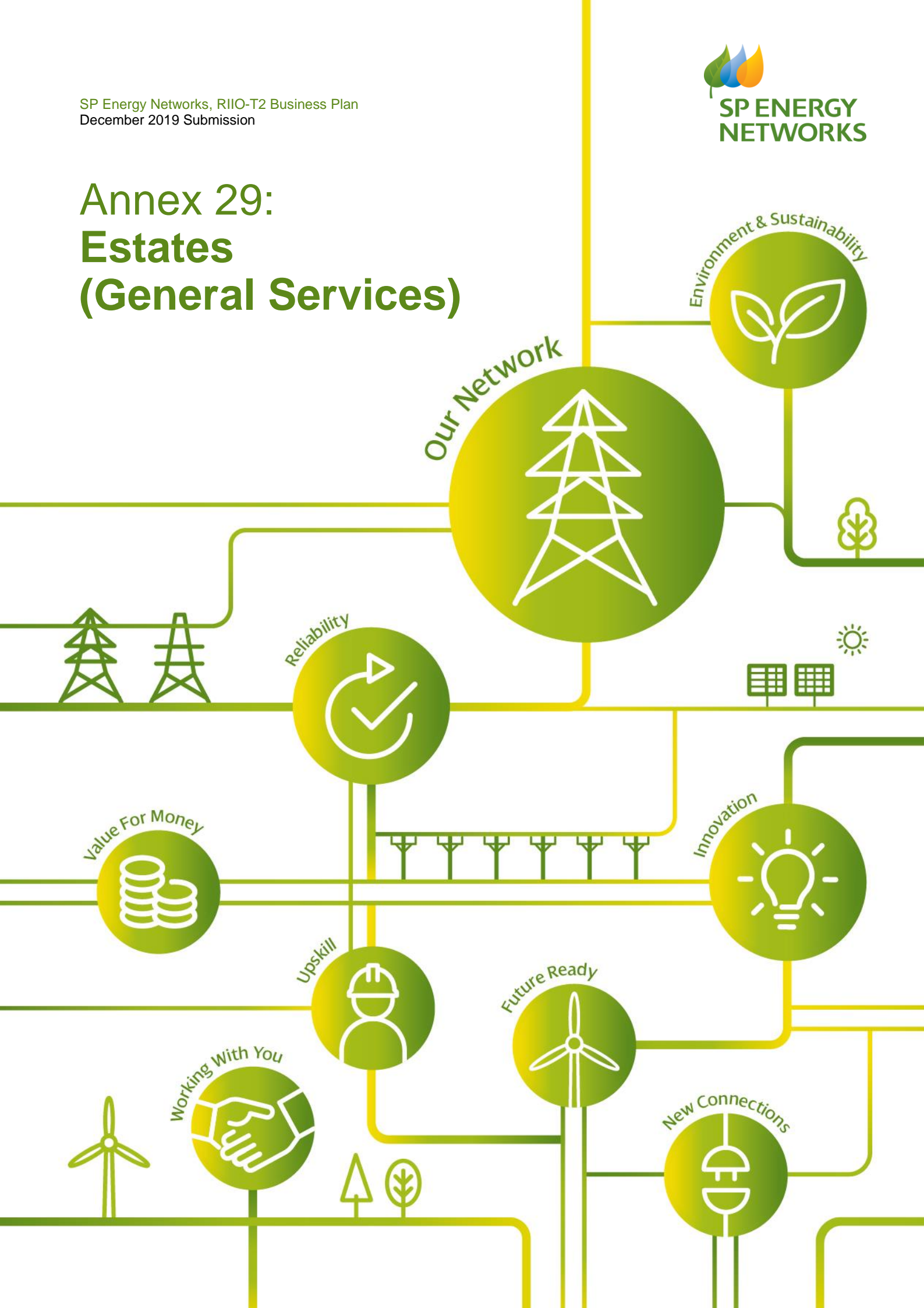


Annex 29: Estates (General Services)



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1.0 VEHICLES

The Fleet Team at ScottishPower operates to ensure that SP Energy Networks has an effective, fit for purpose fleet that is available to meet business demands, whilst simultaneously ensuring that costs are kept as low as possible and that delivery of ScottishPower's carbon reduction targets is achieved.

