



IBERDROLA Investors' Day 2008

Gleneagles, Scotland



SP Energy Wholesale

July 2nd 2008

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Agenda



UK Value Chain

Progress Update

The UK Energy Market

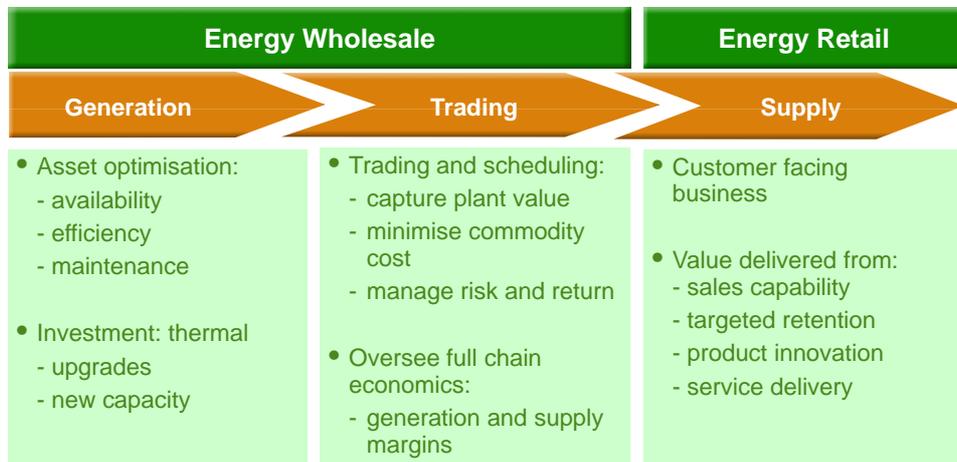
Key Value Drivers

- Energy Management Skills
- Diverse and Flexible Portfolio
- Operational Efficiency
- Investment Opportunities and Capabilities
- Emission Reduction Plan

Conclusion

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UK Value Chain



Managing the integrated business to maximise value

Progress Update



Improving Energy Wholesale and Retail operating performance...

- Favourable commodity prices locked in on gas and coal
- Retail prices increased on 2 February 2008
- Increased output from fleet availability and profitable spreads
- Plant flexibility has maximised opportunities
- Plant outages to fit environmental improvements such as FGD

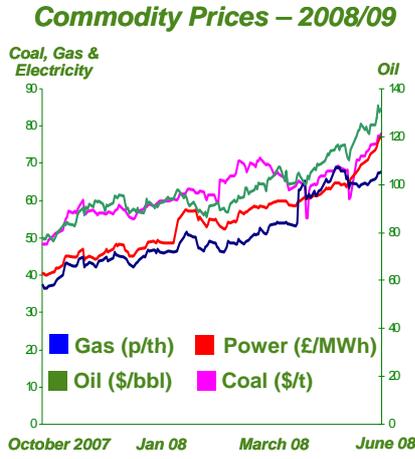


...leads to continuing profitability growth

The UK Energy Market

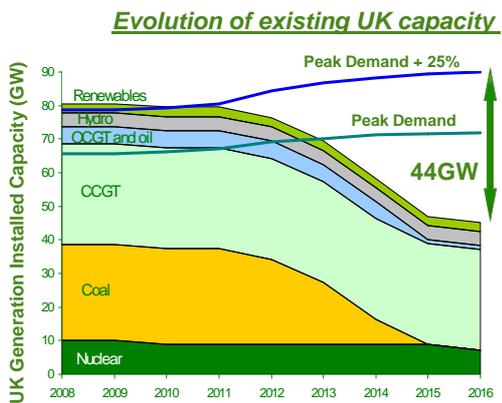


- Fully competitive generation market
- Unprecedented commodity price increases
- Industry wide retail price increases expected
- Environmental legislation and carbon trading
- Capacity shortfall predicted – supply security at risk
- UK Energy Policy promoting broad generation mix



... strong fundamentals support investment opportunities for proven developers/operators

Emerging UK Generation Gap



Closing the gap:

- Coal life extension
- New build renewables, gas, nuclear
- Carbon capture & storage?

Price signals:

- Short term spreads close to investment levels
- Medium to long term expect prices to rise:
 - Tightening plant margin
 - Rising OEM costs
- Carbon will be key in shaping future

Requires largest generation investment programme in UK history

ScottishPower: Key Value Drivers



ScottishPower is well positioned for growth

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Energy Management Skills



Integrated commercial approach ...

