SSE PLC 2020/21 PRELIMINARY RESULTS PRESENTATION

'SSE. POWERING CHANGE'

1. TITLE SLIDE
   POWERING CHANGE | Financial Results for the Year to 31 March 2021
2. DISCLAIMER

ALISTAIR PHILLIPS-DAVIES

3. **OVERVIEW | Powering change** Good morning everyone and welcome to this virtual presentation of our 2020/21 Results.

Gregor, Martin and I will summarise what has been a year of strong underlying performance, strategic delivery and progress in creating a wealth of future growth opportunities.

Thanks to the resilience of our business model, the quality of our assets and the commitment of our employees, we have powered change effectively throughout the pandemic and our strategy remains firmly on course.

- Firstly, our £7.5bn **capex plan** is well under way with construction progressing on our flagship renewables projects. These include Seagreen, Viking and the world's largest offshore wind farm at Dogger Bank. In fact, we are leading construction of more offshore wind than anyone else in the world right now.
- Secondly, our **regulated businesses** have continued to progress ambitious plans for the networks needed to reach net zero. Transmission's totex through RIIO-T2 is set to be around £2.8bn including the Shetland HVDC link, and there is **further growth potential** in sight, while Distribution's ED2 draft plan to be submitted in July will include net zero generated growth from well-evidenced, stakeholder-led proposals.
- Thirdly, agreed transactions in our non-core **disposals programme** are expected to yield over £1.5bn of proceeds and this is set to exceed the £2bn target on completion of the prospective sale of SGN.
- And, finally, we are developing further medium- to long-term **growth options** in areas such as pumped storage hydro, carbon capture and storage, hydrogen, and batteries. We have a highly desirable **pipeline** in domestic UK and Irish waters; and we are establishing new partnership platforms internationally.

This year also marked the end of an era with the retirement of our Chair, Richard Gillingwater, who made a huge contribution to SSE's successful strategic realignment. He handed over to Sir John Manzoni in April and we are already enjoying working with Sir John, who brings his own energy, enthusiasm and fresh insight to the job.

PART 1: POWERING CHANGE WITH OUR NET ZERO STRATEGY

4. **TITLE SLIDE: RESULTS TO 31 MARCH 2021 | PROGRESS**

5. PROGRESS | The people behind our purpose

Our priority throughout the pandemic has been continuing to support the safe and reliable supply of electricity. I am very proud of the efforts of our front-line teams who worked tirelessly through the year despite concerns over the virus and challenging weather.

They embodied our purpose of providing energy needed today while building a better world of energy for tomorrow and ensured we played our part in the national pandemic effort. We did so without drawing on government support in the form of furlough or rates relief and implemented a wide range of measures to provide flexible and safe working.

Through all this, I'm delighted to say our safety performance remained strong with 47 Total Recordable Injuries, down from 55 last year.

6. PROGRESS | Sharpening our net-zero focus

Our disposals programme has further sharpened the Group's strategic focus on renewables and regulated electricity networks. These businesses are key to enabling a net zero economy, have significant growth potential and, importantly, they fit together. With common skills and capabilities in the development, construction, financing and operation of world-class, highly technical electricity assets, we continue to see a strong strategic logic to them forming the low carbon electricity core of SSE.

The other businesses we retain are highly complementary to that core.

- Thermal, like hydro, provides flexibility to balance wind variability. We have seen the benefit of this in recent weeks and, longer term, Thermal can drive forward the CCS and hydrogen solutions the country will need in the decades ahead.
- Our customer businesses provide a valuable route to market and help customers reduce emissions.
- Our distributed energy business within Enterprise gives us a foothold in a growth sector.
- And an effective Energy Portfolio Management business delivers commercial synergies and manages commodity risk across the Group.

Our business mix is very deliberate, highly effective, fully focused and well set to prosper on the journey to net zero and beyond.

7. **PROGRESS | Meeting our objectives**

We are building a better world of energy for tomorrow. In May 2020 we published our Greenprint of policy initiatives for building a cleaner, more resilient economy. A year on, we have seen the government policy landscape develop in line with this vision, reaffirming the opportunity we have to support delivery of increasingly ambitious targets on net zero.

Our purpose is neatly aligned with societal ambitions on climate action and the delivery of our planned investments will go a long way to decarbonising the economy, while meeting SSE's first financial objective of remunerating shareholders. In keeping with that, today we are reiterating our commitment to delivering the five-year dividend plan to 2023.

