

RIIO-T3



Board Assurance Statement

SP Energy Networks RIIO-T3 Board Assurance Statement

The Board of Directors of Scottish Power Energy Networks Holdings Limited (SPENH Board) have overall responsibility for the long-term strategy and direction of our RIIO-T3 business plan.

We have taken a proactive oversight in the development of the RIIO-T3 business plan and are confident that it has been fully tested for accuracy, ambition, efficiency and customer interest.

We have worked hard to make sure the plan is founded in the best interests of consumers, network users, our wider stakeholders as well as contributing to the Scottish, and UK Government's Net Zero targets. We are satisfied that it fully addresses Ofgem's business plan requirements and, further, that our proposals will deliver value for consumers that goes above and beyond these expectations.

The Board of Directors have been integral to the development of our robust Governance and Assurance framework and we welcome the opportunity to share with you the work we have carried out to provide accountability and to ensure confidence in the strategies and processes that underpin all aspects of our RIIO-T3 business plan.

This plan will be essential to enabling the UK's Net Zero targets, and we are confident that our plan forecasts fully support for legislated decarbonisation targets and trajectories. As we enter a critical time of change for the transmission sector, we fully support the ambition of the RIIO-T3 plan to lead by example in enabling a just transition to a Net Zero future.

SPENHL Board		
Ana Lafuente Gonzalez	Chairperson	Internal, Non-Executive Director
Nicola Connelly	CEO	Internal, Executive Director
Monica Grau Domene	Member	Internal, Non- Executive Director
Jose Ignacio Sanchez-Galan Garcia-Tabernero	Member	Internal, Non- Executive Director
Gillian King	Member	External, Non-Executive Director
Lord Hutton of Furness	Member	External, Non-Executive Director
Rt Hon Charles Hendry C.B.E	Member	External, Non-Executive Director

Board Proactive Oversight

We, the Board, have been involved in the business plan development process from the outset. We have held two dedicated assurance workshops in 2024 providing a focus on RIIO-T3, in addition to regular updates at our formal Board meetings. These workshops have provided us with the opportunity to fully engage with the RIIO-T3 project team members and challenge all aspects of the development process and submission.

They have also allowed us to understand the robust assurance framework that underpins the development process and provide us with confidence that scrutiny has been applied across all elements of the submission. We have been kept fully informed of the level of review and challenge undertaken by industry experts, leaving us with no doubt that our submission is well justified and efficient.

Additionally, we have also welcomed the opportunity to speak to Angela Love, the chair of SP Energy Network's Independent Net Zero Advisory Council (INZAC) at the assurance workshop. We have valued the INZAC's detailed input and challenge to the plan through the extensive use of 'Buddy Groups' and strategic oversight of the full plan. We are confident, as a Board, that their feedback has been fully considered and addressed by the project team.

Accuracy, Efficiency, Ambition and Customer Interest

To the Board, an ambitious business plan puts consumers first and delivers value for money, whilst ensuring that it can deliver a resilient network, maintaining our current high standards, and driving the innovation that prepares for the energy transition. The Board are satisfied that the business plan and the associated proposed costs and financial package have been appropriately challenged for accuracy, ambition, efficiency and customer interest:

Accuracy

The Board recognise that our business plan must be accurate, well justified and compliant with all regulatory requirements – this is vital to earn the trust of our customers, network users and wider stakeholders.

The robust assurance framework - based on a ‘three lines’ model, with the risk scores used to drive the additional assurance activities – which underpins the RIIO-T3 development process was approved by us, the Board, and gives us confidence that our submission has been significantly challenged from both internal and external independent experts. This ranges from validation of our asset condition and needs cases to confirmation that our cost benefit analyses have been conducted in accordance with agreed methodology.

Also, Method Statements, Second Person and Senior Manager reviews with Director sign off for all elements of the submission have been completed, in compliance with Ofgem’s Data Assurance Guidance.

Challenge from independent internal and external experts

In addition to the review and challenge from our independent internal experts, 9 independent external experts were engaged to scrutinise multiple aspects of our submission. The areas covered by our external experts included a review of our investment decision packs to ensure they are justified and efficient, review of our Digitalisation strategy through to Cost of Capital and ensuring our financial strategy is robust. Updates on the key outputs of these external activities were provided by the work stream leads at the dedicated RIIO-T3 workshops; the Board were satisfied with the breadth of coverage of these assurance activities and that all recommendations made had been addressed by the RIIO-T3 project team. With each draft of the plan, a number of internal and external experts, including the Board, have reviewed and provided detailed feedback on the Business Plan narrative. The Board reviewed the feedback captured and was satisfied that all comments had been addressed by the RIIO-T3 project team.

Internal Assurance Team

The Board have taken comfort from the involvement of the Internal Assurance team throughout the development process. The team have used a risk-based approach to review the population of the Business Plan Data Tables. At the Board’s request, the output of the Internal Assurance work was detailed in the dedicated workshops on RIIO-T3 assurance; the Board were satisfied with the approach and scope of the review.

Internal Audit

ScottishPower has a well-established Internal Audit team which is independent from SP Energy Networks. Internal Audit has conducted audits related to governance of the internal RIIO-T3 project programme and RIIO-T3 business plan assurance. The final reports produced by Internal Audit have been noted by the Scottish Power Energy Networks Holdings Limited Audit and Compliance Committee and the Board were satisfied with the positive outcome.

