adjusted for Enduring Value.
- For the NWO to reconcile their actual costs from their statutory accounts with their actual reported annual Totex. As a result, no information for forecast years is required in this table.

In relation to the first section, this contains a view of **SPT's** current and forecast expenditure performance against the allowances set as part of the RIIO-T2 price control. Any under/overspend is then shared with the UK consumer via the Sharing factor which is currently 49.0% for RIIO-T2. The table also includes any Enduring Value adjustments that are applied to help understand NWO's performance. An Enduring Value adjustment is an adjustment made to in year performance that impacts the return and RAV of an NWO. Examples of Enduring Value Adjustments include:

- future uncertainty mechanism claims.
- expected adjustments for close out mechanisms (e.g., Price control deliverables).
- timing differences of delivery of outputs (e.g., volume drivers).
- known changes to future output delivery (e.g., volume drivers); and
- known adjustments not yet made to the PCFM (e.g., mid- period review decisions).

SPT have not included any enduring value adjustment in this years RFPR as given the new RIIO-2 approach to forecasting of Allowed Revenues during the price control period the need for these type of adjustments has decreased. We also believe that EVA's are not applied consistently across networks and sectors and therefore can be misleading to end stakeholders.

In relation to the second section, this contains a reconciliation of the actual expenditure (both Capex & Opex) incurred in a given regulatory year with the expenditure reported within our

regulatory accounts (Underlying accounting records from 2020/21 onwards). Reconciling items are listed within the tab and arise due to the reporting rules being different for our regulatory reporting compared with those set out for our statutory accounts. For example, the treatment of reporting of right of use assets differs between regulatory and statutory accounting rules.

R4 OUTPUT INCENTIVES & OTHER REVENUE

The purpose of this worksheet is for the TO to report their annual actual and forecast performance against the RIIO-T2 price control incentives as well as its Other Revenue Allowances (ORAs).

The first section of the table contains a breakdown of performance against each of the RIIO-T2 incentives in 18/19 prices on a pre-tax basis. These values relate to the year the incentive has been (or is forecast to be) operationally earned. This section is then repeated for Other Revenue Allowances, also on a pre-tax basis.

A summary of each Output delivery incentive is outlined below:

Energy Not Supplied (ENS)

The purpose of this incentive is to encourage the TOs to improve network reliability in an efficient way by managing short-term operational risk. This benefits consumers by improving the reliability of electricity supply and reducing the negative impacts of disruption on customers. The incentive is measured annual by comparing MWhs lost versus a preset target for RIIO-T2 which values under this target resulting in a financial reward for the TOs.

Insulation and Interruption Gas Emissions (IIG)

The purpose of this incentive is to encourage a reduction in leakage of SF6 and other IIGs from assets on the transmission network, and to support the transition to low greenhouse gas alternative IIGs. The benefits will be a reduction in the volume of harmful leakage of greenhouse gas emissions from GB's Electricity Transmission network. The incentive/penalty for a given year is calculated by comparing actual IIG emissions leakage against a pre-set annual target with emissions below the annual target rewarded and those above the target penalised.

Timely Connections

The purpose of this incentive is to encourage the efficient timely delivery of connection offers to applicants (via the ESO) for new connections to the Transmission Network. This benefits consumers and network users by raising quality of service to connecting customers, improved stakeholder engagement between connection customers and network companies, and streamlined new connections. This incentive is a penalty only mechanism based on the timescales delivered for each connection offer provided by a TO in a given year.

The target date for each offer is determined by the date of receipt of a compliant application and application fee from the developer. This is defined as the 'clock start date' This sets the target date by which we must deliver a final offer to NGESO. Issuing the final offer or "transmission owner connection offer (TOCO)" by this date is a timely connection.