I'll now hand over to Gregor to cover performance…

GREGOR ALEXANDER

8. PART 2 TITLE SLIDE
   RESULTS TO 31 MARCH 2021 | PERFORMANCE

9. **PERFORMANCE | Financial Highlights – Managing the impact of coronavirus**

Thanks, Alistair, and good morning everyone.

Underlying business performance was strong and I'm pleased to say that there has been no material adverse impact from coronavirus on the financial performance of Renewables, Transmission or Thermal. As we have reported throughout the year, Distribution and, in particular, Enterprise and Business Energy have had a more challenging period, but this in no way slowed our strategic progress.

The impact on the Group as recognised within the adjusted results was around £170m, at the lower end of the £150-£250m range we highlighted in June 2020. In addition, we expect that £34m of the impact on Distribution will be recoverable in future periods. We have navigated the pandemic well, thanks in large part to the excellent efforts of our colleagues, with demand also holding up better than we had initially anticipated.

While the long-term economic implications of the pandemic remain uncertain, we expect the ongoing impact on SSE to be mainly limited to our customer-facing businesses and assumed within normal business performance.

10. PERFORMANCE | Financial Highlights – Income statement

Coronavirus notwithstanding, we have delivered solid growth during the year including:

• Adjusted operating profit slightly increasing to over £1.5bn.

• Adjusted profit before tax increasing by 4% to £1.1bn.

•And adjusted EPS increasing by 5% to 87.5p.

Disposals of non-core assets, recognised within the reported metrics, generated £878m of net gains during the year.

Reported metrics also include £645m of positive mark-to-market movements on previously out-of-the money operating and financing derivatives held at the year end. This significant movement demonstrates the volatility that can arise on revaluation of these forward contracts from period to period, which is unrelated to current operating performance and therefore excluded from SSE's adjusted profit measures.

11. PERFORMANCE | Financial Highlights – Disposals of non-core assets

As Alistair highlighted, we are simplifying the Group to predominantly focus on our Renewables and Networks core. Since the start of 20/21, agreed disposals of non-core businesses and assets are expected to yield over £1.5bn of net proceeds. With over £1.4bn received in cash to date, these disposals have contributed to the reduction in adjusted net debt.

The £878m of net gains on disposals also demonstrates the value SSE can create.

SGN is expected to be SSE's next material disposal. It has been a first rate investment for the Group, and the business is set to benefit from increased hydrogen usage. However it is a financial investment, run largely independently now and the synergies with the low-carbon electricity businesses are less clear.

In light of market developments, and in consideration of the RIIO-GD2 price control referral to the CMA, in March we stated our intention to divest all of our equity stake in SGN. We now expect to commence a formal sale process for SGN in mid-summer, with the intention of having an agreed sale by the end of the calendar year. We will update the market on progress in due course.

12. PERFORMANCE | Core businesses

Performance across the core business has been strong:

• In Transmission, adjusted operating profit was broadly flat, as phasing of allowed revenue and increased connections were offset by increased operational costs and depreciation charges driven by significant capital investment in recent years.

• In Distribution, a combination of lower demand due to coronavirus and an over-recovery position in the prior year led to a 25% reduction in adjusted operating profit, although around £34m of the impact in 20/21 is expected to be recoverable in future years.

• Renewables saw an increase in adjusted operating profit of 29% which included £226m of developer profits on sale of a 51% stake in Seagreen and a 10% stake in Dogger Bank A and B during the year. Excluding these, operating profit decreased by 7% reflecting the shortfall in renewables output of around 10% below prior year due to disposals and weather conditions.

Together, these core businesses contributed over 90% of Group adjusted EBIT in the year.

13. PERFORMANCE | Other businesses – continuing operations

Elsewhere, in our complementary businesses:

Thermal demonstrated its value with strong operational performance combined with higher utilisation to deliver system flexibility– as evidenced by a 50% increase in response contracted by National Grid to help balance the system throughout 20/21.

- Business Energy was severely hit by reduced demand as well as higher levels of bad debt as a result of coronavirus.

- Airtricity performed relatively well, despite an increase in non-commodity costs during the second half of the year.

- EPM achieved a small adjusted operating profit providing services across our energy businesses.

