POWERING CHANGE TOGETHER

SSE Preliminary Results for the year to 31 March 2022

1. TITLE SLIDE

2. DISCLAIMER

ALISTAIR PHILLIPS-DAVIES

3. **AGENDA**

- Good morning everyone and welcome to our Full-year Results presentation.

- I'm joined today by our Finance Director Gregor Alexander and Chief Commercial Officer Martin Pibworth.

4. **POWERING CHANGE TOGETHER**

- Over the next 45 minutes, we will cover in detail three things:

1. Firstly, how a year of **strong operational delivery** has resulted in our **financial objectives being met**; with adjusted EPS growing at a rate above the long-term targets set in November and delivery of record capex investment;

2. Secondly, how our **resilient business mix** is helping to navigate the Group through exceptionally volatile markets; it gives us good earnings inflation protection, natural hedges and options right across the energy value chain;

3. And, finally, the prospect of further **accelerated investment** and **growth** as an encouraging financial outlook allows us to target further record investment next year of at least £2.5bn, adjusted EPS of at least 120p, and an increase to our target for adjusted EPS growth over the five years to March 2026.

- Critically, against the backdrop of a global gas crisis, the profit we are making is being re-invested at record levels into delivering clean energy infrastructure.

- And we will continue to invest at scale. Based on the clear opportunities we see in the coming years to deliver on the Government ambitions, assuming a continued supportive policy environment, our net investment into vital UK and Ireland infrastructure could exceed £25bn this decade, creating thousands of jobs and directly addressing the energy crisis.

5. SSE PLC: NET ZERO ACCELERATION PROGRAMME

- SSE's strategy is responsive to the changing world around us.

- COP26 in November and the stark warnings that followed from the IPCC made clear the urgency needed on climate action.

- But volatile gas prices and the invasion of Ukraine have also led to policy change in the UK, the EU and further afield.

- In our fully-funded Net Zero Acceleration Programme – which we'll refer to as the NZAP from here on – we provided a floor, not a ceiling, of ambition - aligning ourselves to a 1.5 degree pathway across the five years to 2026, then on to 2031.

- We covered funding plans, capacity additions, pipeline targets, RAV targets and what this would mean for shareholder returns. And it was well received by the ratings agencies.

- If anything, events this year have served to accelerate the long-term electrification and decarbonisation of energy which underpinned our NZAP and which are translating into more options for the second half of the decade.

- The NZAP set out the optimal pathway for SSE to grow and in the six months since we published it, I have become even more confident that, with our capabilities, our pipeline prospects and the increasingly supportive operating environment, we can meet and potentially exceed these ambitions.

6. DRIVING GROWTH WITH STRATEGIC DELIVERY

- Part of my confidence comes from how, in the face of some very challenging conditions, we have delivered our financial targets for the year and invested a record £2.1bn, underlining the benefit of our resilient, integrated business model to both shareholders and wider society.

- We will return to each of these points later, but in SSE Renewables we have progressed our major projects at Dogger Bank, Seagreen and Viking; made strides internationally through our acquisitions in Southern Europe and Japan; and added 1GW to our domestic pipeline with our ScotWind site.

- And the future looks bright for Transmission: Our flagship Shetland HVDC link continues to be built at pace while National Grid's Network Options Assessment made clear the critical need for further network development. And the UK Government has thrown its weight behind an even faster, more strategic network build-out as part of its recent British Energy Security Strategy.

- In Distribution, we worked through six exceptional weather events in 12 weeks, including back-to-back named storms, while progressing a stakeholder-led plan for ED2 that we continue to engage on with Ofgem and key stakeholders.

- In Thermal, commissioning started at Keadby 2 so it provide useful system flexibility. And elsewhere in the Group we acquired our first solar and battery sites.

- We also completed the sale of SGN – the last step in a strategic streamlining of the Group.

- And finally we also announced an upweighting to our 2030 business goals, which are aligned to the UN's Sustainable Development Goals, to ensure they keep pace with the NZAP.

- This is clear and demonstrable strategic progress that will create future value, achieved whilst also delivering shareholder returns today.

7. TRACKING OUR NET ZERO TRANSITION

- We need shareholders with us on our net zero journey and that's why they will be given a vote at our AGM on the progress we are making towards decarbonising our own activities.

- Our recently published Net Zero Transition Plan sets out the targets we've set for scope 1 and scope 2 emissions by 2040 and for the remaining scope 3 emissions, by 2050, alongside our interim science-based targets aligned to a 1.5 degree pathway.

- The net zero transition will be exactly that – a transition – with complex challenges along the way that we will navigate through open dialogue with both our shareholders and wider society.

