WE POWER CHANGE

SSE Interim Results for the six months to 30 September 2022

1. TITLE SLIDE

2. DISCLAIMER

ALISTAIR PHILLIPS-DAVIES

3. AGENDA

- Good morning everyone and welcome to our Interim Results presentation.

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

- By the end of this presentation three things will be clear:
    - Our strategy is more relevant than ever and is delivering results;
    - Recent market conditions have validated our diversified business mix enabling us to create value for shareholders and society; and
    - We are delivering on our record capex programme, investing more in large capital projects than we are making in profit.

4. EXECUTION AND DELIVERY

- Global and domestic events of the past 12 months would have tested any company's strategy, but our 'NZAP' (as we refer to it) and the strategy that underpins it have stood up very well.

- Our plans cement SSE's standing as a clean energy champion, positioning us to invest around £25bn in critical infrastructure this decade while delivering sustainable long-term value.

- Our diverse and well-balanced business mix is helping us navigate turbulence, with its natural hedges and synergies providing stability against a volatile backdrop.

- And we are making good progress in executing our investment programme.
- This morning, you will hear updates on flagship projects at Dogger Bank, Viking, Seagreen, Keadby 2, and our Shetland link as well as progress on ED2.
- You will also hear how our acquisitions in Southern Europe, Japan and in the hydrogen space are creating further growth options, complementing our growing project pipeline in Transmission. We are accelerating into growth.
- And we will cover how all this, combined with strong operational performance has led to good financial performance, therefore benefiting shareholders as well as wider society.

5. THE PEOPLE BEHIND DELIVERY

- People are our most important asset, and our first priority is to ensure everyone gets home safe each working day.
- Our record investment programme comes with increased construction activity so we are pleased to have had 4 less injuries than the same period last year and a small decrease in our Total Recordable Injury Rate.
- But, of course, devastatingly, in June we saw the death of a BAM Nuttall Contractor, Liam Macdonald, and this loss remains very much front of mind.

6. NAVIGATING THE ENERGY LANDSCAPE

- The future energy landscape has electricity at its core and brings decades of opportunity.
- Clearly in the **short term**, this year's energy crisis has led to market and policy uncertainty but we are hoping for clarity on some of the key issues in the Chancellor's statement tomorrow.
- However, for our part we have proactively proposed interventions that help households whilst not damaging investor confidence or impacting energy security.
- But over the **medium term**, we see real opportunity for market reforms that will encourage investment and benefit consumers. We called for the BEIS REMA process

and have advocated for evolving successful existing mechanisms to accommodate more renewables whilst breaking the link between wholesale gas and electricity prices.

- And over the **longer-term** UK policy ambition remains high which plays to SSE's strengths and Britain's comparative advantage, most obviously in offshore wind and CCS, where seabed and storage options are the envy of much of Europe.

- And in Europe long term policy has strengthened too. The REPowerEU package has inspired an upping of clean and renewable energy ambitions in Ireland, the Netherlands, Germany, and other markets.

- While challenges clearly exist in the short term, our NZAP looks even better than it did a year ago because it is geared firmly at tackling the critical long term issues of energy security and climate change.

7. RESILIENT BUSINESS MIX

- Our business mix enables our strategy. Following significant reshaping we have created an ESG-aligned group comprising an attractive blend of regulated and market-based businesses, offering optionality across the electricity value chain.

- Our core businesses share common capabilities in the financing, development, building and operation of highly technical electricity assets. Our assets enable electrification and decarbonisation, containing huge flexibility critical to energy security.

- We are diversifying via technologies and markets, while adapting to change. In the last six months we have strengthened this business mix via the acquisition of an onshore renewables pipeline in Southern Europe and the Triton Power portfolio.

8. RESPONDING TO THE COST-OF-LIVING CRISIS

- The political, economic, and social context has led to a genuine cost-of-living crisis, underlining the criticality of energy to society.

- However, cheaper energy is on the way. Had the UK's 2030 renewable targets been met in 2022, Britain would have saved approximately £30bn of spend on gas this year alone.