- Substantial growth in profits in last four years
- Reduced commodity and credit risk through integration
- Commercial / pricing decisions based on full chain economics
- Single commercial hub managing all commodity requirements
- Experienced cross commodity trading desk
- Managing Iberdrola Renewables UK trading requirements

... across Wholesale & Retail

EBIT trend (IFRS excl. IAS 39)

Year	SP pre-acquisition	SP IBE post-acquisition	Total EBIT
2006 Full Year	£375m	£0m	£375m
2007 Full Year	£150m	£234m	£384m
Q1 2008	£100m	£100m	£200m

■ SP pre-acquisition ■ SP IBE post-acquisition

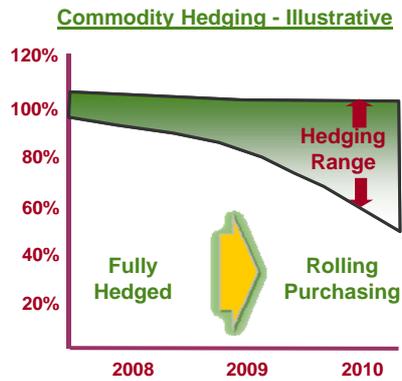
Maximising earnings through optimising all parts of the value chain

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Commodity Positions

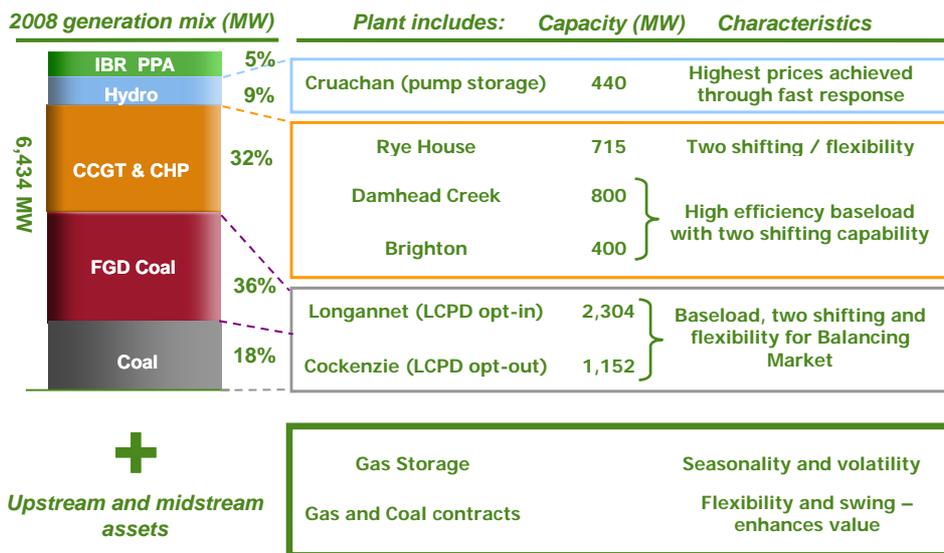
Commodity positions effectively hedged over medium term

- Natural hedge between generation and retail power
- Cross commodity hedging for periods of low liquidity
- Our steady buying strategy locked in favourable prices on coal, gas and carbon
- Additional benefit from long-term gas and coal contracts
- Flexibility from gas contract swing and storage



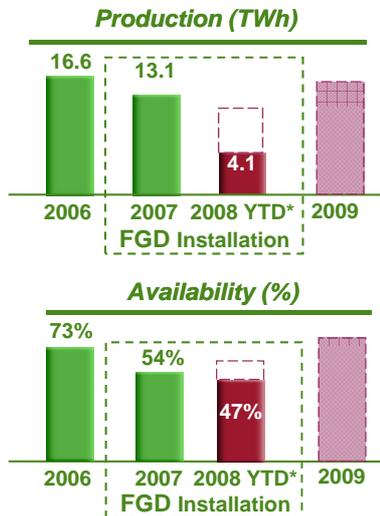
Value locked in through hedging strategy