Efficiency

Efficiency can be measured by the ability to avoid incurring additional expenditure in producing or delivering a desired output. These outputs are defined by the activities proposed in our Business Plan. The Board is confident that we have submitted an efficient business plan. The extensive assurance that has been used throughout the development process supports this view:

Totex development and benchmarking

The efficiency of our business plan was tested for all categories of Totex using a framework approach to provide maturity to the analysis. This framework was developed in conjunction with, and independently administered by, industry experts S&C Electric, who are leading experts in the Ofgem cost assessment process. The framework assessed each Totex category against competitively tendered prices, benchmarking and bespoke analysis, where possible.

The feedback received on our benchmarking approach focussed on ensuring good regulatory practice, transparency, and robustness in our modelling. We took a structured and holistic approach to developing our Totex and benchmarking our plan.

The results from our framework analysis were used to continuously iterate our thinking and to challenge our Totex as it developed, ensuring our submission represents optimal value for our customers and stakeholders.

Selection of the optimum and efficient solution

Our engineering strategies have been externally assured to make sure that we are doing the most efficient thing for both present and future consumers. For example, we engaged EA Technology, a world leading organisation in effective asset management with technical overhead line expertise, the outcome of whose analysis validated our robust overhead line strategy.

We ensured that the engineering solutions that we were proposing were the right ones and we had fully explored all possible options. We worked with Arcadis, a leading global design and consultancy firm with an established international track record of delivering technical and costing support to energy network companies for regulatory submissions, to review 100% of our Load and Non-Load related investments with deeper analysis on representative samples. Arcadis provided a holistic plan review, with a top-down cost efficiency review of the total plan.

This was supplemented by a targeted bottom-up cost review with validation of need cases and optioneering processes, including preferred-option selection by review of the Investment Decision Packs (IDPs) to validate the need case, optioneering process and cost efficiency against their benchmarks. Our methodology was further substantiated by completion of our Cost Benefit Analysis (CBA) and our engineering solutions being reviewed and challenged by our internal independent engineering experts enabling us to select and justify the optimum and most efficient solutions for our plan.

The engineering methodology was presented at the dedicated RIIO-T3 workshops, and the Board was satisfied with the approach and are confident that the investments that have been submitted are efficient and robust.

Ambition

It is the Board's view that we have submitted an ambitious business plan that will play a critical role in enabling the UK's ambitious climate change targets. The Board has seen the level of ambition in our business plan commitments develop to meet the needs and priorities of our customers and stakeholders and become embedded in our plan.

We are at the heart of the energy system transition and have created a plan with high confidence that will see a 211% increase in expenditure from RIIO-T2 to RIIO-T3 equating to £10.6bn (23/24 prices) investment in the country's critical transmission infrastructure.

This will increase the capability of our network to transport electricity by building more infrastructure facilitating the connection of 19GW of renewable generation, increasing the capacity of circuits and contributing to reduce UK constraint costs by £4.9bn by 2030. Our proposals will make a determined contribution towards Net Zero by enabling the connection and flow of more clean energy to our homes and businesses whilst having the means of adapting our plan to accommodate any variance as the pace and scale of need becomes more certain.

This is a critical time for networks. Generation is evolving and new threats are emerging during a phase of intense network development. We will operate and maintain our network to the highest standards while adapting to meet the challenges of extreme weather, cyber and physical threats. Our plan ensures that we maintain exceptional levels of reliability of 99.9% and sees a long-term monetised risk benefit of £23.1bn.

Our Environmental Action Plan drives us towards being a truly sustainable networks business and by defining the progress required during the RIIO-T3 period, to realise our vision depicting our long-term goals for Climate Action, Action for Nature, Circular Economy, Supply Chain Sustainability and fostering a Sustainable Society, in line with the UN Sustainable Development Goals. For example, our plans show we will be nature positive across all projects, ahead of Scottish Government policy, and we are aiming for greenhouse gas reductions of 67.5% from a 2018/19 baseline, aligned with our aspirational sector leading 2035 Net Zero GHG Target.

Our innovation plans are stretching, not only resulting in our costs being lower in RIIO-T3 and beyond but also enabling faster connection of renewable generation by delivering transformational change to the pace and scale of delivery and helping to reduce system constraints. Innovation also helps drive our Data and Digitalisation strategy and our RIIO-T3 business plan shows how we will build on our Digitalisation Strategy and Action Plan (DSAP), creating a digital foundation that will enable us to transform to digital excellence and support the delivery of our investments and commitments.

We will create c1400 new high quality green jobs growing our direct Transmission workforce to 2,300 FTE. Our robust and agile Supply Chain & Workforce Resilience Strategy shows how we will grow our modern, diverse, high-quality, well-trained workforce to be fit for the future. We will do this positive recruitment and proactive staff retention through continuing to develop our culture and by investing in our people. We will also broaden our existing skillsets through our people development in newly designed trainee programmes and upskilling and reskilling our existing and new workforce.

Our investment would drive and sustain wider social and economic benefits with GDP gains of over £1bn per annum and 7,447 additional FTE across the wider economy by 2030. We will leverage the benefits and buying power of being part of a global world energy leader to finance unprecedented levels of investment and to strengthen and stabilise our supply chain in the UK and beyond.