Quality of Connections Satisfaction Survey

The purpose of this incentive is to encourage companies to improve the quality of service delivered to connections customers. This benefits consumers by improving the quality of service delivered for current and future connections customers, thereby enabling the transition to a low carbon economy. The incentive/penalty for each TO is calculated annually by comparing the in year Quality of Connections satisfaction surveys score (as collected and validated by a third party) to the pre-set RIIO-T2 target of 7.7/10 with an incentive provided for scores higher than the target and penalties for scores below.

Environmental Scorecard

The purpose of this is to incentivise the TOs to outperform selected RIIO-2 targets in their Environmental Action Plan (EAP). This benefits the consumer by further reducing carbon emissions, improving the environment, and reducing resource use for the benefit of existing and future consumers. The incentive/penalty will be calculated by tracking percentage change set against pre-set performance thresholds in the following impact areas, where it is materially relevant to the TOs licence area:

- Operational transport emissions
- Business mileage emissions
- Waste recycling
- Waste reduction
- Water use reduction
- Environmental value of non-operational land
- Biodiversity net gain on new network projects

This incentive however has not been activated by Ofgem after the first three years of the price control as no thresholds/targets have been decided.

SO:TO Optimisation

A two-year trial incentive to encourage the TOs to provide solutions to the ESO to help reduce constraint costs according to the STCP11-4 procedures which has been subsequently extended to cover all of RIIO-T2. The benefit of this incentive will be a reduction in constraint costs based on to consumers. The incentive provides the TO with a reward based on the combination of the forecast & outturn constraint cost savings from all solutions provided in that regulatory.

The remaining section of this table covers off our Other Revenue Allowances (ORA's) and contains the actual and forecast performance of both **SPT** in relation to the main innovation mechanisms as set out in the RIIO-T2 licence. These mechanisms are Network Innovation Allowance (NIA), Carry over Network Innovation Allowance (CNIA) and Strategic innovation Fund (SIF).

Network Innovation Allowance (NIA)

The Network Innovation Allowance provides limited funding to RIIO-ET2 NWO's to use to fund smaller technical, commercial, or operational projects directly related to the NWO's network that have the potential to deliver financial benefits to the NWO.

Carry over Network Innovation Allowance (CNIA)

Carry over Network Innovation Allowance (CNIA) are eligible NIA Projects that started in RIIO-T1 as calculated by the licensee in accordance with the RIIO-1 NIA Governance Document and reported to the Authority in accordance with Standard Condition B15.

Strategic innovation Fund (SIF)

The Strategic Innovation Fund is Ofgem's successor to the NIC fund in RIIO-T1 and is explained above.

R5 FINANCING

The purpose of this worksheet is for the TO to report their annual actual and forecast Net Interest charges as per the Regulatory (RIIO-2) definition. Therefore, this table contains the annual actual and forecast Net Interest expense for **SPT** as per the statutory definition and then converts/reconciles these to the Regulatory (RIIO-2) definition.

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

The table then seeks to compare this charge against the Cost of Debt (CoD) allowance as set out in the latest Price Control Financial Model (PCFM). To compare these values, Ofgem adjusts the in-year interest charge by removing inflation to match the real CoD allowance. Performance is assessed on both an Actual & Notional gearing basis to allow for consistent performance reporting across all TOs.

As mentioned above, we believe there is a knowledge gap in the understanding of network companies' financial performance detailed within the report. It should be highlighted that companies annual CoD allowance does not cover the actual annual cash out flows for interest, due to the CoD allowance being set on a real basis while the majority of companies' debt is on a nominal basis. To this end we have included our own view of financing performance within the Financial KPI narrative above. Where our own view details the cash performance impact over the 5-year period, Ofgem's view shows an estimated RIIO-2 performance over the full depreciation period.

R6 NET DEBT

The purpose of this worksheet is for the TO to report their annual actual and forecast Net Debt as per the Regulatory (RIIO-2) definition. Therefore, this table contains the annual actual and forecast Net Debt positions for **SPT** over the RIIO-T2 period as per the statutory definition. These values are then converted to reflect the Regulatory (RIIO-2) definition as set out in the RFPR RIG's. As with the interest charges, forecast Net debt figures are derived from business long term plan projections of cash requirements and assumption that all new debt/refinancing will be via an intercompany on demand loan at a variable rate plus margin.

