



IBERDROLA

SP Transmission UK
RIIO-T1 Fast Track Overview

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SP Transmission

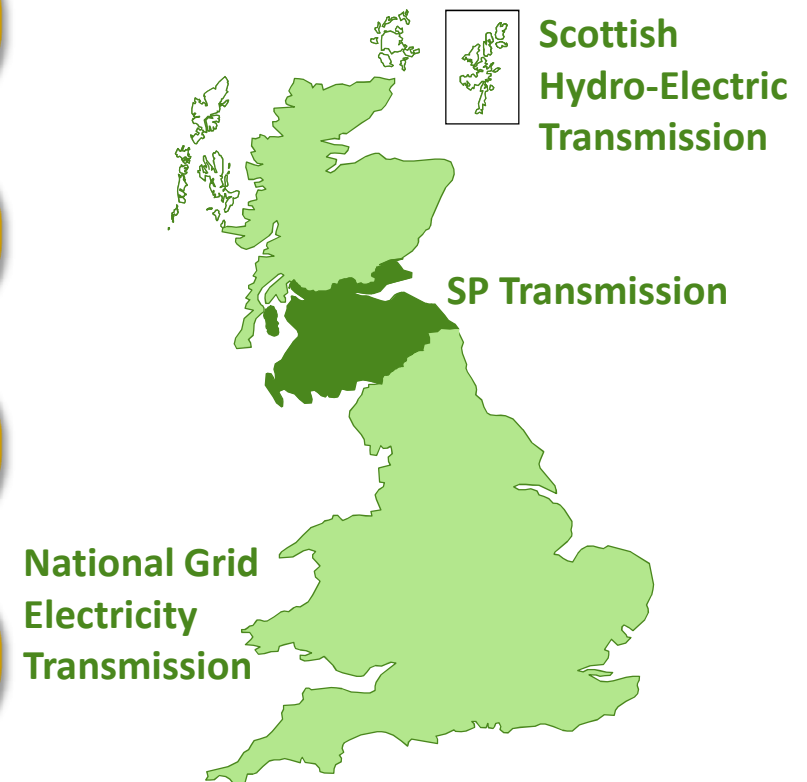
Forecast RAV at 31 March 2013: £1.4 bn

Overhead circuit: 3,700 km

Underground circuit: 300 km

System maximum demand: 4.1 GW

Total connected generation: 8.3 GW



Iberdrola re-affirms its commitment to the UK through RIIO-T1

The Group is committing to its largest ever investment in the UK

Investment in a mature, stable & predictable environment

Working with the regulator and all stakeholders to ensure an optimal solution

Investments will deliver strong organic growth in UK transmission

RIIO-T1: Maintaining the Group's strategic focus on core markets and activities

RIIO-T1: Ofgem confirms SP Transmission suitable for fast-tracking

£2.6 billion investment, RAV to grow 220% to £3.2bn by 2021

A real post tax WACC of 4.5%. Improvement against TPCR4 rollover (4.26%) and DPCR 5 (4.0%)

Full indexation of revenues and Regulated Asset Value (RAV) at RPI

Favourable depreciation allowances secured

Important risk mitigation measures within the plan

Mature, stable & predictable environment will facilitate delivery

Investment



Regulated Asset Value to increase by 220% to GBP 3.2 billion

Approx 11GW of additional wind connections

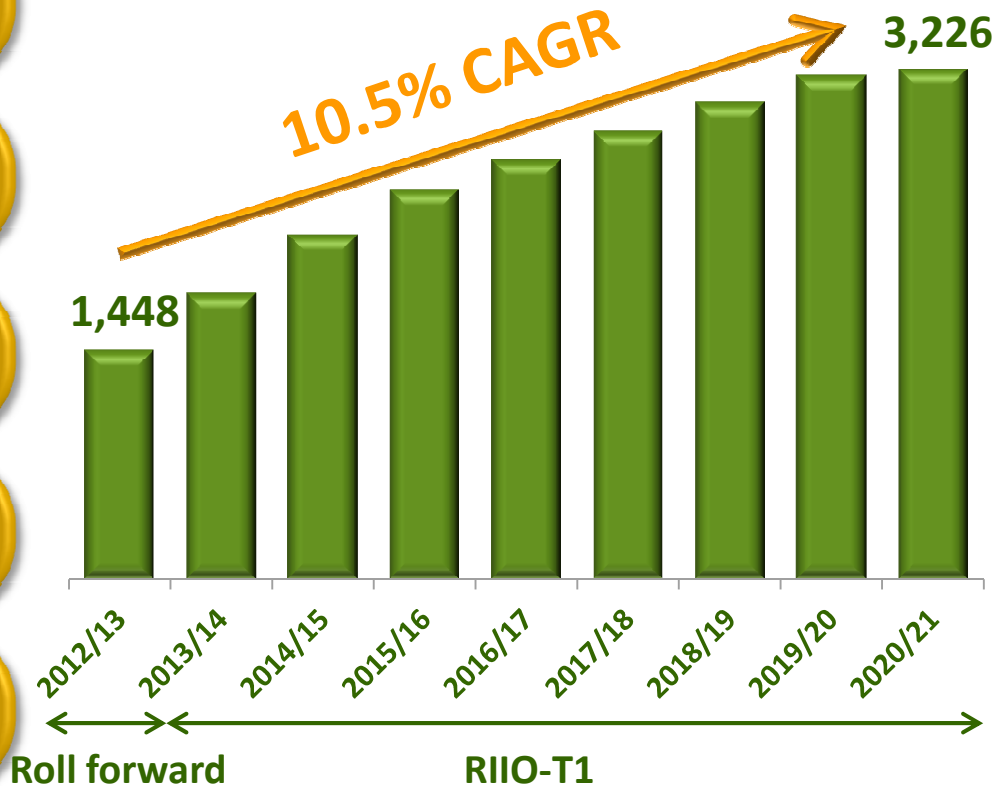
Increase network export capacity from 3GW to 7GW