Customer interest

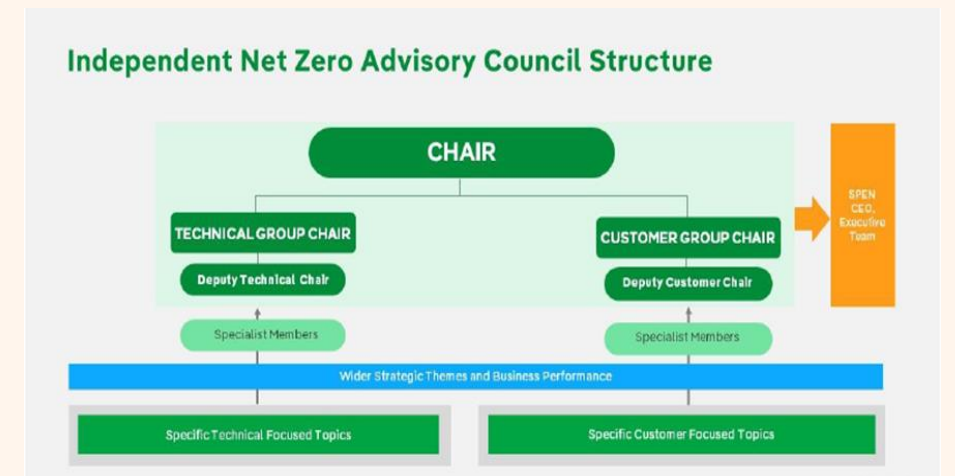
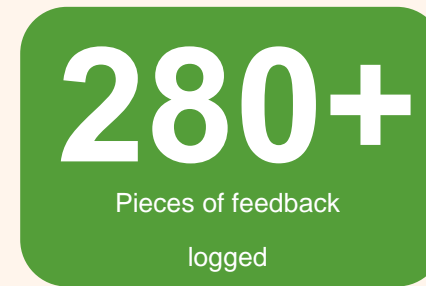
The plan enables the delivery of RIIO-T3 through ongoing engagement with our customers, stakeholders and communities to continue to meet their expectations, whilst also supporting both the UK and Scottish Governments' Net Zero emissions targets. Our stakeholder engagement strategy has been in place, revised and refined for over 10 years. It outlines our approach, tools and processes and is the foundation upon which we do all engagement across the business. We have independently audited our engagement strategy, governance and processes for the past seven years against AccountAbility's AA1000 Stakeholder Engagement Standard, achieving a 91% rating on AccountAbility's maturity ladder in 2024, one of the highest in the industry. We have considered the direct input from our customers and stakeholders against other regulatory and financial factors to ensure the plan we have created delivers better outcomes for them. This makes it a better plan, full stop.

The Independent Net Zero Advisory Council (INZAC)

SP Energy Networks independent stakeholder group (ISG) is the INZAC. This group of industry experts was formed in 2022 across both technical, and customer interest areas. Chaired by Angela Love – they have played a crucial role in ensuring our business plan was met with the appropriate scrutiny and challenge. They brought the voice of consumers and stakeholders into the heart of our business planning process and have had direct input into the plan. We, the Board, have been updated through the workshop meeting with Angela.

Key members of the INZAC were aligned with specific project workstreams to form "buddy groups." They met on a regular structured basis to understand and influence the RIIO-T3 business plan direction. Each programme workstream kept detailed engagement logbooks showing how the plan has evolved for full transparency. The INZAC have helped shape our business plan. They have ensured it is value for money, ambitious, consumer focused, and meets net zero objectives.

We continue to support the INZAC to assess our performance in relation to our bespoke and reputational incentives, as well as the commitments we make in our business plan. This will provide a continual external challenge on our performance throughout the price control, not just on our business plan submission.



Board Sign-Off Statements

The Board have reviewed the overall RIIO-T3 assurance framework and are satisfied that this approach ensures that the submission is accurate, well-justified and compliant with regulatory requirements. The established risk-based assurance framework, which deploys additional assurance activities based on risk scores, ensures that all areas of the submission have been subject to rigorous challenge from independent internal and external experts. This framework also ensures strict adherence to Ofgem's Data Assurance Guidance.

The Board have reviewed the approach to developing expenditure plans and are satisfied that the costs in the plan are efficient and ambitious - minimising the impact on consumer bills. The structured and iterative approach taken to the development and benchmarking of expenditure plans means that the level of efficiency embedded in the business plan has been continuously challenged throughout the development process. Over the course of RIIO-T2, to date, our underlying efficiency is 3.8% which we have reflected throughout our RIIO-T3 forecast. The cost efficiency framework carried out by independent external specialist has given us confidence that our costs are considered efficient against their industry benchmarks.

The plan will provide a reliable network with security of supply- the focus of the non-Load investment in the plan is to refurbish or replace assets in the poorest condition, which pose the highest risk to network reliability whilst adapting to meet the increasing threat from extreme weather, cyber and physical threats. We are confident in the robustness of the non-load investment decisions given the intensive assessment programme put in place by SP Energy Networks and the scrutiny provided by independent, external specialists on the needs cases, and technical options.

The plan has been co-created with our wide-ranging stakeholders including consumers and network users and represents the interests of all relevant parties - Stakeholder input is fundamental to all SP Energy Networks' activities and this is ever more pertinent when planning and prioritising for the future. Our plan has been directly influenced by our stakeholders driving better decisions which keep consumers, network users and wider stakeholders at their heart. We know that this business plan has also benefited tremendously from the oversight and constructive challenge and feedback from the Independent Net Zero Advisory Council chaired by Angela Love.

The plan is deliverable - SP Energy Networks has built its RIIO-T3 plan based on their experience of delivering an array of projects on a timely and efficient basis. Detailed delivery plans have been implemented for RIIO-T3 based on a new agile and robust workforce and supply chain strategy. Business Transformation plans are also in progress which provides the SPENH Board with a high level of confidence that this plan can be delivered within the timescales, budget and specifications stated, enabling a just energy transition for all.

The Board is confident that we have submitted an ambitious load investment plan that will play a critical role in facilitating the UK's energy transition. The plan which will enable societal decarbonisation whilst providing the flexibility necessary to adapt to emerging consumer and network users' requirements and being agile to adapt to the pace of change required to meet Government targets.