The table then summarises the annual gearing % based on the current view of TO Regulatory Asset Value (RAV) as shown in table R7 – RAV. This also allows the calculation of the delta between Actual reported gearing and the Notional gearing RIIO-T2 value of 55% for use in the R5 Financing tab.

R7 RAV

The purpose of this worksheet is to identify an annual Regulatory Asset Value (RAV) position using the annual actual and forecast RAV as published in the latest PCFM. Therefore, this table contains annual actual and forecast Regulatory Asset Value (RAV) for each year of the RIIO-T2 period for **SPT**.

The starting position is therefore to take the RAV from the latest Price Control Financial Model (PCFM) available from the current Annual Iteration Process (AIP). These are then updated to ensure both Expenditure & Allowance values and by extension RAV additions and depreciation values reflect the current actual and forecast performance from the annual Regulatory Reporting Pack (as summarised in R3). A further adjustment is made to ensure that the Enduring value adjustments recorded in R3 are also accounted for in the RAV totals.

The adjusted closing RAV totals are then used to derive a summary of output values that are used in the calculation of performance in other tables (such as R1-RoRE, R5 Financing, R6 Net Debt, R8 Tax)

R8 TAX

The purpose of this worksheet is for the TO to reconcile their CT600, actual corporation tax liability (pre- group relief), with the adjusted/forecast regulated tax liability. Therefore, this table contains a reconciliation of **SPT's** CT600 actual corporation tax liability (pre- group relief) with the adjusted/forecast regulated tax liability as calculated within the PCFM.

Adjustments are made to the actual/forecast tax liability to allow for comparison to allowance within the PCFM which is done on both an actual and notional gearing basis.

R9 CORPORATE GOVERNANCE

The purpose of this worksheet is for the TO to:

- report actual dividends paid that relate to the regulated business.
- report the executive directors' remuneration.

The first part of the table contains the actual dividend paid to date (i.e.21/22 to 25/26). There is no requirement to forecast future dividend payments.

The second part of the table covers off the remuneration of executive directors for the SP Transmission business for the 25/26 reporting year. Further details can be found in the "Corporate Governance Requirements" section below.

R10 PENSIONS

The purpose of the first section of this worksheet is for the TO to report a summarised position of their pension deficit for their defined benefit schemes. Therefore, figures in R10 Pensions & Other Activities reflect the total of established and incremental TO costs associated with both the ScottishPower Pension Scheme (SPPS) and the Manweb Group of the ESPS (Manweb). These actual deficit values are then compared to the allowance values that were derived from the latest valuation (Triennial actuarial valuation) which took place on the 31/03/22. The final section of the table sets out the key pension scheme parameters as at the last valuation in 18/19 prices.

The purpose of the second section of this worksheet is to capture any Ofgem related fines and penalties incurred by the TO over the RIIO-T2 period to date.

This section deals with any penalties or fines issued by Ofgem (which would be published on Ofgem's website) in relation to any investigation undertaken by Ofgem during RIIO-T2. **SPT** has no fines, penalties, or GS payments.

Data Assurance Statement

Data assurance was conducted in accordance with SPEN's "Regulatory Submissions Procedure" developed and implemented to ensure compliance with Ofgem's Data Assurance Guidelines (DAG). The details of the accountabilities we have in place are contained in the SPEN NetDAR Submission, 31 March 2026, 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	2	3	Impact: - Financial category was allocated 'Medium' - Customers and Competition were allocated 'Low' Probability: Reporting Assessment: - Complexity and Manual intervention 'High' - Completeness 'Low' - Reporting rules 'Medium' Control Framework Assessment: - Control activities 'Medium' - Experience of personnel 'Medium' - Historical Errors 'Low'

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. Furthermore, as parts of the submission is being published, CEO Sign-off was considered 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	Totex & Reconciliation
R5	Financing
R6	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

Corporate Governance Reporting

The section covers the additional RIIO-T2 reporting requirement as set out in the RFPR RIG's on corporate governance.