8. PROVIDING SOLUTIONS WITH THE RIGHT BUSINESS MIX

- SSE's business model is based around the assets and capabilities required for the global transition to an electrified, net zero economy.

- This is the result of a highly successful disposals programme and targeted investments which have created a group with the capabilities and projects to create value right across the clean electricity value chain.

- Our businesses share common capabilities in the financing, development, building and operation of world-class, highly technical electricity assets.

- They allow us to specialise in renewables, regulated networks and flexible, low-carbon power stations, while creating value as new opportunities emerge in areas like hydrogen, batteries and distributed energy.

- And with sustainability a core part of SSE's values, our credentials and performance underline our positioning as an ESG-aligned growth investment opportunity.

- We have an attractive blend of regulated and market-based income streams across a very deliberately chosen, integrated mix of businesses.

9. THE PEOPLE BEHIND OUR PURPOSE

- Of course, our people are central to the execution of our purpose of providing energy needed today while building a better world of energy for tomorrow.
- As always, keeping those people safe remains paramount to SSE. Our record investment in FY22 was driven by a surge in construction activity and, unfortunately, with that came 14 more injuries versus the same period last year and a small rise in our Total Recordable Incident Rate.
- As I say, the almost 11,000 people who work for us are central to our success … and we'll be creating 1,000 new jobs a year on average in delivering our five-year plan.
- In a busy and challenging year, it is the commitment and capability of our people that has enabled the strong performance that Gregor will now take us through …

GREGOR ALEXANDER

FINANCIAL RESULTS

10. AGENDA

- Thanks Alistair and good morning everyone.

11. FINANCIAL RESULTS – INVESTMENT SUMMARY

- We outlined in November the scale of capital investment and growth opportunities, as well as the market leading capabilities and attractive secured pipeline held by the Group.
- And we are using those capabilities to deliver on those opportunities – investing a record £2.1bn investment this year with almost 90% of that in low carbon assets and infrastructure.
- We plan to keep accelerating our investment as we push forward with the net zero transition and in FY23 we are expecting investment to be in excess of £2.5bn, including our Southern Europe acquisition once completed.
- SSE is delivering the energy needed today, whilst significantly investing in the innovative low-carbon technologies that will provide the energy needed tomorrow.

12. RESILIENCE OF BUSINESS IN VOLATILE MARKETS

- Alistair outlined earlier how the outlook for companies providing low-carbon solutions is strong, but not all of those companies have the balanced mix to enable them to weather the unprecedented volatility observed this year.

- SSE is able to deliver in such uncertain times for a number of reasons.

- Much of our revenue is index-linked, be it via CfDs, ROCs, REFIT, capacity payments or through regulated network price controls. Our RAV is also index linked.

- Our business is designed for variability. Our integrated portfolio means lower wind days can be compensated for through the flexibility we have elsewhere in our fleet. And our assets performed very strongly in the balancing market this year because the system valued the flexibility we provided in terms of both generation and storage.

- We are well funded with a strong balance sheet, and we have maintained good liquidity which is important in uncertain times. We have a stable debt profile, and our financing strength has enabled us to be nimble in acquisitions.

- Overall, this year has clearly underscored the advantages of a balanced, integrated business.

13. FINANCIAL RESULTS – SEGMENTAL OVERVIEW

- That business mix played a key part in our strong FY22 performance.

- Higher allowed revenues in the new Transmission price control period, combined with higher customer volumes for Distribution following coronavirus, have meant our regulated networks businesses have more than recovered from prior year.

- And, looking at our generation portfolio, lower weather-related renewables output mainly across the summer months was more than offset by strong flexible generation performance in volatile markets.

- As a result of this strong operational performance, adjusted operating profit increased by around 15% to £1.5bn.

14. FINANCIAL RESULTS – OVERVIEW

- And with 96% of our debt at fixed rates, this strong performance is also reflected in adjusted profit before tax, which increased by around 23% to £1.2bn.

- And, finally, adjusted EPS was 95.4p. This represented an increase of around 9% on the 87.5p originally reported for FY21.

15. FINANCIAL RESULTS – ADJUSTED & REPORTED

- You will have noted on the previous slide the marked disparity between reported and adjusted metrics this year.

- This is the result of exceptional items and fair value remeasurements unrelated to underlying operating performance in the year and which are therefore excluded from SSE's adjusted profit measures.

- In terms of exceptional items, as touched on earlier, the volatile conditions have enabled strong performance from our flexible generation fleet and gas storage operations. With volatility set to continue in the near term, significant historical impairment charges have now been reversed, resulting in a £429m exceptional credit to the income statement. This is partly offset by exceptional charges of £230m including a write down of the fair value uplift recognised on the part-disposal of our Neos telecoms business.