- And the Contracting business, to be sold to Aurelius, was significantly impacted by a reduced order book and lower overall economic activity.

14. PERFORMANCE | Reconciling adjusted and reported numbers

There was a significant impact from exceptional items and remeasurements recognised within reported operating profit.

In addition to the £878m of exceptional net gains realised from disposal of non-core assets – and the £600m revaluation gains on commodities – there were further exceptional items recognised, totalling a net £28m loss.

These included; fair value uplifts on equity sales, true-up adjustments on prior year exceptional transactions, releases of unutilised provisions for coronavirus and an impairment on Great Island.

15. PERFORMANCE | Progress on investment and capital expenditure programme

Our existing plan for £7.5bn of capital investment to March 2025 includes:

- Significant investment in SSEN's Transmission network to connect renewable generation;
- Constructing, with Equinor and Eni, the world's largest offshore wind farm at Dogger Bank;
- Constructing, with Total, Scotland's largest offshore wind farm at Seagreen;
- And on Shetland, constructing Viking, one of Europe's highest-yielding onshore wind farms.

With lower than expected expenditure in 20/21, we expect capital and investment expenditure to increase in 21/22 to around £2bn.

SSE remains committed to delivering its £7.5bn capital investment plan to 2025, indeed much of this is now committed. With strong additional opportunities beginning to emerge right across the group, we expect to provide an update to our capex plans at our interims in November. This will include more detail on three significant transmission projects that Alistair will touch on briefly in a moment, and investment opportunities that we see potentially emerging for other parts of the Group.

16. PERFORMANCE | Maintaining a strong balance sheet

SSE's strong balance sheet is underpinned by high-quality assets and, following the success of the disposal programme, adjusted net debt and hybrid capital reduced by £1.6bn to end the year at £8.9bn.

We indicated in November that we are targeting a net debt to EBITDA ratio at the lower end of a 4.5 – 5.0 times range between 21/22 and 24/25 and achieved this at 31 March 2021 when the ratio was 4.6 times.

Our S&P credit rating remains at BBB+ ‘stable outlook’ and our Moody’s rating remains at Baa1, albeit on negative outlook. These compare favourably to peers and in the event of any downgrade, financing our current plans would be entirely manageable.

17. PERFORMANCE | Prudent financial management and liquidity

Over the past year we have reaffirmed our standing as the largest issuer of green bonds in the FTSE 100. In March, SSEN Transmission issued a new £500m green bond, our fourth in five years, and we also set out a new framework for issuing innovative sustainability-linked bonds in the future.

This, together with over £2bn Eurobonds and hybrid securities issued in the first half of the year, means we have good liquidity with £1.5bn of undrawn committed facilities and £1.6bn of cash and cash equivalents at 31 March 2021. Our £7.5bn capital investment plan continues to be fully financeable, consistent with our net debt to EBITDA target and does not require any changes to our capital structure.

18. PERFORMANCE | Securing value from partnering

Well-chosen partnering is now a key part of SSE’s financial strategy. SSE is well-placed to manage development risk and can create value from selling down stakes to retain typically 30-40% of a project and working with equity partners for construction or operation. This approach brings benefits including securing developer premiums, reducing single project exposures, containing non-earning debt and bringing in partners with different risk appetites at their preferred stage of the project cycle.

Dogger Bank A and B stake sales showed the value SSE can create, bringing in just over £200m of cash proceeds and gains on sale. We expect to progress with the sale of a stake in Dogger Bank C during the first half of the financial year.

We have been clear that we would also consider, in time, extending a partnering approach potentially through sales of minority interest stakes in our electricity networks businesses. These are core businesses and we will retain control, but minority partners remain an option should we consider that the released capital could facilitate growth opportunities in the networks businesses and elsewhere.

19. PERFORMANCE | Remunerating shareholders

At SSE we have repeatedly demonstrated through effective capital allocation and optimal capital recycling and partnering that we can take advantage of the opportunities we consistently create. With this wealth of assets and options, we have every confidence in our ability to continue to do this.

SSE's first financial objective is to remunerate shareholders through dividends and we are recommending a full-year 20/21 dividend of 81.0p.

This takes the total dividends declared to around £14.75 per share since SSE's formation in 1998.

SSE continues to target dividend increases in line with RPI in the following two financial years, as set out in our 2023 dividend plan.