To deliver its strategy, ScottishPower, and therefore Energy Networks, and so the Company, conducts business in a manner benefitting customers through balancing cost and risk, while delivering shareholder value and protecting its 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 of the organisation.

As part of the Iberdrola Group, ScottishPower is developing a responsible and sustainable energy model which focuses on the wellbeing of people, the protection of the environment, and the economic and social progress in the communities in which ScottishPower operates. ScottishPower strongly believes that effective and meaningful engagement with stakeholders, especially employees, is key to promoting its success and values.

Meaningful engagement with stakeholder groups supports the ethos of section 172 of the Companies Act 2006 which states that directors should have regard to stakeholder interests when discharging their duty to promote, in good faith, the success of the Company for the benefit of its members as a whole.

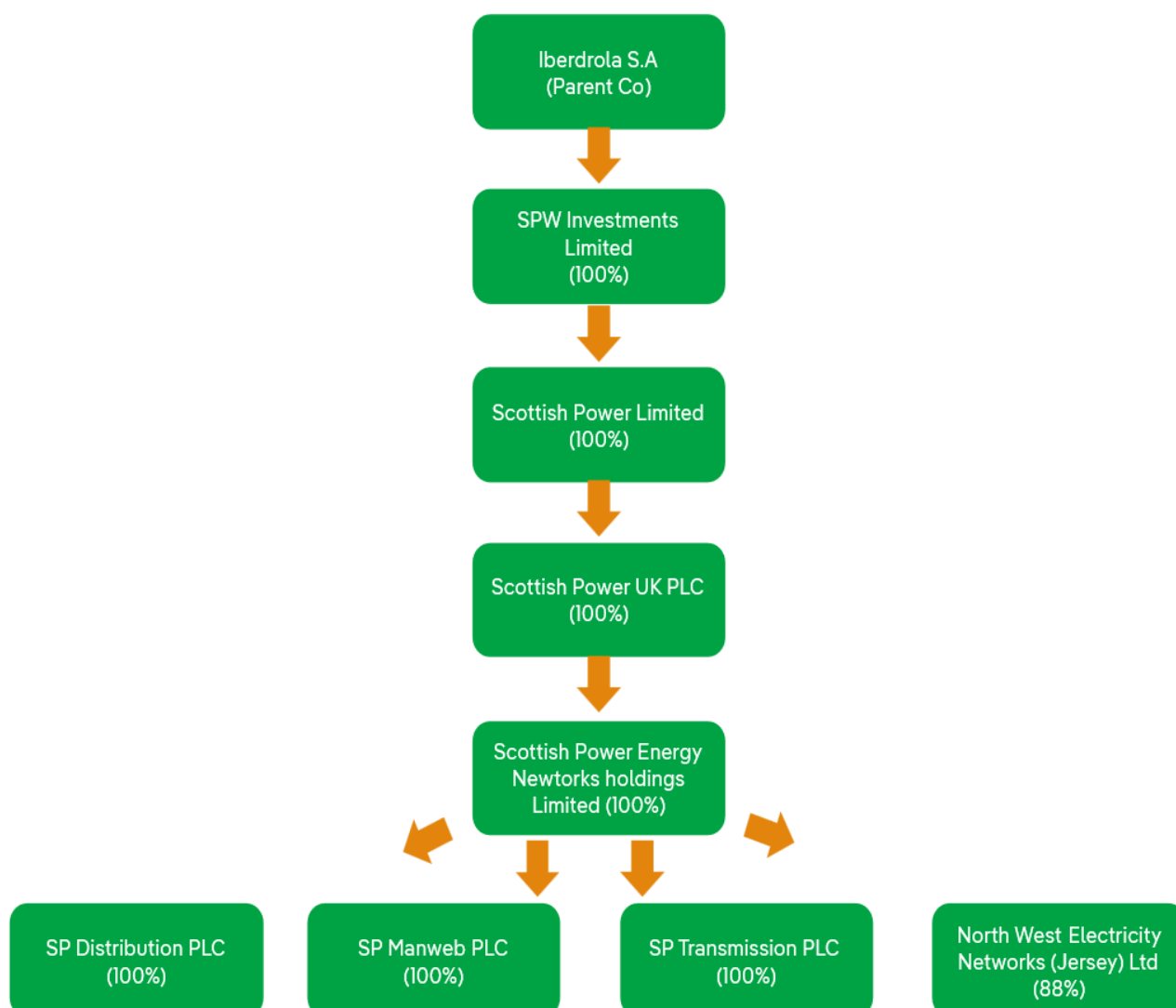
ScottishPower, and therefore Energy Networks and the Company, has four key stakeholder categories: employees and customers; government and regulators; suppliers and contractors; and community and environment. Behind these stakeholders are millions of people, and thousands of institutions, organisations and groups. All of them, with their decisions and opinions, influence ScottishPower, and they are also affected by ScottishPower's activities. In addition, these stakeholders interact with each other, creating a universe of relationships that ScottishPower needs to manage in order to achieve a better understanding of its operating environment and to deliver a more sustainable performance across its activities.