Financeability Statement

Consistent with Ofgem's Business Plan Guidance, we are submitting a business plan which incorporates SPT's specific view of the financial parameters, based on expert evidence, and a view of the plan which reflects Ofgem's working assumptions as published in the Sector Specific Methodology Decision.

The business plan proposed by SPT that reflects its financial parameters is in its view financeable. However, it is SPT's view that, on the basis of Ofgem's RIIO-T3 working assumptions SPT may not be adequately financed and may fail key financial credit metric financeability tests. To address this, SPT's case for its financial parameters is set out in Section 4 of the business plan. In order to achieve financeability, the Board notes that the business plan proposed by SPT requires a combination of a Cost of Equity of 6.57% (at 55% gearing) and a revenue uplift of c.£99M pounds per annum on average (in total a net financeability adjustment, of up to c.£148M) and that only after these adjustments (or a package of equivalent economic value) is SPT's RIIO-T3 Business Plan financeable in its view.

For the Board, a robust plan is one that makes sure the expected overall credit rating for a notional average electricity transmission business will be, as a minimum, solidly within the Baa (Moody's) and BBB+ (Fitch and Standard & Poor's) credit rating. Our financeability criteria is fully consistent with the credit quality underpinning the allowed cost of debt index, which benchmarks Utility sterling bonds.

This is consistent with our licence obligation to maintain an investment grade credit rating. We have taken into account the full range of credit rating factors, not just credit metrics. This allows for scores for the individual sub factors to be outside the wider investment grade range of Baal to Baa3 (BBB range in S&P ratings). In our assessment we have used the last published qualitative factors for our company which under Moody's methodology have a weighting of 50%. The remaining factors that influence the rating score using Moody's methodology are the five key credit metrics.

We have worked with leading economic consultants NERA to develop a financeability risk model to test if the proposed financing package is robust. To do this, our model uses the Monte Carlo method to simulate the individual and aggregate credit metrics over the full range of plausible outcomes. The model does this for every individual external risk we have identified. Our plan, as opposed to the plan using Ofgem's working assumptions, results in an overall investment grade credit rating which is consistent with the range that underpins Ofgem's Cost of Debt index. We have demonstrated via risk assessment that our plan, and in particular a notional gearing of 55%, should ensure our business is sufficiently and securely funded and that the normal operation of RIIO-T3 is unlikely to lead to financial distress when coupled with adverse shocks from external risks. Additional future analysis of financeability will be required after the incentive package is agreed.

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Supplementary Governance and Assurance Information

1. Introduction

As we look forward to a future that brings substantial change for our networks, we are doing everything we can to make sure our plan is robust, well-researched and benchmarked.

An open approach, built on trust, is necessary to maintain the reputation we have with our consumers, network users and wider stakeholders. We have taken steps to achieve this transparency and make sure our ambitious business plan is accurate, incorporates the recommendations of industry experts, and builds on our learnings from RIIO-T2. We placed a comprehensive assurance and governance framework at the centre of our business plan development process with full support of our Board throughout.

To achieve this, our robust assurance and governance framework provides confidence in our business plan by building on an established framework, by responding to extensive challenge from a team of internal and external experts, with continued engagement from our Board and by underpinning everything with robust and accurate evidence.

2. Governance

An overview of our governance framework:



2.1. Strategic Guidance

The SPENH board has overall responsibility for the long-term strategy and direction of our RIIO-T3 Business Plan. The board works to make sure the company continues to operate responsibly and ethically, while delivering success for consumers, stakeholders and network users. Our business plan was developed on the basis of robust models and analysis and shaped by our extensive stakeholder engagement. The SPENH board, as evidenced in our Board Assurance Statement above, was fully engaged throughout this development process. The strong level of engagement with the SPENH Board has provided them with the confidence that our business plan is underpinned by a comprehensive assurance framework, and provided opportunity for them to test our submission for accuracy, efficiency, ambition and customer interest.

2.2. RIIO-T3 Executive and Sub Steering Groups

Chaired by Nicola Connelly, the CEO of SP Energy Networks, the executive steering group was set up specifically for RIIO-T3. The group comprised a representation of the executive team from across the business. The purpose of the steering group was to provide direction and governance at a senior executive level to the work being undertaken by the project

team. This helped to shape our business plan outputs and create a business plan consistent with our purpose.

To provide additional support to the executive steering group and to add a further layer of senior management oversight, 5 sub steering groups were established at key subject matter level as detailed below;

RIIO-T3 Sub Steering Groups

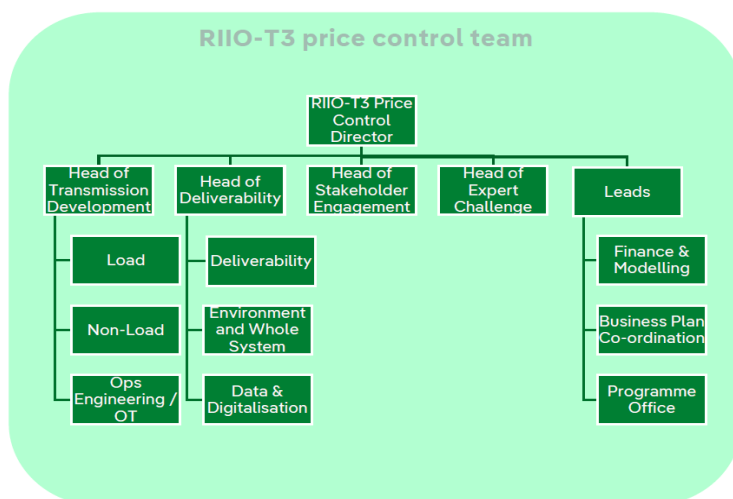
- Deliverability & contracting strategy
- People & modelling
- Finance
- Engineering
- Digitalisation, data & innovation

These groups fed directly into the Executive Steering Group. As part of our commitment to full governance, all of our steering groups run to a set agenda, with minutes of meetings captured and action logs in place.