- Our primary role is investing in the infrastructure needed to prevent a repeat of the energy crisis. We are doing this as fast as we can and will invest more if we can.

- We have taken immediate action too: advocating for solutions to smooth energy costs and supporting Airtricity customers by freezing prices and helping the vulnerable.

- And we ensure our approach to sustainable development has a social impact, whether through paying fair tax; investing into communities; increasing local content; or creating 1,000 new jobs a year.

- These are just some of the ways we create growth and value for both shareholders and society.

- I'll now hand over to Gregor to cover financial results

GREGOR ALEXANDER

9. AGENDA

- Thanks Alistair and good morning everyone.

10. FINANCIAL RESULTS – NAVIGATING VOLATILITY

- Unprecedented energy commodity price volatility, combined with inflationary pressures, interest rate increases and currency fluctuations have made this one of the most challenging operating environments I have seen as Finance Director. But we have performed well and delivered a solid set of results.

- Our balanced portfolio means our regulated networks businesses are insulated from energy price movements whilst our thermal and renewables generation fleet, and our gas storage and customer businesses, provide offsets that help manage volatility.

- Our strong balance sheet with high levels of available liquidity have enabled us to navigate fluctuating collateral positions without affecting our commercial strategy.

- Our business mix is also better placed than many to manage inflationary pressures. Networks RAV and revenues are index-linked and so too are our renewables CfDs and generation capacity payments.

- Our stable debt profile and ongoing careful financial management – supported by our disposals programme – mean the Group expects minimal refinancing or funding requirements until FY25.

- These factors, alongside our established approach to hedging and our risk management procedures, have helped limit short-term volatility exposure, whilst maintaining the strong balance sheet and liquidity required to execute on our NZAP.

11. FINANCIAL RESULTS – SEGMENTAL OVERVIEW

- In terms of our results, around 50% of adjusted operating profit was driven from our regulated networks businesses, with around 35% from energy generation and gas storage.

- Whilst Renewables profitability was hit by hedge buybacks in a higher price environment and lower volumes against plan, Thermal and Gas Storage have responded to system demands well, proving their value after a period of limited returns.

- Our Networks businesses have also performed well as they build-out and reinforce the networks for net zero.

- And whilst our Customer Solutions businesses have generated a profit, this is largely due to phasing and we expect these businesses to be near break-even for the full year.

12. FINANCIAL RESULTS – OVERVIEW

- Overall, at the Group level:
  - Adjusted operating profit increased by 90% to £716m;
  - Adjusted profit before tax increased by 221% to £559m;
  - And adjusted EPS was 41.8p, in line with pre-close guidance

13. FINANCIAL RESULTS – ADJUSTED & REPORTED

- In these volatile times, it is no surprise that unrealised fair value remeasurements are driving the reported loss before tax at 30 September, and I will discuss these shortly.

- However, there were a number of other items reflected in that reported number.

- Sustained forward power prices have resulted in impairment reversals for Gas Storage and our Great Island CCGT.
- And higher power prices also meant a net gain was realised on the Triton acquisition.
- These gains – which do not impact cash – evidence the strategic value of flexible generation in times of volatility and the merits of investing in these assets during more difficult years to ensure they can respond when needed.
- Higher commodity prices have also resulted in a gain being recognised on the revaluation of our residual Gas Production decommissioning obligation.

14. FINANCIAL RESULTS – COMMODITY CONTRACTS

- The majority of the movement in unrealised fair value remeasurements, however, relates to forward commodity contracts entered into under our established hedging approach.
- This approach secures value for the business, by reducing exposure to short term commodity price movements which would drive variable operating and financial performance.
- And whilst the hedging in place removes that unpredictability from future profits, the accounting standards require us to include the mark to market of some contracts as an unrealised remeasurement at the end of each accounting period.
- This remeasurement is unrelated to underlying operating performance, and therefore the Group has consistently shown the change in the fair value of these contracts separately.
- The Group has continued its approach to hedging in the year and, despite reduced market liquidity, has been successful in securing stable, long-term value backed by its operational assets.
- Counterparty credit risk and cash collateral requirements have always been a focus for the Group when entering into hedges – and the recent volatility has only sharpened that focus.
- I will cover liquidity later, but we have successfully managed collateral requirements to date, at limited additional cost, with liquidity headroom to allow for further volatility.