- We completed our £2bn-plus disposals programme announced in June 2020 with the sale of our stake in SGN for nearly £1.3bn in cash proceeds in March, which generated £577m of exceptional gains. From our initial outlay of £505m for a 50% stake in 2005, SGN has delivered an IRR for the Group of over 18%.

- Overall, we achieved headline consideration of over £2.8bn from our disposals programme, significantly more than the original £2bn target.

- Turning to fair value remeasurements, as with previous years SSE has entered into forward purchase contracts for power, gas and other commodities that fall under IFRS9 and are required to be recorded at their fair value at 31 March.

- The positive movement of £2.1bn reported in the income statement is the relative increase in the fair value of these contracts reflecting the remarkable market conditions.

- However, this fair value movement does not reflect the overall Group position on forward contracts as it excludes fair value movements on forward contracts deemed to be for the Group's "own use" under IFRS 9, which predominately relates to contracted power sales contracts.

- In fact, there is an unrealised £2.0bn negative movement in the fair value of these "own use" contracts in FY22 which largely offset the IFRS fair value remeasurement gains reported.

16. FINANCIAL RESULTS – TRANSMISSION

- For SSEN Transmission, adjusted operating profit increased by 72% to £381m, mainly driven by increases in allowed revenues under the new price control as the business continues to position itself to deliver further growth across the remainder of the decade.

- Increased allowed revenue was supported by increased investment in network build-out and resilience, which was 41% higher than the prior year.

17. FINANCIAL RESULTS – DISTRIBUTION

- SSEN Distribution, following a c.£40m negative impact from coronavirus in the prior year, saw a recovery of nearly 28% to report adjusted operating profit of £352m. Higher volumes and allowed revenues were partially offset by increased operating expenses which included storm costs of around £40m.

- Capital investment slightly increased in the period, as ED1 committed investment continues to plan.

18. FINANCIAL RESULTS – RENEWABLES

- In SSE Renewables, adjusted operating profit fell by 22% to £568m, driven mainly by a lower level of developer profits in the year. A 7% or 0.7TWh decrease in output year-on-year due to exceptionally still and dry weather during the first half was offset by a £55m increased contribution to adjusted operating profit by hydro and pumped storage despite lower than expected rainfall.

- And strong progress continued on flagship construction projects with gross investment more than trebling to £952m, including the Japanese platform acquisition that we'll come to shortly.

19. FINANCIAL RESULTS – SSE THERMAL AND GAS STORAGE

- In Thermal and Gas Storage, adjusted operating profit more than doubled to £337m and reflected the critical role played by our thermal power stations and gas storage assets in ensuring secure supplies. They were rewarded for their availability and flexibility in volatile energy markets; and we believe the UK electricity system will need substantial flexibility in the future, as we will cover later.

20. FINANCIAL RESULTS – OTHER BUSINESSES

- Business Energy's performance was broadly flat compared with last year, as the continued recovery from coronavirus was offset by higher non-commodity costs, and mutualisation charges following a significant number of supplier failures during the year.

- Our Airtricity adjusted operating profit increased to £60.4m, driven by REFIT wind generation receipts.

- EPM recorded an adjusted operating loss of £(16.8)m, resulting from the unwind of a legacy power contract with Ovo in a higher commodity environment.

- The Distributed Energy result includes pre-disposal losses from Contracting and Rail.

- And corporate unallocated costs increased to £96m, driven by reductions of income from transitional services agreements with recently sold businesses; and increased investment in Group IT.

21. FINANCIAL RESULTS – HEDGING UPDATE

- The commodity price environment has led to significant challenges across the industry.

- However, our established hedging approach has helped us to manage exposure to price volatility and across Renewables we have locked in substantial value for the future.

- We have increased the value of our hedge prices across the Group, reflecting the increases in commodity prices and winter peak spark spreads which has flowed into forward prices. This sets us up well for the future.

22. FINANCIAL RESULTS – BALANCE SHEET

- SSE's strong balance sheet is underpinned by high-quality assets and we remain well financed and well set for our NZAP period and beyond.

- Our S&P credit rating remains at BBB+ 'stable outlook' and our Moody's rating remains at Baa1, having been updated to 'stable outlook' on publication of our NZAP. These compare favourably to peers and reflect the stability from the Group's business mix, funding plans and future dividends.

- In March we successfully agreed a new £350m Private Placement to support critical Transmission investment. And in April we launched a successful €1bn hybrid bond at a coupon of 4.0% to replace our hybrids from 2017.