Adjusted EPS for the full year is 87.5 pence, with reported EPS of 215.7 pence reflecting the gains on disposal of non-core assets as well as the positive mark-to-market movements.

Having weathered the pandemic and with high quality, net zero aligned assets and options, we see considerable potential for future growth over and above current plans.

Looking ahead, we are clearly in a strong position to create lasting value for shareholders and to remunerate their investment with dividends going forward.

I'll hand back to Alistair.

20. PART 4 TITLE SLIDE
RESULTS TO 31 MARCH 2021 | OPPORTUNITIES

21. OPPORTUNITIES | Strategy and capability (overview)

Thanks, Gregor.

In December, we welcomed the Prime Minister to Blyth where we were testing blades for Dogger Bank. The UK Government's Ten Point Plan, its Energy White Paper and its new, more ambitious 78% carbon reduction target for 2035 all show how net zero will shape the UK policy landscape for years to come. The Irish Climate Action Plan is doing the same in Ireland and all round the world opportunities are being created for companies like SSE which have the right capabilities in developing low-carbon infrastructure.

We have the wind in our sails but this strategic alignment is not an accident. We have, quite deliberately and over many years, recalibrated our business to focus on tackling climate change.

- Renewables are at the centre of every projection, with a trebling of UK capacity widely expected by 2050. Clearly, we’re a leader in that field, leading development of more offshore wind than anyone else in the world right now and seeking to diversify our pipeline internationally.

- Smart grids at the transmission and distribution level will connect renewables and accommodate the electrification of heat, transport and other sectors. The Committee on Climate Change believes this could double UK electricity demand by 2050 – and, with production of ‘green’ hydrogen on top of this, they predict it could triple it.

- And CCS, hydrogen, batteries, storage and floating offshore wind are all seen as having key roles to play in the technology mix in any credible net zero power system

The opportunities for SSE, with our clear strategic focus on electricity and net zero, alongside our sustainable business model and our presence across key parts of the value chain, are simply immense.

22. OPPORTUNITIES | SSE’s ESG focus

SSE understood the economic opportunity associated with social and environmental sustainability, long before the notion of ESG took hold. Our strategy deliberately seeks to create value for both shareholders *and* society because our long-term success is secure if anchored in the public interest.

Using the framework of the UN Sustainable Development Goals we have four 2030 business goals aligned to them which were set in 2019, and we are progressing well against them.

We were invited to be a lead sponsor of COP26, in part, because of our well-established ESG credentials and this year we signed up to the Race to Zero campaign and set targets aligned to the 2015 Paris Agreement, validated by the Science Based Target initiative, which gives a verifiable line of sight towards a well-below 2°C trajectory.

SSE believes the ‘S’ in ESG is important too. Our Just Transition strategy – the first of its kind by a corporate - recognises that social consequences of net zero could risk the public mandate to tackle climate change. SSE’s continued championing of fair tax, a real living wage and green job creation is integral to a Just Transition.

SSE welcomes engagement with the ESG community as we continue to evolve our policies, practice and performance.

Ultimately, in clean energy there are a wealth of opportunities and I will now hand over to Martin to cover those in the energy businesses

MARTIN PIBWORTH

Thanks Alistair.

23. OPPORTUNITIES | SSE Renewables – Offshore wind – Seagreen

We are currently building almost 4GW of wind capacity and it is worth spending a moment on these ongoing construction projects.

At 1,075MW Seagreen will have a load factor of 54%, producing around 5TWh a year. We are on track to commence offshore substation platform and foundation installations in Q3 2021 with first power expected early next year and full power targeted at the end of 2022.

Of course, with 58% of its capacity not currently attached to a CfD, there is the potential for Seagreen to compete in December for the uncontracted part of the project.

And we have Seagreen 1A situated adjacently, which will benefit from synergies and shows our ability to find extensions to key developments. Design and development work on Seagreen 1A is ongoing, which will inform the JV decision whether to bid it into AR4

24. OPPORTUNITIES | SSE Renewables – Offshore wind – Dogger Bank

On Dogger Bank A and B, onshore construction is going well. We expect to start offshore construction on A in a year's time, aiming for first power in summer 2023 and full power in spring 2024. Delivery of Dogger Bank B follows one year later.

But SSE is creating value well before first power. The total consideration of £206.3m for 10% of Dogger Bank A and B clearly created value for shareholders.