15. NETWORKS – MINORITY DISPOSAL UPDATE

- Before moving onto the business segment results, I wanted to briefly update on the networks minority interest disposals.

- As stated last November, the key to delivering our NZAP is ensuring our investment is targeted to give the optimal mix of returns across a blend of assets.

- We will retain management control, but the minority stake disposals will enable the significant growth we see in networks whilst maintaining an attractive balance of capital allocation and returns across the Group.

- The Transmission transaction is progressing well, and we continue to target signing in the next few weeks, with completion following shortly thereafter.

- For Distribution, the business has been focused on securing the best ED2 outcome possible, and we therefore expect to commence its process at the start of 2023.

16. FINANCIAL RESULTS – TRANSMISSION

- In terms of SSEN Transmission performance, adjusted operating profit increased by 15% to £208m, mainly driven by increases in allowed revenues under the T2 price control, partially offset by cost increases as the business positions itself for further growth.

- While investment levels remain high, capex has slightly reduced from prior period to £271m, as large capital projects have been rephased.

17. FINANCIAL RESULTS – DISTRIBUTION

- SSEN Distribution has also continued to show growth, with adjusted operating profit increasing by 14% to £175m.

- This reflects higher allowed revenues for the current regulatory year, including an additional £40m of allowances which were not recovered in FY21 due to the impact of coronavirus. However, the half-year operating result reflects under recovery on expected volumes.

- And investment has slightly increased on the prior period to £176m, as the business entered the final year of ED1.

18. FINANCIAL RESULTS – RENEWABLES

- In Renewables, adjusted operating profit decreased marginally to £22.5m.

- Having experienced exceptionally still and dry weather last summer, volumes increased 0.8TWh or 28% in the current year but were still 0.5TWh or 13% behind planned levels.

- This was partly due to unfavourable wind conditions but also reflects delays in achieving first power at Seagreen resulting from a crane failure on an installation vessel earlier in the year and subsequent poor weather.

- Undelivered volumes paired with extremely high market prices led to an increase in hedge buyback costs, of which £57m related to Seagreen.

19. FINANCIAL RESULTS – SSE THERMAL

- For SSE Thermal, adjusted operating profit for the half year increased to just over £100m, reflecting not only higher prices and increased output but also plant availability and flexibility in volatile markets.

- However the business has had a number of unplanned outages, most notably for the Great Island CCGT which did not generate for the majority of the period due to an outage caused by a cooling system fault and subsequent turbine overhaul.

- Recent volatility has resulted in higher achieved spark spreads and we believe that these assets will continue to provide highly valued future flexibility.

20. FINANCIAL RESULTS – GAS STORAGE

- SSE's Gas Storage business is operated to capture positive gas price spreads which typically occur between summer and winter prices.

- This year the usual seasonal price spread was inverted, with summer gas prices higher than winter due to low Russian supplies and focus across Europe on building up stores for winter.

- By selling stored gas into that price environment, the business captured the higher summer gas prices whilst providing liquidity into the market to reduce the peak gas prices.

- Combined with normal trading activity – which has intensified in the recent market environment – the business has achieved an adjusted operating profit of £148m in the period. This follows many years of challenging financial performance.

- And with almost 150m therms of gas stored at 30 September – over 80% of SSE's capacity – the assets are well placed to capture the winter spread whilst providing vital energy security in times of high gas demand.

21. FINANCIAL RESULTS – OTHER BUSINESSES

- Business Energy recorded an adjusted operating profit of £60m in the period, which reflects the phasing of customer contract margins in the first six months of the year. In a higher price environment, the seasonality has been amplified particularly for fixed price contracts, and we therefore expect that the profits will reverse into around break-even position for the full year.