Details of how ScottishPower, Energy Networks, and so the Company, engages with its stakeholders, and how these activities influence the Company's operations, are set out below in our SP Transmission Annual report 2026 within the Directors Report section.

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Corporate Ownership and Governance Framework

The ultimate parent of the Company is Iberdrola, S.A. ("Iberdrola") which is listed on the Madrid stock exchange. The immediate parent of the Company is Scottish Power Energy Networks Holdings Limited ("SPENH"), the holding company of the Scottish Power Energy Networks Holdings Limited group ("SPENH Group" or "Energy Networks"). Scottish Power Limited ("SPL") is the United Kingdom ("UK") holding company of the Scottish Power Limited Group ("ScottishPower") of which the **SP Transmission** is a member. This structure is shown below:



Further details on SPEN's & Iberdrola's group structure can be found here:

[Group Structure - Iberdrola](#)

SP Transmission does not apply a corporate governance code on the basis that it, as part of the SPENH Group, has adopted the rules and principles of the SPENH Group as they have been set by the board of directors of SPENH ("the SPENH Board"), in accordance with its terms of reference and the Policy for the Definition and Coordination of the Iberdrola Group and Foundations of Corporate Organisation ("the Group Governance Framework"), all of which are based on widely recognised good governance recommendations ("the SPENH Group corporate governance system"). Those rules and principles of the SPENH Group corporate governance system that applied to the SP Transmission as part of the SPENH Group during 2024 are set out as follows:

The terms of reference of the SPENH Board are published on www.spenergynetworks.co.uk under 'Corporate Governance'. ([Corporate Governance - SP Energy Networks](#))

The Group Governance Framework is published on www.scottishpower.com ("the SPL Corporate website") under 'Corporate Governance' / 'Governance and Sustainability System' / 'Corporate Governance'. ([Governance and Sustainability System - ScottishPower](#))

The Company (**SP Transmission**) is governed by the Board, which consists of five directors at the, who bring a broad range of skills and experience to the Company. The Board is regulated in accordance with the Company's Articles of Association. In discharging its responsibilities and in the exercise of its decision-making powers, and in accordance with the Company's Articles of Association, the Board has, in accordance with the Group Governance Framework, adhered to the SPENH Group corporate governance system which applies to the Company as part of the SPENH Group. The SPENH Group corporate governance system includes the internal corporate rules (including the Purpose and Values of the Iberdrola Group, the Code of Ethics, corporate policies and other internal codes and procedures) that make up the corporate governance system of ScottishPower and, ultimately, of the Iberdrola Group.