2.3. Internal Governance

RIIO-T3 Project Team

Our dedicated, highly experienced team is led by Programme Director, Andrew Stanger. Andrew oversees a team of workstream leads, each with considerable experience in their areas of expertise, aligned to the price control review process. Each lead has their own team of highly skilled professionals. This layered approach allows us to cover each area expertly and to ultimately create a robust, ambitious, efficient and customer focused business plan. Please see below an overview of the dedicated team structure;



Price Control Programme Director: Andrew Stanger has 20 years in Energy Networks regulatory finance. He has extensive experience across several price control settlements in both Transmission and Distribution.

Head of Transmission Development: Craig McTaggart, 29 years experience in our Transmission business across all facets of Engineering and was RIIO-T2 Non-load investment manager

Head of Expert Challenge: Jim McOmish 33 years experience in electricity networks. Former head of SPEN distribution networks and Head of Market Development and Commercial

Head of Stakeholder Engagement: Andrew Jardine, 10 years experience in stakeholder activity with SPEN. Experience on RIIO-T2 and RIIO-ED2 price controls

Head of Deliverability: John Rodger has 24 years experience delivering major infrastructure projects globally and was RIIO-T2 programme manager.

Programme Plan

Once the team was established, our first step was to create a programme plan. Through continued engagement with our consumers and stakeholders to understand their needs, as well as taking guidance from the relevant RIIO-3 methodology and guidelines, we made sure we had the right deliverables identified to deliver an ambitious business plan in line with all internal and external requirements.

Programme Management Office

The programme plan is a live document and undergoes multiple iterations; this is managed by our Programme Management Office (PMO). The PMO is also the hub for overseeing our Internal Governance Process, taking charge of rigid reporting timescales and standards. Through this robust planning and reporting process, we established key timelines and communicated them to our stakeholders, including the Independent Net Zero Advisory Council. This gave them sight of when key milestones were due, and any necessary input required or outputs they should expect. We hold weekly meetings with the RIIO-T3 programme director and work stream leads to monitor progress and risk. These sessions ensure transparency and collaboration to resolve project-wide issues. Our RIIO-T3 risk register also feeds into SP Energy Network's overall Enterprise Risk Reporting framework.

Challenging the business plan

The right level of challenge makes sure we are aligned with our corporate values and our commitment to delivering what our stakeholders want. As we've prepared this plan, our internal assurance activities were supported by challenge through two key groups: the Strategic Transmission Infrastructure Governance forum and Independent Net Zero Advisory Council (INZAC):

Strategic Transmission Infrastructure Governance (STIG)

This group includes our key internal stakeholders, senior leaders and experts involved in running and supporting the Transmission Business and people at the heart of preparing the business for RIIO-T3. The forum is an established "Business As Usual" internal forum and, for the purpose of RIIO-T3, is used for collaboratively supporting and challenging the development of our business plan. The key objective being to make sure all decisions are fully considered and robust.

Independent Net Zero Advisory Council (INZAC)

As noted in our Board Assurance Statement above, the SP Energy Networks independent stakeholder group (ISG) is the INZAC and they have played a crucial role in ensuring our business plan was met with the appropriate scrutiny and challenge. They brought the voice of consumers and stakeholders into the heart of our business planning process and have had direct input into the plan. Key members of the INZAC were aligned with specific project workstreams to form "buddy groups." They met on a regular structured basis to understand and influence the RIIO-T3 business plan direction. Each programme workstream kept detailed engagement logbooks showing how the plan has evolved for full transparency. The INZAC have helped shape our business plan. They have ensured it is value for money, ambitious, consumer focused, and meets net zero objectives. The INZAC will continue to assess our performance in relation to our bespoke and reputational incentives, as well as the commitments made in our business plan. This will provide a continual external challenge on our performance throughout the price control, not just on our business plan submission.

3. Assurance

It's important our business plan is free from mistakes and inaccuracies, earning the trust of our stakeholders. To ensure it is, we have worked hard to build on our already robust internal assurance framework.

Integrated Management System (IMS)

Our Integrated Management System (IMS) consists of five international standards:

- Asset Management ISO55001
- Quality Management ISO9001
- Environmental Management ISO14001
- Health and Safety Management OHSAS ISO45001
- Business Continuity ISO22301

The IMS allows us to organise and manage our operations to achieve our business goals and objectives – while at the same time making sure we support the environment, our people, our customers and network integrity. Our IMS drives best practice approaches which strengthen our business plan and how it will be delivered. We have our compliance with the standards audited every three years. The external auditor noted in their report: 'well defined planning and delivery processes from top level planning to local delivery, comprehensive data gathering and progressive use of new techniques for asset reliability monitoring and measuring'.

Ofgem's Data Assurance Guidance

Our existing assurance framework ensures we adhere to Ofgem's Data Assurance Guidance (DAG) with the aim of reducing the risk of any inaccurate reporting.

DAG sets out the following steps for every submission made to Ofgem:

- a risk assessment following a defined risk assessment methodology
- preparation of a method statement explaining how the submission is prepared
- a second person check, and a senior manager review prior to Director sign off for every submission before we send it to Ofgem
- the determination and completion of any additional assurance activities for those submissions assessed as high or critical risk, prior to submission, from a pre-defined list
- an annual report on the results of the risk assessment and assurance activities, providing confidence in the accuracy of content.