- SSE's adjusted net debt and hybrid capital has decreased by £300m to £8.6bn, with the SGN sale clearly playing a part. We have beaten our target of a 4.5 times ratio of net debt to EBITDA at the end of this financial year.

- Our defined benefit pension schemes continue to perform well with both schemes in surplus at the year end.

23. SSEN – MINORITY STAKE SALE

- Our well-supported NZAP included proposed sales of minority interest stakes in our electricity networks businesses.

- These are high-quality, core businesses and we intend to retain control. But the scale of potential growth, and the associated investment required, mean that bringing in minority partners will create greater long-term value for shareholders.

- This will enable us to harness significant growth in networks whilst maintaining an attractive balance of capital allocation across the Group.

- We've recently commenced a sales process for a 25% share of the SSEN Transmission business. We are doing Transmission first, primarily due to the fact that its growth is clearer given that its price control runs ahead of Distribution's.

- A decision on the timing of a similar stake sale in SSEN Distribution will be made later in the financial year.

- SSE expects that these highly prized assets will generate strong interest in the market from financial partners, being a significant pool of investors seeking such an investment and who are content to leave SSE to add management value as operator.

24. REMUNERATING SHAREHOLDERS

- Finally, I will cover the dividend and our financial outlook.

- We remain committed to our existing five-year dividend plan to FY23, which targets dividend increases in line with RPI each year.

- In line with that clear commitment, we will propose a full year dividend for FY22 of 85.7p. Shareholders will continue to receive a scrip dividend option, however as previously announced, take-up will be capped at 25%.

- Following completion of our existing commitments to FY23, we will rebase our dividend to 60 pence in FY24, before targeting at least 5% dividend increases in FY25 and FY26.

25. OUTLOOK FOR FY23 AND BEYOND

- Turning to the FY23 outlook:

    - For Transmission: SSE expects to report strong growth in adjusted EBIT with a 20% increase in allowed revenues under the RIIO-T2 price control, as the network continues to expand its operational capability and asset base;
    - For Renewables: assuming normal weather and plant availability, SSE expects to report generation output of 11.4TWh including 0.9TWh of output from Seagreen; and
    - For Thermal: assuming normal plant availability SSE expects to report adjusted EBIT of at least the same level as FY22, excluding the benefit of Keadby 2;

- Taking the above into account, SSE therefore currently expects to report full-year adjusted earnings per share of at least 120p, and investment in excess of £2.5bn.

- In addition to the strong performance expected this year, SSE is today updating its adjusted EPS CAGR target out to FY26 from 5 to 7% to between 7 to10%.

- This is as a result of confidence derived from strong delivery in FY22; higher inflation forecasts; higher and more volatile energy commodity prices; and evidence of increased value creation potential from flexible generation and gas storage assets.

- Importantly, this earnings growth will be put to good use. It will underpin the huge increase in investment we are making into critical national infrastructure that will deliver cheaper, cleaner, homegrown energy for decades to come.

- I'll now hand you over to Martin …

MARTIN PIBWORTH

26. AGENDA – OPERATING REVIEW

- Thanks Gregor and good morning everybody.

- In the context of the global push to phase out reliance on Russian gas and accelerate the transition to low-carbon electricity, there is increased volatility but also increased opportunity in low carbon infrastructure across Europe.

- As we have seen in recent EU and UK policy documents, more wind, more solar and more flexibility will be needed, and the breadth and balance of our businesses mean we are extremely well placed to provide these solutions.

- So, I'll now take you through the strategic delivery and value creation we're driving from the market-based businesses within the portfolio

27. SSE RENEWABLES – NEW OPERATING MODEL

- In Renewables, we have a world-class business. As the new MD, Stephen Wheeler brings decades of wider energy sector experience to the role. He transformed SSE Thermal and before that worked internationally at ABB and Siemens. He was also part of the management team that successfully grew Airtricity's renewable energy platform before SSE acquired it in 2008.

- The new technology-based operating model Stephen has put in place sees distinct teams for Offshore and Onshore Europe with end-to-end accountability for the development, construction, and operation of their assets.

- Under this new structure, Stephen is supported by a leadership team with vast experience, including Barry O'Regan as Finance Director. Barry also joined the Group in 2008 as part of the successful Airtricity management team.

- As the company building more offshore wind than anyone on the planet, we have proven our ability to manage complex global supply chains and compete for talent. We are creating a team with the experience and capability to deliver on our international ambitions, building on the significant international pedigree we already have.