We have three CPC qualified Fleet Team members, and two Compliance Engineers to ensure that the regulatory requirements of our Operator Licence are met at all times and that service delivery exceeds the necessary standards. This technical expertise is supported by a number of commercial professionals who are responsible for maximising the commercial performance of our fleet supply chain.

ScottishPower has a disaggregated contract strategy for the delivery of its fleet services, with thirteen key suppliers. Each contract is competitively tendered every one to four years depending on scope, and is awarded to the technically compliant bidder that presents the most financially favourable offer in line with ScottishPower's procurement policy. This approach ensures that we have the right supplier for the right service, sub-contract fees are avoided, and costs are regularly market tested.

In addition, we regularly review our contract strategy to be certain that we still have the best model to deliver value for money. For example, the Fleet Team is currently working with Accenture to review its lease vs buy strategy following the implementation of IFRS16 in January 2019 and we are market-testing a new maintenance strategy. We are also active members of the Selectus buying consortium, through which we collaborate with other utilities to consolidate fleet volumes to secure best value from vehicle manufacturers.

To support this, the Fleet Team works closely with key stakeholders from SP Energy Networks to determine the most appropriate vehicle selection and convertor specification for its vehicles, to ensure that vehicles are not over-specified and payload is reduced as far as possible. This has the added benefit of improving the fuel efficiency of our vehicles. Similarly, ScottishPower is in the process of changing its tyre specification to deliver a higher degree of safety across all seasons and improved fuel efficiency and noise rating.

Our telematics system, which is deployed in 100% of our fleet, is used to provide a vast amount of intelligence. This enables us to identify trends and opportunities within our fleet; to monitor utilisation, reduce fleet size, and also identify opportunities to reduce our environmental impact – both in relation to EVs and fuel consumption. Vehicle idling, acceleration, and harsh breaking are all being monitored closely as we are very clear on the relationship between poor driver behaviour and increased fuel consumption, and this data is being used to develop initiatives such as a driving net zero MPG campaign and bespoke training programmes aimed at improving driver behaviour and reducing our carbon emissions.

We currently have 31 EVs in the ScottishPower fleet, and a project team supported by internal senior stakeholders has been established to build on this and focus on the transition to a more sustainable and environmentally friendly commercial fleet within the SP Energy Networks business. Using telematics data and key operational levers, the project team has identified 52 small vans (5% of SP Energy Networks fleet) that could transition to electric in 2019 based on current EV technologies; this number increases to 104 with the launch of new medium van technology in late 2020.

At a global level, we work together with counterparts from Spain, Mexico, Brazil, and the USA to share knowledge, experiences, and leverage collective buying power wherever possible. Examples include the rollout of a global Fleet Management System and a global telematics contract.

2.0 ESTATES

The Estates department within ScottishPower consists of a team of Chartered Surveyors and support staff. The team have a wide range of skills and experience which allow all aspects of land and

property advice to be provided to the SPT Business. To ensure the team are adequately qualified to provide such advice regular training and CPD events are attended on general property and utility specific matters. The team work closely across various levels and departments of the SPT Business and attend all key steering group and project meetings providing professional advice to support the Business.

As well as operational delivery the Estates team work closely with SPT to understand ongoing property needs. Any occupation of offices, depots or land is managed by the Estates team to ensure that the purchase price or rental level is fully assessed to ensure it is in line with market conditions for the asset. All rental payments and associated costs are processed by the Estates team with ancillary lease actions also being managed to reduce any risk of lease breaches and to eliminate any operational risk to the Business through their occupation.

Alongside the SP EnergyNetworks Network and Regulatory planning team Estates team will support SP Transmission at the ENA working Group for Business Rates. The Scottish Power Estates team supported by external advisors have extensive experience in this field, both in negotiations and also consequent challenges and appeals. The role of the Estates team acting on behalf of SP Transmission is to:

- Work with the valuation agencies to provide the information which they required to calculate initial rateable values for all NWOs;
- Assess and critique the methodology used by the valuation agencies to calculate initial rateable values for NWOs;
- Work with NWOs through ENA to agree a strategy for negotiation with the valuation agencies;
- Work with the valuation agencies to ensure that the methodology used to calculate rateable values is fair to network customers and consistent with principles used in other utility sectors; and
- Provide expert advice to NWOs to help assess whether it is in network customers' interests for the rateable value to be appealed.