Assessing Risk

In order to enhance this framework further we developed a holistic approach to assessing risk with our Assurance team, adding a strategic view of business impact by using our Enterprise Risk Reporting methodology beside the Ofgem DAG methodology. The DAG methodology considers risks of providing inaccurate or incomplete data submissions and how this impacts on customers; competition; and financial.

The Enterprise Risk Reporting methodology considers risks to SPEN associated with the investment options and how this impacts on profitability; health and safety; operational performance including impact on customers; environment; and stakeholder reputation. Combining these methodologies lets us consider risks from a range of perspectives, ultimately leading to the creation of a more robust business plan.

To carry out the risk assessments, our business plan was broken down into several key components, referred to as “building blocks”. Each of these building blocks was risk assessed using both the DAG and Enterprise risk reporting methodologies. It was important that the building blocks gave full coverage of the business plan and development process, ensuring that we had fully considered all possible risks. For this reason, we worked extensively with our subject matter experts in the team and across the business giving us confidence that the exercise was completed with a full understanding of the detailed context in which the plan is written. The output of this exercise was 30 defined building blocks, ranging from ensuring that our business plan is built up from robust “needs cases”, with all possible engineering options fully explored, to ensuring that the data in our Business Plan Data Tables has been populated using agreed methodology and is free from mistakes.

The risk assessments that were carried out on the building blocks assessed the combined level of impact and probability against a range of risk perspectives, as shown in Figure 1. Risk scores attained from the assessment were mapped to a score of Low, Medium, High or Critical, which was then used to drive the level of assurance applied, in line with our three lines of defence model. Where there was a disparity between the DAG and Enterprise risk scores, the level of assurance was applied based on the highest score, providing the greatest coverage across the plan.

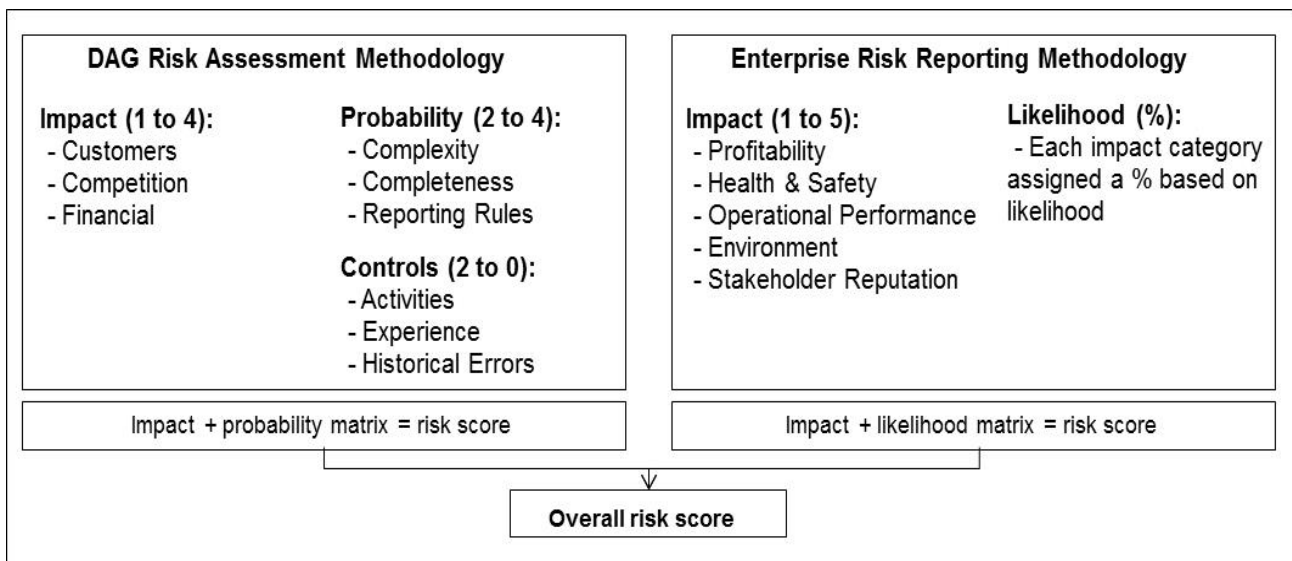


Figure 1 Risk Assessment Methodologies

The output of the risk assessments applied to each building block is detailed in Table 1 below; for clarity, Figure 2 shows how the output of the DAG risk reporting methodology was mapped to a score of Low, Medium, High and Critical.

Details of building block	DAG risk score	SPEN corporate risk report score	Assurance	
Building block	Total risk	Risk Score	Indicative line of Defence	Internal/External Assurance Activity
Business plan Strategy and messaging	C	8.11	Third	External
Cost efficiency strategy	C	8.11	Third	External
Non-operational buildings and vehicles	L	4.43	First	Internal
Legal compliance and CMA appeal	C	7.05	Third	External
CBA	M	4.49	Second	Internal
BPDTs	C	8.02	Third	Internal
NARM - Application of common asset methodology	M	5.11	Second	Internal
Non-Load related justification and costing approach	C	8.07	Third	External
Load related justification and costing approach	C	9.01	Third	External
Other Investment	M	5.49	First	Internal
Cyber Resilience	L	4.68	First	External report as part of ongoing NIS work
OPEX/NOCs	M	6.49	First	Internal
Physical Security	L	4.43	First	Internal
Operational Technology	M	6.49	Second	Internal
Climate Resilience	M	6.21	Second	External due to subject matter expert
Environmental strategy and action plan	M	6.21	Second	Internal
Stakeholder engagement strategy and impact	M	5.13	Second	Internal and INZAC
Output delivery incentives	M	6.68	Third	Internal
Uncertainty Mechanisms	M	6.21	Second	Internal
Deliverability	H	8.15	Third	external
Digitalisation and Data	H	7.21	Third	external
Competition	M	7.13	Third	Internal
Business Plan Commitments	M	6.49	Second	Internal
Innovation	M	6.68	Second	Internal
Cost of Capital	C	8.12	Third	External
SPEN Financial model	M	4.49	Second	Internal
Scenarios used to test financeability	L	4.11	First	Internal
Tax Strategy	M	5.49	Second	Internal
Indirect Costs	M	5.21	Second	Internal
Pension Costs	M	5.43	Second	Internal