And there is more to come. The third phase is being developed and we hope to reach financial close and progress a stake sale later this calendar year.

The Dogger bank projects will cumulatively contribute around 18TWh of additional renewable output to the UK electricity system annually. They will create hundreds of direct jobs and thousands more in the supply chain, and we were delighted that, on the strength of orders from Dogger Bank and with our support and efforts, GE were able to commit to investing in a new blade manufacturing facility in Teesside.

25. OPPORTUNITIES | SSE Renewables – Onshore wind – Viking

Viking, at 443MW with a load factor of 48%, will be among the highest-yielding onshore wind farms in Europe, producing almost 2TWh annually.

Construction is progressing well with work on the DC substation starting this summer, turbines in early 2023 and completion planned for autumn 2024.

The wind farm has the option to enter AR4 later this year, but as with Seagreen, is not dependent on this.

Elsewhere onshore we have started building Lenalea in Ireland and have achieved first power at Gordonbush extension – an incredible achievement by the delivery team during the pandemic and challenging Scottish winter weather. It shows again the strength of our capabilities in major project delivery.

26. OPPORTUNITIES | SSE Renewables – Domestic growth

Beyond these flagship projects we have a healthy pipeline and a renewable output target of 30TWh a year by 2030, which we expect to exceed. Delivering our current pipeline alone would see us add, on average, over 500MW of renewables capacity each year to 2030.

With the opportunity to add to our pipeline through ScotWind alongside the work we are doing to identify opportunities internationally, we have clear aspirations to reach a run rate of at least 1GW of new assets a year during the second half of this decade.

Turning to onshore, we have have identified a further 10 new early developments totalling over 500MW in the last year.

27. OPPORTUNITIES | SSE Renewables – Domestic growth

Clearly seabed auction prices were at a premium in the recent English Crown Estate process. Only time will tell whether those projects will be economic, but we retained our capital discipline and the prices paid by others underline the quality of our own pipeline. Crudely applying the average winning option fee to our existing UK seabed pipeline would value it at £3.5bn.

Today we already have an enviable range of seabed options – all of which is likely to be needed if the UK is to meet its targets – with potential to add to it.

The ScotWind process which has capped lease fees, will help ensure Scottish projects remain competitive, minimising costs and placing greater emphasis on developers' credentials. Our partners are Marubeni who have deployed floating technology in similar sea conditions at their Fukushima Forward project, and Copenhagen Infrastructure Partners (CIP), who worked with us on Beatrice.

With the UK targeting 1GW of floating wind by 2030, the technology is clearly an area of interest. Opportunities could come from both the ScotWind process and the recent announcement of a new Crown Estate leasing round.

28. OPPORTUNITIES | SSE Renewables – Irish growth

The policy environment in Ireland is also highly conducive to renewables, albeit on a smaller scale.

The updated Climate Action Plan proposes a doubling of onshore capacity to 8GW and an offshore wind ambition of 5GW by 2030. This will be needed to deliver on the commitment in the Climate Action Bill to halve emissions by 2030.

We were successful in the first RESS auction last year and with a first offshore auction to be scheduled in 2022, we are well-placed with our Arklow Bank project.

Arklow is 520MW and our most advanced project, but it is not our only one. We have early stage options at Braymore Point and our Celtic Sea Array site. As in the UK, we believe that increasingly ambitious targets mean all of these projects will need to be built in due course.

29. OPPORTUNITIES | SSE Renewables – International growth

We will always have a UK and Irish core; but a more internationally diverse pipeline can unlock further renewables growth. We are primarily interested in offshore and onshore wind, where we are well placed to export our capabilities, working with local partners in growth markets.

We are partnering with Acciona, a leading Spanish renewable energy company to form a 50/50 JV to enter the emerging Iberian offshore wind markets. These markets will not reach the size of the North Sea, but over the longer term are clearly interesting.

Meanwhile, we are also partnering with CIP once again and Danish energy company Andel Holding on the tender process in Denmark to develop the 800-1,000MW Thor wind farm off the country's west coast.

These are initial steps, taken with partners who have the local knowledge that complements our developer expertise, and there will be more to come. North West Europe and North America have wind potential onshore and offshore, whilst Japanese offshore wind is of interest too. And while we see plenty of opportunity, as ever a measured approach with capital discipline will guide our decisions.