- This year we were joined by the hugely talented Japanese team from the SSE Pacifico transaction. In a few months' time we will be joined by the Siemens Gamesa Renewables team in Southern Europe. We are blending our deep experience and capability as one of the world's leading developers with "in country" specialists in the markets we are entering.

- People remain SSE's biggest asset, and the breadth and depth of experience in the renewables team will drive long-term domestic and international growth.

28. SSE RENEWABLES – DELIVERING FLAGSHIP PROJECTS

- Around £5bn of investment within our £12.5bn capex plan has been allocated to Renewables.

- Around 50% of this investment is on assets currently under construction and by 2026 we will have built Seagreen, Dogger Bank, and Viking – adding 2.4GW of renewable capacity to the portfolio.

- At Seagreen we have made progress with 21 turbines now installed. Setbacks can occur on construction projects of this scale, however the experienced project team are doing a great job and will continue to monitor any project delivery impact from the widely reported issue with the turbine installation vessel. At present, we anticipate first power in July with commercial operations by mid-April 2023.

- Seagreen's projected financial returns remain in line with expectations at Financial Close.

- Onshore works have progressed well at Dogger Bank, which will be the world's largest offshore wind farm – and offshore construction got under way in April as planned.

- At Viking – construction is going very well with the onshore transmission works expected to be largely complete this year. Turbine installation will begin in early 2023 and it is expected to be one of the UK's most productive onshore wind farms.

29. RENEWABLES – HYDRO AND PUMPED STORAGE

- The delivery of these wind projects, and many more, will be required for a net zero world. As we have seen this year, however, the wind doesn't always blow and the requirement for fast response, dispatchable generation has increased as the UK continues to progress through its energy transition.

- In addition, we have noted that the demand for ancillary and voltage support services has also increased and we expect all of these trends to sustain.

- SSE's hydro fleet and pumped storage asset at Foyers offers all these services at scale and we continue to see the hydro business as the jewel in the crown of our generation assets.

- Our confidence in its increasing contribution to the energy transition is reflected in the c.£50m capex that we are investing each year into maintaining and modernising the portfolio to increase ramp rates, water capture, storage capacities, and overall flexibility.

- This confidence, alongside the growing logic for further capacity, is reflected in our investment into Coire Glas which would be the UK's largest pumped hydro storage project and the first built in over 30 years.

- Located in the Highlands, the consented 1.5GW project would have 30GWh of storage, more than doubling existing UK power storage capacity.

- The system benefits are vast and include reducing wind curtailment and helping accommodate more wind, as well as displacing fossil plants.

- To progress to investment, it does not need subsidy, rather revenue stabilisation and it was encouraging to see the UK Government committing to developing appropriate policy to enable investments into long duration energy storage in its recent energy strategy. We will examine all options for bringing this plant onto the market.

30. SSE RENEWABLES – ENTRY INTO SOUTHERN EUROPE

- We have made significant progress exporting our capabilities in renewable energy to carefully selected international markets. We have been disciplined and we have secured valuable options for the future.

- Most recently, we were very happy to have agreed the acquisition of the European onshore wind development platform from Siemens Gamesa Renewable Energy.

- It marks our entry into Southern Europe with a circa 3.9GW portfolio of early-stage onshore wind development projects across France, Italy, Greece and Spain with scope for up to 1GW of additional co-located solar development opportunities.

- SSE will take on a team of around 40 Siemens Gamesa employees with vast experience in the sector, and the transaction is likely to complete in September.

- The aim is to have around 500MW of the portfolio of renewable projects operational by March 2026, with at least 500MW more in construction, and by FY31 we'd expect to see the development platform contributing up to 3GW towards our renewable capacity target.

- The four countries in which the acquired portfolio of development assets are located have strong growth prospects, underpinned by 2030 renewables or carbon reduction targets.

- It is an exciting acquisition and will provide an excellent base for further development opportunities across onshore and offshore wind, solar, batteries and hydrogen.

31. SSE RENEWABLES – SCOTWIND

- Closer to home, in December we won one of the premier sites in the ScotWind process with our partners at Marubeni and CIP. This gave us the rights to develop what will become one of the world's largest floating offshore wind farms off the east coast of Scotland.

- The site is close to our existing Seagreen and Berwick Bank sites giving obvious benefits.

- The lease area has average depths of 72m, making the site suitable deploying floating offshore wind to deliver up to 2.6GW of new capacity.

- We are targeting first generation before the end of this decade.

32. SSE RENEWABLES – PIPELINE AND PROSPECTS

- Our ScotWind win, Southern European acquisition and the optimisation of some of our existing sites represent important strides towards the pipeline target for FY26 of more than 15GW. With more opportunities to grow the pipeline to come, we remain confident.