Table 1 – Risk Scores

		Probability of risk				
		Remote	Unlikely	Possible	Expected	Certain
Impact of risk	Catastrophic	M	H	H	C	C
	Major	M	M	H	H	C
	Significant	M	M	M	H	H
	Moderate	L	M	M	M	H
	Minor	L	L	M	M	M

Figure 2 Risk Assessment Methodology

The Risk Assessment methodology assigns a critical / high / medium / low risk rating for each element of the business plan, based on the combined level of impact and probability.

3.1. Three Lines of Defence Model

We utilise the 'Three Lines of Defence' model for deploying our assurance activities.

First line

Risk assessments and method statements are followed by a second person and then a senior manager review – this is the minimum standard set out in Ofgem's DAG. We applied this approach to all sections of the business plan, regardless of risk score. We used it across data tables, narrative and annexes.

Second line

Some parts of the plan attained a risk score of High or Critical, so we applied additional assurance activities to these areas:

- challenge from internal or external experts
- challenge from our internal Assurance team
- challenge and sign-off by our directorate, CEO and Sufficiently Independent Directors via our board – applied to all content.

Internal / External Experts

We made use of internal experts in various teams throughout our organisation, including colleagues in our Engineering Design and Standards teams and our Control Room. These teams, who are independent from the RIIO-T3 project team, provided challenge on a number of aspects ranging from validation of the needs case and detailed engineering designs to ensuring that our proposals were "deliverable" from a systems access, resource and supply chain perspective. All of our investment proposals were challenged via our System Review Group. The System Review Group, which is independent from the RIIO-T3 project team, is a long established internal forum, comprising engineering experts. The group meet on a monthly basis to review the content of investment proposals, from a technical and engineering perspective, in order to approve the concept and technical design. All of our investment proposals are submitted to this forum for scrutiny and refinement as required.

We wanted to make sure that the independent external parties we used to challenge the plan were recognised as experts in their field, ensuring both quality and credibility of the assurance provided. The detailed level of scrutiny provided by our independent external experts gives us confidence that we have fully considered all options and that our submission is based on factual evidence. Please see table 2 below for our list of independent external providers. All recommendations and challenges made as a result of these assurance activities were fully explored by the project team and are tracked centrally to ensure all are addressed. Our submission has been amended as appropriate, improving its overall reliability.

Using our SharePoint site, we have an assurance library in place for collating our assurance activities. By creating and updating this library, we now have quick access to crucial information for the above detailed assurance and audit purposes.

Internal Assurance Team

We collaborated closely with our internal Assurance team from the beginning. They provided guidance on our approach and the assurance framework. They also performed checks on a sample of our data tables, focusing on risk, to verify accuracy and ensure timely delivery with robust follow up on all recommendations. Additionally, they reviewed the second person and senior manager challenges on the data tables and method statement content to ensure they met the required standards.

Review and sign-off

We applied various additional layers of sign-off, aligned to those in the DAG to ensure a rigorous review process for our submission. We engaged the relevant directors, CEO and the full board – including our SIDs – to review, challenge, and sign-off all sections of the plan using formal certificates and board minutes. This gives us full, clear accountability.

Third line

ScottishPower has a well-established Internal Audit team which is independent from SP Energy Networks. Internal Audit has conducted audits related to governance of the internal RII0-T3 project programme and RII0-T3 business plan assurance. The positive final reports produced by Internal Audit have been noted by the Scottish Power Energy Networks Holdings Limited Audit and Compliance Committee.

Assurance of our plan as a whole

We wanted to make sure the plan is assured as a whole as well as by individual component. Working with UTIL, we developed a framework of the requirements and expectations set out by Ofgem through their various consultations and business plan guidance document. The content of our business plan was developed to ensure that each of these requirements and expectations were addressed. This was an iterative process, with UTIL carrying out further assurance work to review our draft business plan against this framework. All feedback points received from the multiple sources of review of our plan are recorded and tracked. We are proud of the assurance framework we have implemented and are confident that it exceeds the expectations of our consumers, network users and wider stakeholders – giving them trust in our plan.