- Airtricity recorded a small profit in the period but, as Martin will cover later, we do not expect this business will recognise a profit this financial year.

- EPM has delivered an adjusted operating profit of £30m in the period, as it has worked hard to manage the Group's commodity positions.

- And finally, losses from Distributed Energy and Neos continued in the period as they build out their asset base, however Corporate costs have reduced following a review of the corporate cost base.

22. FINANCIAL RESULTS – BALANCE SHEET (1)

- SSE's strong balance sheet continues to be underpinned by high-quality assets and, following continued capital investment in long-term infrastructure, adjusted net debt was just under £10bn at 30 September 2022, with 92% of debt held at fixed rates.

- Our S&P credit rating remains at BBB+ 'stable outlook' and our Moody's rating remains at Baa1 having been updated to 'stable outlook' following the publication of our well-supported NZAP in November 2021.

- These compare favourably to peers and reflect the Group's business mix, funding plans and future dividends.

- Whilst it has been a turbulent time for pensions due to their exposure to the Liability Driven Investment portfolios, our schemes have relatively low levels of leverage on their LDIs and as such no additional liquidity has been required from SSE.

- Both defined benefit schemes remain in surplus, with the combined surplus having increased in the period to £649m.

23. FINANCIAL RESULTS – BALANCE SHEET (2)

- We prudently utilised capital markets where we saw opportunities, issuing €1.0bn of Hybrid Capital at a coupon of 4.0% in April, a £350m 10- and 15-year dual tranche private placement in June at an average rate of 3.19%, and a €650m seven-year Green Bond at a coupon of 2.875% in July – well below current market prices.

- And we have recently entered into £1bn of new revolving credit facilities for our Transmission and Distribution businesses, to support their future growth plans.

- Our cash collateral requirements are comfortably within existing facilities. At 30 September, SSE had around £2bn of available liquidity and whilst volatility in the market has continued, and the Group's cash collateral requirements have increased by around 70% to around £1bn at 11 November 2022, the majority of liquidity facilities still remain unutilised going into the winter.

- We remain on course to report FY23 capex in excess of £2.5bn (including acquisitions) and continue to expect leverage to be well below our target 4.5 times net debt to EBITDA ratio.

- It is this strong financial footing that enables the Group to invest in its major projects, creating long-term value.

24. GUIDANCE AND DIVIDEND PLAN

- SSE's balanced portfolio means that we are performing well in volatile market conditions.

- Whilst a higher price environment provides opportunities for value creation, it also increases risks when generation output is lower than expected.

- Most of SSE's profits are earned in the second half of its financial year and, in the context of the prevailing market conditions, SSE's guidance of adjusted EPS for FY23 of at least 120 pence remains unchanged.

- As well as outturn market conditions, SSE's results will be determined by potential policy interventions, plant availability and weather conditions. Correspondingly, SSE does not expect to provide further detail on profit expectations until later in the financial year.

- We remain fully committed to our dividend plans and continue to target increases in line with RPI for this year. As such, we are declaring an interim dividend of 29.0p.

- In line with the 2023 dividend plan, we will rebase our dividend to 60 pence in FY24, before targeting at least 5% dividend increases in FY25 and FY26, taking into account earnings growth.

- This rebasing will enable growth across the Group as we invest for the long term.

- So, to conclude, in the face of market volatility we have continued to perform well with solid earnings whilst delivering our ambitious investment plans.

- We are fully financed, the balance sheet is strong and we are continuing to project adjusted EPS CAGR growth of 7-10% by March 2026 from an 87.5p baseline.

- I'll now hand you over to Martin to cover developments in our market-based businesses.

MARTIN PIBWORTH

25. AGENDA

- Thank you Gregor, and good morning everyone

26. SSE RENEWABLES – DELIVERY OF FLAGSHIP CONSTRUCTION PROJECTS…

- We are building more offshore wind than any company in the world right now. These mega projects always bring specific challenges, but we continue to make progress.