Network modernisation to maintain excellent security of supply and reliability

Constraint costs reduced by £1.7 billion as a result of this investment

80% of investment in base revenue, 20% subject to in period agreement

RAV evolution (nominal)



SP Transmission fastest growth in RAV of UK Regulated Business

Financial Considerations



Overview of financial discussions

	Ofgem Proposal Mar 2011	ScottishPower Original Plan July '11	Ofgem Proposal Jan 2012
RoE (real)	6.0-7.2%	7.2%	7.0%
Gearing	-	50%	55%
Asset life transition to 45 years	Subject to financeability need	8 year linear basis	8 year linear basis
Revenue Indexation	RPI	RPI	RPI

Comparison of WACCs to previous price control reviews

	DPCR 5 (real)	TPCR 4 Rollover (real)	RIIO-T1 (real)
Cost of Debt	3.6%	3.25%	3.2%
Cost of Equity	6.7%	7.0%	7.0%
Gearing	65%	60%	55%
Post Tax WACC	4.03%	4.26%	4.49%

Further outperformance will be targeted

Corporation Tax: In calculating post tax WACCs we use a Corporation Tax rate of 28% for DPCR5, a rate of 25% for TPCR4 Rollover and 24% for RIIO-T1. **Cost of Debt:** The allowed cost of debt during RIIO-T1 will vary in relation to a benchmark index (a ten year trailing average of iBoxx non-financials 10+ maturity series for an average of broad A and broad BBB ratings) as set out within Ofgem's March policy decision document. The figure of 3.2% is expressed in real terms and is at the point Ofgem previously quoted as being the index as at March 2011. This will vary during the period depending on the index

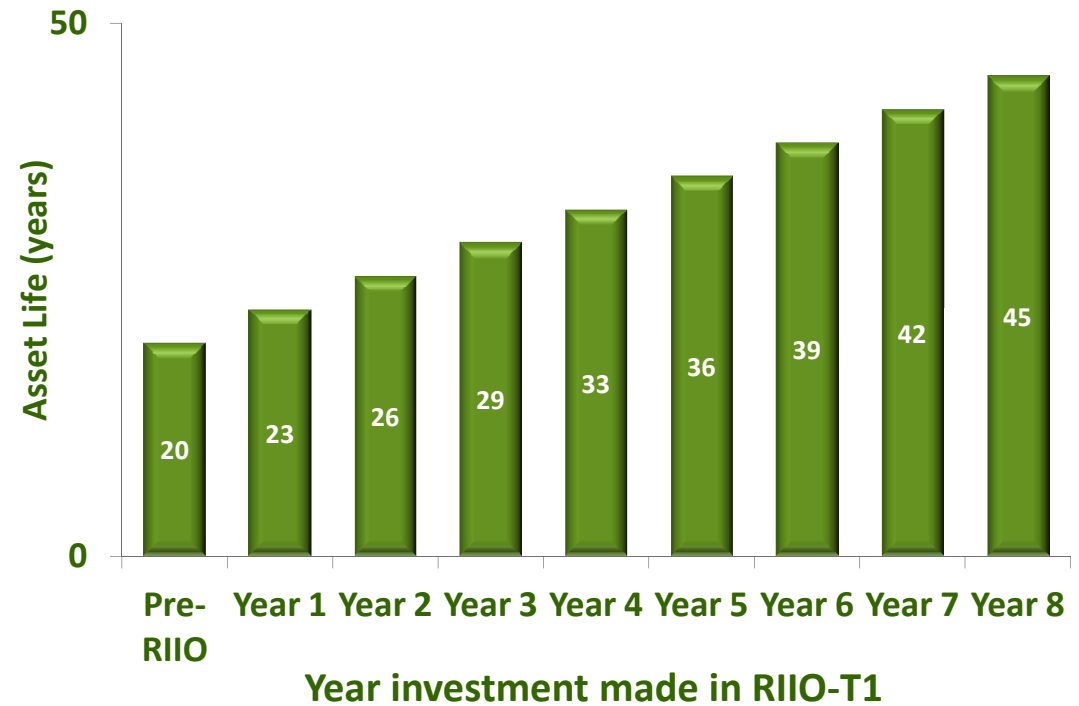
Asset life transition

Transition of asset lives for new investments from 20 to 45 years over 8 years on a linear basis

All investments (approx £1.4 bn) made prior to 1 April 2013 maintain a 20 year life

Strong cash-flows: 50% of the investment is funded through the depreciation allowance in period

8 year transition key part of management's financeability considerations



Asset life fixed in year investment made

Risk mitigation

Inflation: Revenues and RAV linked to UK RPI

Important risk mitigation measures on major infrastructure projects

iBoxx debt index: a mix of A/BBB non-financials

20% of proposed investment only when need has been demonstrated

Pensions: Maintaining the principle of 100% allowance for efficiently incurred deficits

Next Steps



Next Steps

Ofgem will now consult on this plan and SHETL's as Initial Proposals in February

These should form final proposals in April 2012

Final Proposals effective from 1 April 2013

Conclusions



RIIO-T1 will deliver significant organic growth...

Our comprehensive plan aligns to Government Policy and stakeholder requirements

Our plan provides right balance between financeability, risk and customer impact

Long term transparency on investments up to 2021

Financing plan is sufficient to maintain a strong credit rating

...in a low risk, mature and stable regulatory environment