Our team of Chartered Surveyors deals with all injurious affection claims, as well as all development loss claims, working to mitigate them as far as possible. This team review each claim when received, as well as carrying out due diligence. If appropriate, we then instruct our appointed advisors to carry out a formal site inspection, valuation and further due diligence prior to negotiating a settlement. This results in the production of a legal instruction pack. Our estates team reviews each legal instruction pack, which is subject to our formal authority process. Finally, we instruct appointed solicitors to formalise, document and register the equipment rights. This process results in a thorough appraisal of all claims submitted to ensure only valid claims are settled and costs are fully mitigated.

Where necessary the Estates team will support the SPT Business should any submission and representation be required to support a necessary wayleave application. This includes not only the lodging of the application itself but also the determination of any compensation and mitigation therefore where necessary. The team have significant experience on such matters and are competent in the process and action required to protect SPT's position.

The Estates team will also input to any defence of Compulsory Purchase Order (CPO) action raised against the Company to ensure that not only Assets are protected but any compensation due is correct and appropriate and in line with market expectations.

One of the key roles of the Estates department is to support the SPT Business to secure appropriate land consents to facilitate projects. This includes the securing of not only land for substations on either leased or owned basis but also ancillary rights to ensure adequate connectivity to substations. In particular Estates play a key role in the delivery of land to facilitate windfarm connection projects and also network reinforcement projects. The ability of the Estates team to successfully negotiate competitive terms in line with market expectations is a key asset to the SPT business ensuring project costs are mitigated and correctly assessed.

The Estates department are also proactive in identifying opportunities for land re-use.

The team also manage the Radio Hillside portfolio to ensure it is for operational purpose and all inspections are undertaken to ensure the structures adhere to the current standards. The rental

payment and all associated estates functions are managed by the Estates team to ensure continued right of use and asset protection across the portfolio.

As well as the above the Chartered Surveyors and support team within Estates provide a general Estates management role for the SPT Business. This allows professional support to be provided across SPT on all elements of land and estates that help the business make decisions and achieve results.

2.1 BUILDINGS – PROJECTS & BUILDING OPERATIONS/MAINTENANCE

The General Services Unit provides services to SP Energy Networks to support the buildings/facilities across their non-operational sites, and any refurbishment or new build programme in line with business expansion and the global standards of the wider Iberdrola Group. We have a core team located both in the Scotland and the MANWEB area in the North West of England/North Wales who are all either technically or professionally qualified in construction, mechanical/electrical or project management disciplines.

The property portfolio that we are liable for can be broken down into the following areas:

- General Office Accommodation (eg: Finance, HR, General Administration, Contact Centres, Engineering etc)
- Depots (Offices plus Storage and Vehicle/Plant Hard-standing)
- Training Centres (Internal and External Training)
- Data Centres and Comms Rooms
- Vehicle workshops
- Office accommodation attached to Power Stations and other operational sites

The Building Operations Team supports the various sites with out-sourced third party framework contracts for the Hard Services (Building Maintenance/Grounds Maintenance) and Soft Services (Cleaning) to ensure that all sites first and foremost remain compliant in the following categories:

- L8 Legionella
- F-Gas
- Electrical

Our framework partners maintain and update an asset register which ensures that the condition of the building fabric and systems supporting each site are assessed and, where appropriate, are identified as being 'end of life' and put forward for replacement under CAPEX delivery on an annual basis. This ensures that the systems in our buildings are state of the art and able to monitor performance, output and sustainability and deliver efficient and healthy facilities for staff to operate in.

This approach, to replace life-expired equipment, upgrade structures, systems and surfaces, helps to ensure a reduction of maintenance and energy costs and minimisation of Business Risk of interruption to operations.

Working collaboratively with the Building Operations Team, the Projects Team review the asset register and recommendations therein when preparing annual budget requests. The programme of investment is based on the Central Property Strategy, on the condition of our property assets and is agreed in discussion with key business stakeholders before final submissions are made.

All of the works undertaken, from within either the Building Operations or Projects areas, are delivered in line with Statutory Regulations. However in order to demonstrate a commitment to deliver the most efficient, sustainable and energy efficient property portfolio for our end-user clients we separately apply the guidelines set out in the BREEAM Sustainability Assessment Guide for construction projects, infrastructure and buildings. This considers an asset's environmental, social and economic sustainability performance from inception & design through to material/specification and on site delivery which ensures BREEAM rated developments are more sustainable environments that enhance the well-being of the people who live and work in them, help protect natural resources and make for more efficient property investments.