- Seagreen will be Scotland's largest offshore wind farm and the deepest fixed bottom project in the world. We achieved first power in August with 65 turbines and 78 jackets installed. Full commercial operations are now expected in summer 2023.

- Delivering Seagreen through coronavirus, and overcoming the issues already mentioned by Gregor, underlines the huge capabilities of our Renewables team and partners.

- At Dogger Bank, the world's largest wind farm, offshore work is progressing with the successful installation of the first monopiles and transition pieces and the 175km export cable, putting us on track for first power next year. All phases are expected to be operational in 2026.

- In Shetland, on the Viking project, we are completing one of the most productive onshore wind projects in Europe. We have now poured all of the 103 concrete bases ahead of schedule, with turbine installation expected to commence in early 2023. COD is then expected in the second half of 2024.

- The project was awarded a 15-year CfD covering 50% of its output at around £60/MWh in today's prices.

- We have prudently de-risked these projects by locking in the prices of major contracts, hedging 100% of direct exchange rate risk and fixing 100% of interest rate exposure on project financed developments.

- In addition to these flagship projects, construction continues in Ireland at Lenalea and the 104MW Yellow River project where ground was broken earlier this year.

27. SSE RENEWABLES – STRONG PIPELINE…

- We have a very strong pipeline in our core domestic markets, helping meet the huge policy ambition there.

- Berwick Bank alone would account for over a third of Scotland's 2030 target. We are working towards submitting a consent application by the end of 2022 for the up to 4.1GW project and aiming to be operational around the end of the decade.

- As well as Berwick Bank, Seagreen 1A and North Falls, our GB offshore pipeline has also been complemented by our ScotWind win, Ossian, where we plan to deploy floating technology. We see it as one of the premium ScotWind sites and following additional seabed surveys and a revised grid connection offer, we have increased the potential capacity from 2.6 to up to 3.6GW.

- Onshore, we've made excellent progress in Scotland with the up to 100MW Bhlaraidh Extension receiving consent in August and the acquisition of the 50MW Aberarder project last month.

- We have a rich heritage in hydro and continue to invest in the portfolio, recently through the ongoing repowering works at Tummel Bridge and the Coire Glas development. At 1.5GW, Coire Glas would be the first large scale pumped storage scheme to be developed in the UK for more than 30 years and would bring a swathe of system benefits. With Coire Glas the industrial logic is overwhelming, and we are targeting financial close in 2024 subject to clarity on government policy.

- Meanwhile in Ireland, Arklow has received a Marine Area Consent under their new leasing process and is well placed for the inaugural Irish offshore auction, with our blue sea projects, Braymore and Celtic Sea Array, following later in the decade.

28. SSE RENEWABLES – GROWING AND DIVERSIFYING…

- Whilst GB and Ireland remain our core markets, our recently completed Southern Europe acquisition from SGRE provides valuable geographical diversity as Europe accelerates into renewable generation.

- Southern Europe provides many fast-growing, adjacent markets where our capabilities are readily transferrable and where wind and solar are set to provide the vast majority of bulk energy.

- The acquisition has helped grow our ‘secured’ pipeline from 11GW to around 14GW in the last six months, plus over 10GW of ‘future prospects’ that we’re actively pursuing.

- The platform has a strong footprint across Spain, France, Italy and Greece, with 3.8GW of onshore wind pipeline and prospects and a further 1.4GW of hybridisation potential in co-located solar.

- 2.2GW of this we consider “secured” pipeline with material land or permitting rights.

- But the platform is more than gigawatts. It’s a highly experienced team and a ‘beachhead’ from which to explore other opportunities in Southern Europe.

- In Japan our SSE-Pacifico platform is readying projects for upcoming offshore auctions in a market with huge potential whilst in Northern Europe and the US we’re working with local partners to gear up for future auctions.

- We remain laser focused on our domestic markets in the UK and Ireland; but these achievements internationally mark a measured approach to exporting our capabilities in order to create opportunity, optionality and diversity.