30. OPPORTUNITIES | SSE Renewables – Deliverable options

We showed you this slide before and it brings together our offshore wind pipeline which could be delivered before 2030. It shows the wealth of our deliverable options this decade with work ongoing to expand the portfolio beyond this. Of course, with major projects like these, timescales will change in line with a range of factors, but their ultimate delivery will be key in meeting offshore wind targets set by governments in the UK, Ireland and beyond.

It is a strong pipeline which will create a lot of value for shareholders and wider society.

31. OPPORTUNITIES | SSE Renewables – Hydro (overview and EBITDA contribution)

We were operating hydro long before people knew what climate change was. Today, our 78 hydro stations in Scotland provide clean, flexible power that is critical to the system and their performance in the balancing markets this year was very strong.

And we continue to make incremental investments to continuously improve performance. We anticipate that hydro will continue to be remunerated for its flexibility and also, alongside our wind business, will benefit from a strong and upward trajectory of carbon prices

Hydro is part of our heritage, but also our future, as demonstrated by its £269.3m EBITDA contribution in the past year.

32. OPPORTUNITIES | SSE Renewables – Pumped hydro storage

The importance of flexibility will only increase in a renewables-led electricity system, and in hydro pumped storage we have nature's battery.

Lithium-ion batteries, which we are exploring on the SSE estate and potentially beyond, can offer local flexibility by generating for up to four hours. But Coire Glas offers greater potential.

Imperial College London has estimated that the equivalent of three Coire Glas schemes (4.5GW) would save up to £690m per year in system costs by 2050. And there are 4.8GW of projects across the UK.

Coire Glas could be the UK's largest pumped hydro storage project and the first built in over 30 years. Located in the Highlands, the consented 1.5GW project would have 30GWh of storage, more than doubling existing UK capacity. It could power 3 million households for not four but *24 hours*. Construction would take around five years at an estimated £1.2-1.5bn, and its life would exceed 40 years.

The system benefits are huge and include reducing wind curtailment and helping accommodate more wind on the system, maintaining grid stability and displacing fossil plants. To progress to investment it does not need subsidy, rather a revenue stabilisation mechanism such as that used for interconnectors, and we are urging Government to show leadership ahead of COP26 by facilitating the policy reform needed.

33. OPPORTUNITIES | Low-carbon thermal – A key transitional technology

All credible pathways show that unabated thermal generation has an important, transitional balancing role to play in ensuring security of supply whilst the UK decarbonises. This is underlined by the fact that in 20/21 our fleet saw a 50% increase in response contracted by National Grid to help balance the system. We have also seen spark spreads trend to more attractive levels.

However, we are in no doubt about the need to decarbonise and repurpose our fleet for the net zero world. And, while some companies simply choose to sell up, that does nothing to address the underlying challenge of finding low-carbon ways to generate electricity flexibly. Nor does it help any just transition socially.

And we are making progress. In 20/21, our thermal plant emissions were at their lowest level since records began in 2001 and in this morning's statement we show we are well on the way with our key science-based targets.

Our new highly efficient Keadby 2 CCGT will displace less efficient generating plant on the system. And in terms of SSE's older plant, with the exception of Keadby 2, our JVs at Marchwood and Seabank, and Great Island in Ireland, we cannot envisage any of our thermal plant running into the 2030s unabated. Despite year-to-year variability, we expect to meet comfortably our absolute emissions and carbon intensity targets by 2030 at the latest.

Meanwhile, our partnership with Equinor to develop plans for a number of first-of-a-kind, low-carbon power stations in the UK's Humber region, as well as at Peterhead, could see us build the UK's first power station with CCS, and the world's first 100% hydrogen-fuelled power station. With strong government support and well-located existing assets, alongside a strong carbon pricing backdrop, there are clear tailwinds for our future low carbon thermal portfolio.

I'll now hand back to Alistair.

ALISTAIR PHILLIPS-DAVIES

34. OPPORTUNITIES | SSEN Transmission – Getting on with RIIO-T2

Thanks, Martin.

With a wealth of renewable resources in the North of Scotland, Transmission has a vital role to play in transporting the electricity to demand centres further south.

Its RIIO-T2 business plan ‘A Network for Net Zero’ reached a final settlement of nearly £2.2bn of approved investment in making the network fit for the future.