An overview for the Board of **SP Transmission** is outlined below:

Licensee	Company number	Sufficiently Independent Directors (SIDs)	Other Directors
SP Transmission plc	SC189126	Rt. Hon Charles Hendry Gillian Elizabeth King Alison Mary McGregor (Resigned 22 August 2024) Lord John Matthew Hutton (Resigned 5 May 2025)	Nicola Mary Connelly (<i>CEO of SP Energy Networks</i>) Scott Hamilton Mathieson (<i>Resigned 22 January 2026</i>) Pearse Murray (<i>Resigned 30 December 2025</i>) Guy Charles Jefferson

Further information in relation to decision-making responsibility (for example on purpose, values and strategy, board director nominations, board director evaluation etc) are described in the Corporate Governance Statements included in each of the licensees' annual report and accounts which are published here:

[Annual Reports & Accounts - SP Energy Networks](#)

Executive Remuneration Policies

The executive directors participate in the group's performance related Annual Incentive Plan and receive a bonus in the year under review. Entitlement to a bonus is dependent upon achievement of objectives set at a group, business and personal level. Business objectives are set annually based on what requires to be delivered by the business and progress is tracked against a scorecard. The objectives set include targets relating to service standards, which include customer minutes lost, customers interrupted and telephone response rate. These are set out below for directors of **SP Transmission**.

Role	Financial	Operational	Sustainability
Chief Executive Officer	29%	47%	24%
Director of Network Planning & Regulation	25%	50%	25%
Managing Director Transmission	25%	50%	25%
Director of SP Transmission	25%	50%	25%

SPT's Executive Directors also participate in the Long-term Incentive Plan (LTIP), which is a performance share plan. Eligible directors are granted an award of shares expressed as a percentage of base salary. Before any amount of shares vest the Remuneration Committee must be satisfied that there has been sustained underlying financial and customer service performance. The final amount of shares, which vest, is dependent on performance over a 3-year period.

Further details can be found on our directors pay and standards statement below:

Directors Pay & Standards of Performance 2025

The directors of the Company are subject to an annual evaluation of their performance in respect of their executive responsibilities as part of the performance management framework which is in place throughout the SPENH Group.

There is no separate Remuneration Committee within the SPENH Group. Instead, remuneration matters relevant to the SPENH Group and the Company are dealt with and reviewed by the Iberdrola, S.A. Remuneration Committee ("IRC"). The IRC has a function to report on the remuneration of directors and senior managers of the Iberdrola Group companies (Incl CEO) and ensure compliance with the relevant remuneration policy for each company.

Dividend Policies

The delivery of the strategy of the SPENH Group, of which SP Transmission is a member, requires the SPENH Group to conduct business in a manner benefitting customers through balancing cost and risk while delivering shareholder value and protecting the SPENH Group's performance and reputation by prudently managing risks inherent in the business. The Company's approved dividend policy is to pay a sustainable dividend to ordinary shareholders taking into consideration the impacts on current and forecast credit rating metrics and forecast profitability over a medium-term horizon.

As shown in the RFPR, we reinvest a significant portion of our profits back into the network to ensure an efficient, reliable and environmentally sustainable network. The Board of **SPT** ensures that it understands and considers shareholder views in order to preserve positive investor relations. In its capacity of providing oversight for the operational performance of the business, the

Board also takes account of the forecast performance against performance targets, other RIIO-T2 output commitments and future requirements such as Accelerate Strategic Transmission Investment.

In addition, specific to the regulated companies is a consideration that any proposed dividend aligns with regulatory target capital structure.

The board of **SPT** approves a pre dividend certificate to Ofgem to confirm it is comfortable that the proposed dividend will not place the licensee in breach of Standard Licence Condition B7.