29. SSE RENEWABLES – INCREASING OPTIONALITY…

- A year on from launching our NZAP the pipeline has seen significant expansion though organic growth and acquisitions.

- We are delivering on our goals to 2026 whilst growing our pipeline at the necessary speed for our subsequent 13GW target by 2031.

- We’re simultaneously building the capabilities needed to increase outlets for renewable power. This includes launching projects to progress hydrogen as a route to market whilst expanding our Corporate PPA capabilities to enable sustained international success.

- In competitive markets, optionality is king and our approach means we can pick and choose where best to deploy capital to achieve our targets and robust return aspirations.

30. SSE THERMAL – VALUE OF FLEXIBILITY DEMONSTRATED…

- SSE Thermal is playing a critical role supporting the Government, the regulator and the ESO in their obligations to ensure security of supply and our investments in recent years have created the UK's leading fleet of high performing flexible generation plant.

- In tight and volatile market conditions, our plant is responsive, agile and hugely complementary to the rest of the portfolio.

- Keadby 2 is one of the most efficient CCGT's in the world and will displace older, less efficient plant. Commissioning started in October 2021 but has been delayed slightly. Siemens is making final adjustments to the generator before expected handover to SSE Thermal in January. By then Keadby 2 will already have been supporting energy security this winter, with final commissioning expected from mid-December onwards.

- The portfolio of assets purchased through the Triton acquisition with Equinor will also have an important role this winter, but their decarbonisation potential is the real prize, particularly at Saltend where plans are progressing to blend up to 30% hydrogen.

- And in Ireland at the request of the Irish Government we are engaged in discussions on temporary emergency generation and exploring other options to help the Government deliver security of supply sustainably.

- While other operators have exited the thermal generation sector, SSE is taking responsibility for the decarbonisation of its plant to enable an orderly and just transition to net zero.

- Our Keadby 3 CCS plant is at the due diligence stage of the UK Government's cluster sequencing process, whilst our Peterhead project is progressing as part of the Scottish cluster held in reserve by government.

- We have also been rapidly advancing our hydrogen ambitions within Thermal and have provided more detail of this in today's Results Statement.

- Our NZAP aims for 3GW of low-carbon flexibility for FY31 and whilst we are reliant on government to achieve this, our targets remain highly credible with multiple options available.

31. SSE THERMAL – GAS STORAGE SUPPORTING SECURITY…

- Gas Storage has not historically been a particularly profitable business for us. Indeed, over the last 10 years we have taken impairments of around £350m against these assets.

- Successive governments have provided limited support but we recognised both its system-wide importance and its potential to SSE as a long-term risk management tool.

- We hold around 40% of the UK's onshore underground gas storage capacity at our two sites in East Yorkshire, and we have invested significantly to keep our salt caverns available.

- This year the country has needed storage more than ever, and after years of being undervalued, these assets are now importantly making a financial return. This shows the need to consider the investment and remuneration of such assets over the longer term.

- Our Atwick facility has nine caverns and can store around 100mTh of gas whilst Aldbrough, a joint venture between SSE Thermal and Equinor, also has nine caverns with the capacity to store around 118mTh.

- Through timely investment and optimisation, we have increased storage capacity for this winter. We also have consent to increase capacity further to support advanced plans for hydrogen storage at Aldbrough – well located for the Humber cluster.

- This year, these assets have delivered when society needed them, protecting consumers from price peaks, then building stores to provide vital security over the winter.

32. CUSTOMERS – CLEANER, GREENER ENERGY

- SSE's customer businesses are an important shopfront for our green power and low carbon solutions, offering a route to market and valuable diversity for the Group.

- As a responsible company we recognise the cost of living pressures being felt by consumers.

- We froze SSE Airtricity prices for financially vulnerable customers from June 2022 until the end of March 2023 and launched a €25m customer support fund.

- Correspondingly, we do not expect to record a profit within our Airtricity business this financial year; even accounting for any additional returns from Airtricity's renewable contracts resulting from Refit1.