While the bulk of the price control settlement matched our own and our stakeholders’ ambition which we are now focused on delivering, the financial parameters did not. Our appeal – echoed by the rest of the industry and now progressing with the CMA – is technical in nature. It centres on the cost of equity, which does not reflect market conditions, and the flawed outperformance wedge as well as exposure to under recovery of TNUoS and loss of appeals rights.

While customer bills must be minimised, appealing is the right thing to do, our relationship with Ofgem remains constructive and is not preventing us from delivering our stakeholder-led plan.

In addition to the baseline settlement, Ofgem has also approved the Shetland HVDC link which could see over £650m of totex spent to connect generation and secure Shetland’s supply. Construction has begun and the project remains on track for completion in 2024.

Shetland plus our baseline spend gives us a Certain View of expenditure across T2 of around £2.8bn – and this would take Transmission RAV to above £5bn by FY26. All expenditure expected under our Certain View is consistent with SSE’s existing £7.5bn capex plan

35. OPPORTUNITIES | SSEN Transmission – Uncertainty Mechanisms

Growing a network to meet net zero will require investment over and above the baseline settlement and this is reflected in Ofgem’s use of Uncertainty Mechanisms.

The extent of the additional projects approved by Ofgem remains to be seen, but we believe the case for greater ambition is strong and will be seeking to use the new mechanisms this year.

Taking increased Scottish wind capacity south involves progressing the proposed East Coast HVDC link from Peterhead to the northeast of England to meet a 2029 energisation date. And we welcome Ofgem’s recognition of the need for this investment, in a consultation published earlier this month.

Capacity reinforcements in Argyll to 275kV as well as replacing the Fort-Augustus to Skye line are also planned, with Initial Needs Cases for both projects due to be submitted to Ofgem this year.

Further investments to connect new renewable generation through the Volume Driver Uncertainty Mechanism are also likely.

Taken together, we could see additional totex over the RIIO-T2 period of more than £1bn, potentially taking total spend to over £4bn, and RAV to in excess of £6bn by 2026.

But this is an uncertain view with investments remaining subject to a range of factors including generator commitment, planning and, of course, Ofgem. Our assessment of the likelihood and cost of these additional projects is likely to form part of our update to capex plans in November.

36. . **OPPORTUNITIES | SSEN Transmission – Further potential growth**

Much of what I've outlined is likely to cut across T2 and T3, but there could be further investment needed. ScotWind for example is expected to unlock up to 10GW of new wind, meaning further system upgrades and a likely second HVDC link from Peterhead to England, and SSEN Transmission continues to work with stakeholders on proposals for mainland connections to the Western Isles and Orkney.

We can see a clear path to a near trebling of connected capacity from 8GW today to 22GW by 2030.

37. OPPORTUNITIES | SSEN Distribution – Looking to RIIO-ED2

Electric vehicles and electric heat demand will increase dramatically over the coming years in line with government policy. Working with consultants Regen and local stakeholders, we have projections showing a potential in-area increase of EVs and heat pumps from around 30,000 each today to 5m and 2.5m respectively by 2050.

ED2 will be a critical price control in driving net zero delivery and we are currently finalising the business plan we have co-created with our stakeholders and customers.

It is an ambitious but robust plan that will deliver a local and inclusive transition to net zero by:

- Prioritising strategic investment to create the safe, resilient and responsive network that our customers need.

- Providing a trusted service for our customers and communities, to empower them with innovative solutions and support

- And collaborating to create smart, flexible, local energy networks.

We expect an increase in investment on ED1 rates to keep pace with net zero. There will be an uplift in load expenditure to ensure local networks are not constraining net zero and an increase in non-load and support costs to create a resilient foundation.

38. OPPORTUNITIES | SSE Group – Every step of the way to net zero

To recap, today's results show how much has been achieved by SSE in the face of a global pandemic and how much potential the Group has for growth and value creation.

Our strategy is well aligned to political, economic, societal and environmental priorities with an increasingly targeted mix of low-carbon electricity assets and infrastructure businesses.

We have an enviable and increasingly valuable renewables pipeline which we are building and diversifying.

Transmission, Distribution and Thermal are also all poised to provide further material growth opportunities.

We have delivered on our financial commitments and created value in our disposal programme.

Financially, we have headroom and an asset and development portfolio that provides additional funding power to grow the business further.

At SSE we are powering change.

Thank you. We will now take your questions.

CLOSE