Company	Company Background	Purpose of Engagement	Building Block	Output
Polaris Diagnostics & Engineering Ltd	Independent technical experts in power transformers - specialising in fault diagnosis, condition monitoring and condition assessment.	To carry out critical condition assessment of a range of transformers within the network.	Transformer Condition Assessment	Polaris Diagnostics & Engineering Ltd have assessed the condition of transformers as necessary to inform the inclusion or otherwise of units in our business plan. While our routine monitoring identifies issues that may require intervention, the site testing and expert review undertaken provides a holistic view of the condition and makes recommendations for the lifetime management of the assessed units. This guidance has affirmed the inclusion of the transformers to be replaced and has confirmed the suitability of the refurbishment proposals.
AECOM	AECOM is a leading infrastructure consulting firm with an expert climate adaptation team delivering expertise in resilience, working collaboratively with clients to co-create tailored climate resilience strategies.	The Climate Resilience Strategy (CRS) is to outline how SPT will maintain a safe and resilient transmission network in response to climate change and its associated risks.	Climate Resilience	Using UK Climate Projection Data to identified climate variables and potential hazards to our assets and developed risk statements for each of our asset types. Following strategy using a mixture of quantitative and qualitative method, AECOM recommended both hard and soft solutions.
Arcadis - Deliverability	Arcadis is a leading global design and consultancy firm for natural and built assets - with an established international track record of delivering technical and costing support to energy network companies for regulatory submissions.	Expert review of deliverability strategy	Deliverability Assessment	Confirmed Market Capacity strategy. Analysis of the different delivery models - validating the current plans and move towards a more Hybrid delivery model incorporating EPC and Direct Procurement
EA Technology	A world leading organisation in effective asset management with technical Overhead Line expertise.	Detailed forensic analysis of overhead line conductor and earth wire samples. The outcome of the analysis provides information to support our robust overhead line strategy.	Conductor Condition Assessment	EA Technology confirmed our OHL strategy with no changes suggested and undertook the testing of conductor samples that the non-intrusive testing identified as warranting additional investigation resulting in deferral of BR, YB and YC routes from RIIO-T3 business plan.

Company	Company Background	Purpose of Engagement	Building Block	Output
S&C Electric	S&C are leading experts in the Ofgem cost assessment process, providing challenge, analysis and assurance to various cross sector clients. In particular, Chris Watts and Grant McEachran have extensive regulatory experience from the senior roles they held during long periods working for Ofgem (a combined 35 years). A key element of their work involved cost assessment and reviewing the robustness of network companies' business plan submissions across all sectors	Provide support for the RIIO-T3 cost assessment process including Capital Investments (Load and Non-Load), Indirect Costs, Network Operating Costs and to support the development of a suite of econometric benchmarking models. Provide Cost Assessment Annex for internal purposes and to accompany plan.	Cost Efficiency Strategy	S&C challenge and analysis saw reductions in our forecast FTE and associated costs, identification and removal of double counted inflation in corporate costs and alignment of baseline allocation of corporate costs. They also noted proposals for funding business support and not so closely associated indirect costs not currently funded by Ofgem uncertainty mechanisms. They provided a proposal for T3 TIM based on international best practice along with a proposal for Risk and Contingency on capital projects following analysis of sample of T3 projects.
NERA	NERA provide clarity and confidence with defensible solutions and results grounded in the most rigorous analysis - to support companies to make the most important decisions.	To conduct a review into market conditions and the cost of equity. Producing outlooks based on a range of scenarios including Ofwat PR24, SSMD and previous price control periods	Cost of Equity Proposals	This third party advice has helped inform our view of what the correct cost of capital for RIIO-T3 is.
Arcadis – Engineering and Costs	Arcadis is a leading global design and consultancy firm for natural and built assets - with an established international track record of delivering technical and costing support to energy network companies for regulatory submissions.	Review SPT's Investment Decision Packs (IDPs) covering Load and Non-Load related - Holistic plan review, Top-down cost efficiency review of the total plan, supplemented by targeted bottom-up cost review, validation of need cases and optioneering processes, including preferred-option selection by review of the IDPs and assessment of risk allowance estimates to validate the need case, optioneering process and cost efficiency	Load Justification & High-Level Cost Review	Arcadis have provided feedback on the narratives of a sample of load and non-load projects' EJPs. This review encompassed the need case, optioneering and selection of the preferred options. All feedback was tracked and actioned. Their assessment on costs has identified that our costs are within their efficient benchmarks; they have identified areas where there are legitimate cost drivers which are outlier unit costs and recommended that these are highlighted to Ofgem to avoid distorting the analysis.

Company	Company Background	Purpose of Engagement	Building Block	Output
Gartner	Gartner are leading in the business of technology-enabled innovation and transformation. Through custom analysis and on-the-ground support, they enable optimised technology investments stronger.	To complete a detailed review of the strategy, scope and estimated costs to implement the T3 IT initiatives to be set out in the submission for 2024 ensuring SPEN delivers a robust and credible business plan that meets Ofgem's expectations and supports their strategic objectives	Digitalisation & Data	Gartner identified instances where SPEN did not have costs included for specific resource types they would expect to see for delivering a project of such type e.g. change manager, tester, integration engineer etc. and instances where the software cost estimates included were less than they would expect to see based on their benchmarking. Adjusted our resourcing and cost model to take this into account and further review confirmed our updated costs are now within expected range.
UTIL	Colin Sausman is an industry expert in the energy sector - he has previously worked for Ofgem and led on aspects of the price control process.	To act as a "single voice" and ensure compliance with Ofgem guidance within every aspect of the main business plan narrative	Business Plan Narrative	Challenged across the business plan to make the scale, pace of investment programme and highly technical information understandable and accessible for non-technical readers. This was done through the introduction of stylised network map, impactful diagrams and charts and ensuring that the key strengths of our messaging is clear and not lost in the detail - such as how best to structure the materials relating to financeability and investability ensuring the correct tone. Also helped produce a framework of criteria to ensure our commitments are strong and challenged the team to focus more directly on the criteria set by Ofgem, as four key customers outcomes covering infrastructure for net zero, resilience, value and service - and make the mapping between them as clear as possible.

Table 2 – Independent External Providers