- In GB, we have been helping our business customers too and have worked closely with BEIS to support the new Energy Price Guarantee Scheme.

- Whilst this carries implementation challenges given the urgent timescales involved, it will make a significant difference for all our business customers this winter.

- Ultimately, we expect that the profits recognised by business energy in the first half of the year will be reversed in the second half driven by the higher price environment.

33. SSE DISTRIBUTED ENERGY, SOLAR AND BATTERY

- We have repositioned our Enterprise business over the past few years to focus on Distributed Energy; Solar and Batteries.

- The solar and battery teams have been busy growing their capability and pipeline this year, adding further diversity to our future portfolio.

- We are building our first 50MW battery in Salisbury, our former coal-fired sites at Ferrybridge and Fiddlers Ferry are both homes to battery developments, and we have added a number of other early-stage solar and battery storage projects.

- In all we have doubled the secured pipeline to 700MW, with more than 1GW of additional prospects in development.

- Elsewhere in Distributed Energy, our EV fleet site portfolio has significantly increased through our new partnership with the pan-European asset manager M7.

- To conclude my section, our unique portfolio of market-facing businesses provides an unrivalled combination of supply, demand and flexibility.

- In uncertain markets this provides protection from liquidity risk and offers valuable risk management qualities, whilst SSE's strategic alignment with policy direction ensures its long term future is bright.

- I'll now hand back to Alistair to cover networks...

ALISTAIR PHILLIPS-DAVIES

- Thank you, Martin.

34. SSEN TRANSMISSION – DELIVERING A NETWORK FOR NET ZERO

- SSEN Transmission has a central role in net zero. We have one of the fastest growing regulatory networks in Europe, underpinned by one of the most well-respected regulatory frameworks.

- Operationally, the business is now into the second year of RIIO-T2 with our capital investment programme on track, and construction of the Shetland HVDC link is well under way, with 100km of the 260km of subsea cable already installed.

- Work at Kintore Substation has entered the second phase, including the world's first SF6 free 400kV Gas Insulated Switchgear, and we are also progressing additional investments through Ofgem's Uncertainty Mechanisms.

- In July, we received Final Needs Case approval for the Eastern Green Link 2, a joint venture between ourselves and National Grid Electricity Transmission, which will see a 2GW HVDC subsea link from Peterhead to Drax.

- In addition, we have submitted a Final Needs Case for the upgrade of the Fort Augustus to Skye transmission line which will support security of supply and connect renewable generation.

- Ofgem has also recognised the clear need for reinforcements in Argyll and Kintyre to support the region's forecast growth in renewables.

35. SSEN TRANSMISSION – PATHWAY TO 2030

- With our programme of investment and the continued momentum of our customers' needs we are on our NZAP pathway.

- Today our network has around 9GW of connected generation, but for achieving net zero all credible scenarios point to a 14-15GW system by mid-decade.

- We continue to expect to deliver RAV of £6.5-£7bn by FY26 and are now more likely to be nearer the top of that range, given current levels of inflation.

- Looking further out, there is a lot of work to be done in terms of generator commitment, planning and Ofgem approval but we continue to forecast a double-digit RAV CAGR and expect gross RAV to exceed £12bn by FY31.

- Moreover, the upcoming publication of Ofgem's Accelerated Strategic Transmission Investment framework should provide greater confidence in achieving this level of growth; plus the system operator's second iteration of the Holistic Network Design early next year should highlight further growth potential.

36. SSEN DISTRIBUTION – DRIVING NET ZERO DELIVERY

- Alongside its primary function of delivering a safe, reliable and resilient network to 3.8m homes and businesses, our Distribution business has a critical role in helping consumers to achieve net zero and enabling low carbon investment locally.

- Despite real economic pressures, local decarbonisation is accelerating at pace with connection of core low carbon technologies now tracking on or above the most ambitious forecasts in our Distribution Future Energy Scenarios publication in 2019.

- We are seeing a greater than anticipated rush for electric vehicles, with connections of domestic chargepoints and EV hubs up 75% year-on-year.