- The UK and Ireland remain our core markets and our development team will continue to explore high-quality development opportunities such as the Crown Estate's Celtic Sea leasing round and Ireland's Marine Area Consent seabed leasing process.

- We are also keen to export our offshore expertise and in the Netherlands have partnered with Brookfield to bid for tenders for the two 700MW sites within the Hollandse Kust (west) Wind Farm Zone which are currently under way.

- We have also announced with our partners Acciona our application for development rights for an offshore wind farm in the Baltic Sea in Poland.

- Earlier this year we created SSE Pacifico with Pacifico Energy, acquiring around 8GW of early-stage development prospects in Japan in the process. Our office in Tokyo is the base for our talented team, who are progressing these prospects with the aim to start entering bid rounds around the middle of the decade.

- And finally, we have opened an office in America to pursue a number of opportunities there.

33. SSE RENEWABLES – CAPACITY ADDITIONS

- Taken together, as you can see here we are already beginning to make serious headway on our NZAP ambitions.

- With the ongoing construction projects complemented by pipeline additions from the ScotWind auction and European platform acquisition, we are well positioned to meet, or indeed exceed, expectations by 2031.

34. SSE THERMAL – FLEXIBILITY IN A NET ZERO WORLD

- We have seen this year how important thermal plant is to complementing renewables capacity on the system and SSE Thermal is well positioned to deliver this flexibility to the market, both now and in the future.

- The business has a talented new MD in Catherine Raw who has significant experience in commodity markets and investments.

- SSE's existing fleet remains critical as we transition, providing energy and a whole host of system services. These assets successfully secured £270m worth of contracts in the capacity auctions this year.

- However, gas power stations will clearly need to decarbonise and we continue to envisage the closure of more than 50% of the existing fleet by 2030, subject to security of supply requirements.

- We don't often talk about the Gas Storage business, but at times like these we should. It has played a critical role in the UK's energy security this year and will play an important role in the portfolio over the coming years.

- In addition to supporting the system today, our gas storage assets also have potential as hydrogen storage facilities in the future.

35. SSE THERMAL – VALUE IN AN INTERMITTENT SYSTEM

- Thermal currently brings a huge amount of value to the portfolio,

- Principally through selling its generation output for spark – the price arbitrage between gas and carbon input costs, and realised electricity revenue. But whilst that is important, it is far from the whole story.

- Indeed, in an increasingly volatile, renewables-led system it is the option value of being able to respond to forward market volatility and the value its flexibility brings to balancing the system on the day that is increasingly important.

- Having an efficient, responsive, best-in-class fleet is critical over the short to medium term.

- The business has a strong strategic logic as part of the SSE Group, providing balance when wind speeds are low, as we have seen this financial year.

- Looking ahead to the medium to long term, it is state-of-the-art assets like our brand new CCGT at Keadby 2, and our pipeline of CCS and hydrogen options, that will drive this strategic value in future.

36. SSE THERMAL – DELIVERING ON LOWER CARBON

- Keadby 2 will be Europe's most efficient CCGT. It will displace output from older, less efficient plant – reducing both GB demand for gas and carbon emissions.

- Commissioning started in October 2021 with full commercial operation targeted for 1 October 2022.

- The station is capable of being upgraded to further decarbonise through carbon capture or hydrogen technology, as routes to market develop, but will play a critical security of supply role over the rest of this decade.

- Ultimately, the system benefits of the existing Thermal fleet need to be replicated in a net zero world, and for this we need to see progress with CCS and hydrogen generation.

- We have been encouraged by the Government's commitment to its cluster sequencing process. As part of this our Keadby CCS plant is progressing within the Humber-Teesside cluster, but we believe the reserve cluster at Peterhead is moving too slowly.

- In addition to those credible CCS projects that we are progressing with Equinor, we are also seeking to pioneer a first-of-a-kind hydrogen-fueled power station adjacent to Keadby CCS and our Medway power station is well-located to deliver future hydrogen solutions in the Thames Estuary. Hydrogen power could be a very useful peaking plant in a net zero world.

- With hydrogen being pursued by SSE Renewables at our wind farms at Gordonbush and Galway, and through Thermal's hydrogen projects alongside the potential for repurposing Aldbrough gas storage over time, we are beginning to build options for the hydrogen component of net zero – yet another example of the optionality resulting from being an integrated SSE Group.

37. CUSTOMERS – CLEANER, GREENER ENERGY

- Of course, SSE retains a direct link to customers through SSE Business Energy and SSE Airtricity. Business Energy offers a route to market for renewable power and with the advance of PPAs and corporate decarbonisation, the potential for growth is clear and the synergies are evident. In Ireland this is particularly the case with data centre growth.