Diverse and Flexible Portfolio



Sector leading performance through delivering flexibility

Benchmarked Efficient Operator – Coal Plant



Lowest manpower per MW installed in recent benchmarking study

Excellent performance in competitive Balancing Market

FGD installation nearing completion

Cockenzie at highest production level in last 10 years

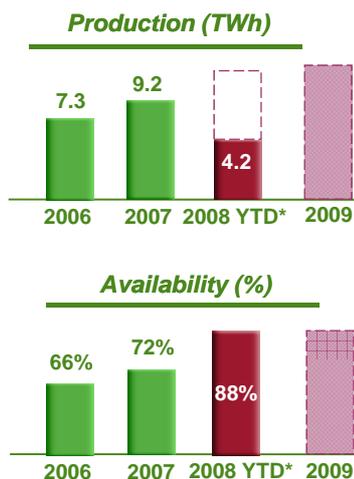
Health & safety – 0.1 accidents per 1000 employees vs 0.74 industry standard

Strong focus on safety and efficiency

* January to April 2008

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Benchmarked Efficient and Safe Operator – Gas Plant



High spark spreads significantly increasing plant running

Investments to enhance plant performance giving substantial returns

Excellent Balancing Mechanism performance

World class safety record at our gas plants

Maximising value in the UK market from our efficient and flexible portfolio

* January to April 2008

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Investment Capabilities



Experienced team – proven track record

Local market knowledge and contacts

Strict investment criteria

Addressing key challenges

- Contributing to Transmission Access Review
- Lobbying on consenting & planning

Leverage Iberdrola Group strengths

- Procurement
- Construction



Capability to identify and deliver superior investment opportunities

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Maximising Useful Life of Coal Plant



Evolution of our coal plant – investing for the future

Increasing efficiency and environmental performance →



FGD nearing completion at Longannet – reducing SOx emissions

Near Completion



Life extensions through improving efficiency and NOx emissions

2008 to 2015



Carbon Capture & Storage / other developments

2015 onwards

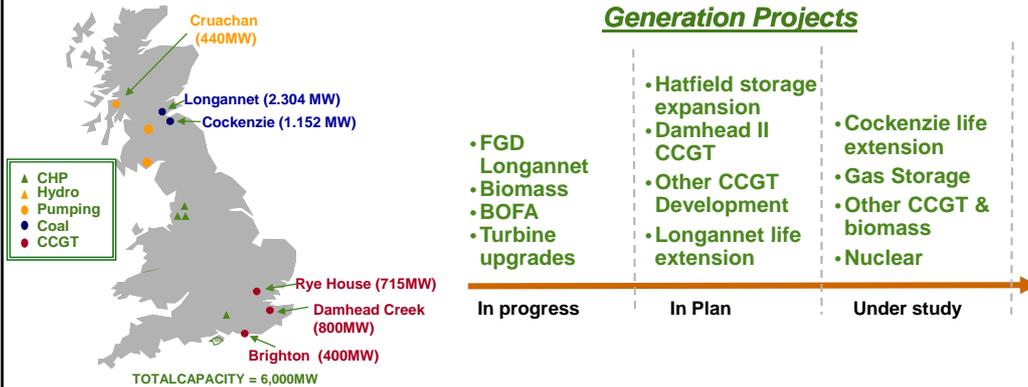
Utilising existing sites, grid connections and operational skills

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Generation Development Portfolio



A portfolio of growth options



Creating value through growth in capacity and increasing diversity

Emission Reduction Plan



Delivering financial & operational targets with a clear goal ...

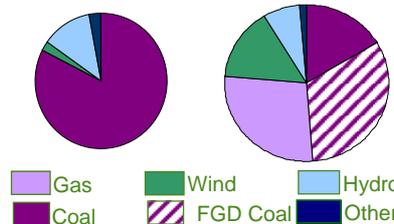
Environmental performance is high on our business agenda

Increase in renewables (via Iberdrola) & CCGT generation reduce carbon levels

FGD secures environmental and operational improvements at Longannet

Exploring longer term technological solutions eg. advanced coal generating technologies, Carbon Capture & Storage

SP Emissions (Tonnes/MWh) – 1999 v 2010



... of significantly reducing the environmental impact of our operations

Energy Wholesale Conclusion



Delivering earnings growth

Competitive commodity books

Excellent operational performance

Securing long term future for coal

Opportunities to grow CCGT and gas storage assets

Reducing environmental footprint

**We have the capabilities and opportunities to create further value
for Iberdrola**

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