- And our teams have connected around 500MW of local renewables in the past 12 months alone, equivalent to a large offshore wind farm, and over twice the volume of the previous year.

- This accelerated trajectory looks set to continue with our recently published ‘early insights’ scenarios highlighting that despite economic headwinds, the consumer proposition for low carbon technologies is strengthening during the energy crisis.

- Fundamentally this growth underlines the need for a supportive regulatory environment so that local distribution networks can be an enabler rather than a blocker in the delivery of net zero for communities. We need to move from a reactive regime to one that ensures that, within reason, sufficient network capacity will be there for customers at the time they wish to connect.

- A strategic investment approach must be firmly embedded and we hope Ofgem responds to the clear signals sent by Government policy in distribution as they have in transmission.

37. SSEN DISTRIBUTION – ENSURING A POSITIVE FINAL RIIO-ED2…

- In July Distribution received Ofgem’s Draft Determination and since then has been constructively engaging with the regulator to ensure the final settlement delivers for all stakeholders.

- Our draft plan sought to keep pace with stakeholder demands, proposing around £4bn in gross baseline total expenditure – an increase of around a third on an equivalent ED1 period. The plan balanced investment in the smart, flexible networks that will facilitate net zero, with the need to keep costs down.

- Ofgem’s initial determination was disappointing, and while it represented an increase of 18% on equivalent allowances in ED1 and recognised the innovation proposed through additional Customer Value Propositions, we were clear that work was required to ensure the final settlement fully reflects customer and stakeholder needs.

- In August we submitted a comprehensive response with additional stakeholder-supported evidence and we also sought to address some Ofgem’s material errors.

- A key focus is striking the right balance between reactive uncertainty mechanisms and baseline allowances that allow us to plan and mobilise to meet local net zero acceleration and resilience needs.

- We think that's an area to fix but acknowledge that ED2 will, by necessity, be a more flexible price control than we've seen before, with significant opportunity for 'in period' investment and RAV growth.

- We await Ofgem's publication at the end of this month. In the recent Gas Distribution and Transmission rounds we saw a closing of the gap between draft and final determinations and believe our strong case to the regulator will help deliver positive change as demanded by our stakeholders.

38. AGENDA – break slide

39. NET ZERO ACCELERATION PROGRAMME

- A lot has happened in the world since we announced our NZAP.

- But it remains the optimal pathway to consolidate SSE's position as a clean energy champion, positioning us to deliver around £25bn of investment by the end of the decade.

- In a year of progress we upgraded several of these targets in May to reflect our increased confidence in delivery.

- Each of our targets is a step closer than a year ago, and the acceleration of our investment programme is in line with societal needs domestically and internationally.

- There are short-term challenges, but we are positive about the medium-term outlook and beyond, where policy ambition has never been higher.

- This means the NZAP remains a floor rather than a ceiling to our ambition and we stand ready to continue delivering record investment.

40. INVESTMENT IN THE FUTURE SYSTEM

- By investing more than we are making in profit in the solutions that society needs we are building a more sustainable, secure and affordable energy system when people need it most.

- Our NZAP could see the delivery of 20% of both the electricity networks and offshore wind needed in GB for 2030.

- It would provide much needed flexibility to the energy system, helping the UK become energy independent.

- But while SSE's focus aligns with the UK's comparative advantage as a European energy centre, SSE's horizons stretch beyond the UK and Ireland. We continue to diversify and export our capabilities in targeted markets overseas.

- Every step of the way we are leading on the energy transition and the just transition.

41. SUMMARY AND OUTLOOK

- Put simply, we have the right strategy at the right time. It is creating value for shareholders and society now and driving attractive fully-funded earnings growth over the longer term.

- Despite the market turbulence, we have delivered Half-year Results in line with guidance, and our financial position provides headroom to continue investing in excess of profits.

- In volatile times our integrated group has a resilient business mix, balance sheet strength, natural hedges and an abundance of options for long-term growth

- At SSE, we are powering change