- And, whilst the Group is no longer active in the domestic retail market in GB, in Ireland SSE Airtricity is a great business that works alongside generation in the more integrated Irish market structure.

- Customer businesses are our green shopfront and they share important linkages within the Group.

38. SSE DISTRIBUTED ENERGY – OPPORTUNITIES

- We have refocused our Distributed Energy business over the last few years to primarily focus on batteries and solar.

- And the battery and solar teams have made significant progress this year. Last August we announced our first battery acquisition with a 50MW site in Salisbury, and in January our first 30MW solar acquisition.

- Our existing grid connections at former coal-fired sites also put SSE in a relatively unique position to deploy battery storage at scale and pace, with 150MW opportunities being considered at Ferrybridge and Fiddlers Ferry.

- Our secured solar and battery pipeline is now 380MW, with more than a 1GW of other opportunities being evaluated.

- As with batteries, solar can be deployed quickly, within the current capex programme.

- And these businesses undoubtedly benefit from being part of our integrated group.

- I'll now hand back to Alistair to talk about the regulated networks businesses...

ALISTAIR PHILLIPS-DAVIES

39. SSEN TRANSMISSION – A NETWORK FOR NET ZERO

- Thank you, Martin. Let's start with Transmission.

- With a wealth of renewable resources in the North of Scotland which will be critical to delivery of the UK's targets, the importance of the role of Transmission in unlocking these resources and transporting the electricity to demand further south cannot be overstated.

- Based on the System Operator's own forecasts, connected generation in the North of Scotland could increase to nearly 25GW by 2030, and almost 50GW by 2050, depending on the scenario chosen.

- But these forecasts were established before ScotWind's full potential was known in January and before the UK Government's Energy Security Strategy with its increased ambition for 50GW of offshore wind by 2030.

- The growth opportunities in this business are immense. It is already one of the fastest growing networks in Europe and with this enhanced ambition and strong signals around the need for faster networks investment, growth is only likely to accelerate.

40. SSEN TRANSMISSION – DELIVERY IN THE FIRST YEAR OF RIIO-T2

- And it is performing well. Our first year of RIIO-T2 construction at Shetland on the HVDC link has progressed, with the first phase of boulder clearance now complete and the main onshore sites in Shetland and Caithness taking shape.

- Work continues strengthening the Northeast network with upgrades to existing substations and the construction of new ones in order to accommodate the increase in capacity of the existing overhead line.

- Our new substation at Kintore, where work has commenced, will be the world's first SF6-free 400kV substation as the network seeks to reduce its own carbon footprint.

- We have also made excellent progress taking forward additional investments through Ofgem's Uncertainty Mechanisms. This includes the Argyll and Kintyre 275kV strategy as well as the Skye Reinforcement project, with Initial Needs Cases submitted to Ofgem for both projects, which have an estimated investment of around £400m each.

- Ofgem has also provisionally approved the first HVDC link proposed between Peterhead and northern England. With a targeted energisation date of 2029, this major joint venture project with National Grid Electricity Transmission has an estimated shared cost of £2.1bn and will be key to addressing existing constraints.

- All these investments contribute to the Transmission RAV and we are increasingly confident in the forecast growth for this business.

41. SSEN TRANSMISSION – HIGHLY SUPPORTIVE BACKDROP TO DRIVE MID-LONG-TERM GROWTH

- This is supported by other developments since November which are potentially driving forward the speed and absolute levels of growth in the medium and longer term.

- In January, the System Operator's Network Options Assessment affirmed our view of the requirement for significant upgrades in the North of Scotland.

- The report supported a number of major projects that could accelerate SSE's investment plans, and which will be critical to enabling the necessary growth of renewable electricity.

- And in April, in the British Energy Security Strategy the UK Government set out clear support for more strategic networks investment ahead of demand, highlighting the need for a more agile approach to networks infrastructure.

- And BEIS will mandate Ofgem to support this approach in a Strategic Policy Statement later this year.

- With ScotWind now targeting up to 25GW, further connections will be needed with the Electricity System Operator's Holistic Network Design due this summer, and we expect this to be factored into another iteration later this year.

- This is expected to form part of a blueprint for the whole energy system by the end of 2022, through a Centralised Strategic Network Plan.

- Moreover, we have seen inflation hitting 30-year highs in the past few months – which will translate directly into higher RAV values.

42. SSEN TRANSMISSION – A CLEARER PATH FOR GROWTH TO 2026

- This combination of increased visibility of the transmission pipeline and the expectation of higher inflation than was assumed gives the business an even more impressive growth outlook.

