



Julián Martínez-Simancas  
General secretary and secretary of the Board of Directors

Bilbao, 24 January 2012

**To the National Securities Market Commission**

**Subject: RIIO T1 transmission price control – SP Transmission Limited successfully fast-tracked**

Dear Sirs,

Pursuant to article 82 of Law 24/1988, of July 28, on the Securities Market (*Ley 24/1988, de 28 de julio, del Mercado de Valores*) and related provisions, and regarding the negotiations held between SP Transmission Limited (“**ScottishPower**”)<sup>1</sup> and the representatives of the British regulator Ofgem (Office of Gas and Electricity Markets) within the process of reaching a settlement of transmission price controls, we inform you that:

- (i) the referred negotiations ended with the delivery of a proposal to the British regulator by ScottishPower on January 19, 2012 in order to be fast-tracked; and
- (ii) on January 23, 2012, such regulator officially announced that it accepted ScottishPower’s proposal to be consulted upon through fast-tracking and that it considers that it provides a fair value to customers.

The main aspects of the investment plan subject to the proposal would be the following<sup>2</sup>:

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<sup>1</sup> Company belonging to the group of companies of which Iberdrola, S.A. is the parent company, indirectly and fully participated by Iberdrola, S.A.

<sup>2</sup> [http://www.spenergynetworks.co.uk/publicinformation/stakeholder\\_riio.asp](http://www.spenergynetworks.co.uk/publicinformation/stakeholder_riio.asp)

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- (i) We have secured 2.6 billion pounds of investment, which means that ScottishPower's Regulatory Asset Value (RAV) will grow by 220 % to 3.2 billion pounds. This investment will deliver capacity to:
- Accommodate a large increase in offshore and onshore wind generation (of around 11 GW in Scotland) in accordance with the United Kingdom's legally binding target for renewable generation and decarbonisation of the economy.
  - Increase the export capacity of the ScottishPower's transmission network from around 3.3 GW at April 1, 2013 to close to 7 GW by March, 31 2021.
  - Significantly reduce constraint costs to the UK consumer by 1.7 billion pounds cumulatively to 2021 and facilitate 2 billion pounds in reduced carbon emissions (equivalent to 45 million tonnes of CO<sub>2</sub>).
  - Avoid constraint costs which would rise to 16 billion pounds by 2030 without the investment.
  - Modernise the network to ensure that the excellent security of supply and reliability presently enjoyed in the ScottishPower area is maintained.
  - Create up to 1,500 new directly associated jobs in the ScottishPower franchise area in this period.
- (ii) We estimate that the outputs described above will account for a 10 pence per annum increase to the average customer's annual bill.

Please be advised of all of the foregoing for the appropriate purposes.

Yours faithfully,

General Secretary and Secretary of the Board of Directors

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