- We said in November that, in addition to the £2.2bn totex outlined in the base plan for RIIO-T2 plus Shetland, we were putting forward additional major projects for assessment under Ofgem's Uncertainty Mechanisms totalling around £1bn of expenditure and which would take gross RAV to £6bn by FY26.

- Since then, we have aligned our inflation forecast with Ofgem, and revised our view of expenditure on projects currently progressing through Ofgem's Uncertainty Mechanism process; and included some additional Medium Sized Investment projects, within our forecasts.

- Putting all of this together, we now expect to see gross RAV increase to between £6.5bn and £7bn by 2026.

43. SSEN TRANSMISSION – CLEARER PATH FOR GROWTH TO 2031

- And it doesn't end there, with a clear direction of travel in connected capacity, and the requirement of the network to keep pace with renewables growth– this is a high-growth business.

- Clearly the further out we look, the less certain we can be in our forecasts, but the long term political drive towards achieving net zero is clear.

- In November, we said that gross RAV would reach between £8bn to £10bn by 2031.

- Building in assumptions for a refreshed view of projects we expect to be required during the remainder of the decade, we now expect gross RAV to be in excess of £12bn by 2031.

44. SSEN DISTRIBUTION – MANAGING EXTREME WEATHER EVENTS

- Despite advance preparation and planning, the worst storms for years significantly impacted our Distribution networks, with unprecedented damage in some areas.

- The north-east region of Scotland experienced the equivalent of almost two years' worth of overhead line faults in just one 12-hour period. We experienced similar weather in the south too; with record windspeeds seen across both of our networks, and six exceptional event claims made over the winter period.

- We focused on getting customers back on grid as quickly as possible while protecting vulnerable groups, and the increasing frequency of such events serves to highlight the core resilience challenges for ED2.

45. SSEN DISTRIBUTION – RIIO-ED2

- But climate not weather will drive growth. The Climate Change Committee has forecast that a shift in low-carbon technologies could almost treble the demand on electricity networks by 2050.

- In our distribution network areas alone, electric vehicle charging and heat pump capacity could see exponential growth by 2030.

- And it is the likely load expenditure required to keep pace with this expansion which led to SSEN Distribution submitting an ambitious RIIO-ED2 business plan. This proposes around £4bn in gross baseline total expenditure – an increase of around a third on an equivalent ED1 period.

- We have set out a huge amount of detail in that plan which I won't repeat here but would encourage you to read. It is a stakeholder-led plan that balances investment in the smart, flexible networks that will facilitate net zero, with the need to keep costs down for customers. We will also be further modernising the business.

- Some competitors have taken a different approach to how they include Uncertainty Mechanisms in their plan. We took a straightforward and transparent approach with our customers, so they knew exactly what was needed to deliver a reliable net zero network in an affordable way.

- The ED2 business plan is expected to receive its Draft Determinations in late June with Final Determinations before the end of the year. The price control begins in April 2023.

- It will be a real test of whether Ofgem are able to match the pace of net zero and facilitate the networks' delivery of net zero for communities rather than becoming a blocker – and we hope they will respond to the clear signals sent by Government in its Energy Strategy.

46. CONCLUSION – break slide

47. CONTINUING TO LEAD ON CLIMATE ACTION

- Last year we set out our plan to unlock net zero-aligned value in the period to 2026 and grow substantially into the 2030s.

- COP26 put us in the limelight as a national clean energy champion and, as we have outlined on the previous slides, we are now centre stage amid a renewed global push for more clean electricity. We're building connections, partnerships and megawatts.

- Six months later we are more confident than ever that these plans represent a floor not a ceiling and that we can help drive a significant acceleration towards net zero.

- We are accelerating our investments in homegrown low-carbon projects, providing a long-term solution to the current energy crisis; creating jobs in local communities and leading on a just transition.

48. POWERING CHANGE TOGETHER

- As I outlined in my introduction, and as I think we have demonstrated in this presentation,

- A year of **strong operational delivery** has resulted in our **financial objectives being met**;

- Our **resilient business mix** is helping to navigate the Group through exceptionally volatile markets; whilst also creating opportunities across the clean electricity value chain;

- And, finally, the prospect of further **accelerated growth** and **investment** provides the backdrop for our updated financial outlook out to March 2026.

- We have high-quality options right across the electricity value chain, offering ESG-orientated investors the optimal combination of market and regulated businesses.

- SSE has never been better placed to deliver for all its stakeholders and wider society.

Thank you. We will move onto your questions after this brief video ...

VIDEO

Thank you. We'll now take your questions.