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SLIDE 1 – DELIVERING FOR CUSTOMERS AND SHAREHOLDERS IN ELECTRICITY NETWORKS

[Gregor Alexander](#)

Welcome back to this SSE Business Update, with the focus now on Networks. With me are Networks MD, Colin Nicol, and Director of Transmission, Dave Gardner.

SLIDE 2 – ABOUT SSE’S NETWORKS BUSINESSES

SSE has ownership interests in five economically-regulated energy networks businesses. SSE’s share of their total RAV is over £8bn and expected to be close to £9bn in 2020.

Serving areas as diverse as west London and the west Highlands, they’ve been core to SSE in the past; and they will be core to SSE in the future.

Based on current projections they should continue to earn annual EBIT averaging around £800m over the next five years.

Their collective strength is important, but these businesses also have distinctive attributes, challenges and opportunities. The opportunities are reflected in our plans to invest around £2.8bn in electricity networks over the next five years.

Shortly, Colin and Dave will talk about the progress and opportunities in our electricity Distribution and Transmission businesses; but first I’ll say something about SGN.

SLIDE 3 – CONTINUING TO INVEST IN GAS DISTRIBUTION

At 33.3%, we continue to hold a key stake of SGN, which gives us a share in its RAV of over £1.8bn. Based on the last financial year, SGN contributes around 9% of SSE’s group adjusted operating profit.

Since the start of the current Price Control in 2013, SGN has delivered a strong performance, providing value for shareholders and customers through the regulatory sharing mechanism.

Its focus is on maintaining its frontier position in the current Price Control, and on ensuring it's well-positioned for RIIO 2.

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In line with that, SGN is delivering an innovation programme designed to ensure that gas has a secure, long-term future in the UK energy mix and is seeking further opportunities for diversification and growth in a changing energy system, including areas such as heat, hydrogen and biogas.

Its ownership structure now provides it with additional flexibility and potential for business development; and it is already taking forward the 'gas to the west' project in Northern Ireland and the meter asset provider company it launched with the support of investors.

Our stake in SGN is an important asset, with significant potential for the future.

SLIDE 4 – A SUSTAINABLE APPROACH TO BUSINESS

Before handing over to Colin, I'd like to say something about the politics currently surrounding utilities, including energy networks.

At SSE we've never forgotten that our core purpose of energy provision was previously carried out by the public sector.

As we've said before, that means we have to earn the right to make a profit. That's one of the reasons why our responsible and sustainable approach to business is central to everything we do.

Our approach to the political debate on energy ownership is straightforward. We will fulfil all our obligations to shareholders and we will also discharge our responsibilities to energy customers. That means improving service, enhancing network reliability and progressing innovation and reform.

We will go about this in a way that shows respect for our origins, respect for different political perspectives and – most of all - respect for the needs of energy customers.

I'll now hand you over to Colin.

SLIDE 5 – Colin Nicol, MD Networks

Presenter - Colin Nicol: Delivering energy in the transition to a low carbon world

Thank you, Gregor, and good afternoon everyone.

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SLIDE 6 - SSE'S ELECTRICITY NETWORKS

From my experience working across the group, it is the long-term value from – and the values of – networks that are the very heart of SSE. And as the group focuses on assets and infrastructure going forward, they will be even more so than before.

We own and operate three licenced electricity network businesses under the Scottish and Southern Electricity Networks brand.

Our DNO area in central southern England has around 3.0m customers and a RAV of £2.3bn. It stretches from rural Dorset to here in Reading and across to west London, serving around 15% of the UK's population.

At £1.1bn, Our DNO area in the North of Scotland has a smaller RAV, at £1.1bn and at 770k, serves fewer customers. But it covers an area a quarter of the GB land mass and includes Scotland's island communities, connected by a network of over 100 subsea cables.

Covering the same part of Scotland, our Transmission business has been transformed over the last decade. Since the beginning of its current price control in 2013 we have:

- connected over 1.3GW of renewable capacity; and
- increased the RAV by over 190%, to £3.1bn.

We have clear plans to grow this business, as Dave will explain later.

The network businesses operate separately on a day-to-day basis; but each take advantage of shared services, management expertise and skills across Networks and, where appropriate, the wider SSE group.

This makes the best use of resources whilst retaining agility in decision making.

SLIDE 7 – NETWORKS STRATEGIC AIMS

Turning to our strategy, it can take time to figure out the complexities of networks regulation and understand how, as a decision-maker, you can influence performance and grow returns. But it's a pretty simple equation.

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If we deliver for our customers - by improving our network reliability, excelling in customer service and progressing innovation - we will share in the rewards.

It is this approach, consistent with the objectives of the RIIO framework, that continues to drive our strategic direction for the remainder of the current Price Controls and beyond.

We have three core aims:

Firstly, we aim to secure our position as a leading operator of electricity networks. This means delivering enhanced performance through reducing our cost to serve, transforming our operations, focusing on delivering outputs for customers and engaging effectively with stakeholders.

Secondly, we aim to take an active lead in the evolution of the energy sector, seeking opportunities to as it transitions to a smart, flexible system.

This means building on our track record of innovation and major project delivery so we're well positioned for system transformation - and for further competition in the sector as and when it happens.

and

Thirdly, we'll maintain a continued focus on the successful delivery of new network infrastructure, ensuring sustained RAV growth. This means delivery of the Caithness-Moray transmission link and the steady pipeline of capex projects in both Transmission and Distribution.

SLIDE 8 – PERFORMANCE IN ELECTRICITY DISTRIBUTION

I'll now focus on our Electricity Distribution business which, at £3.4bn, is the biggest single part of the SSE RAV.

Here, we're delivering significant changes to our operations, processes and standards to meet the needs of customers. We're bearing down on costs and delivering against the measures as set by the ED1 framework, while we also look ahead to RIIO 2.

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From a financial perspective, Distribution continues to provide a stable return on investment with sustainable cash flows and a £400m contribution to group adjusted EBIT.

In the first three years of ED1, we've invested a total of £869m of capex, with a forecast investment of £2.4bn for the entire Price Control. This investment will deliver continued improvements for customers whilst contributing to sustained and fair returns, and increased RAV.

SLIDE 9 – TARGETING A FRONTIER POSITION IN ED1

Of course, our aim is to operate our business in the most efficient and effective way possible, to move into a frontier position through the course of RIIO-ED1 and to be well-positioned for RIIO 2.

Based on current performance and future plans, we're targeting a post-tax real return in the range of 4% to 5%, which we believe is fair to customers and shareholders alike, and I'm confident that by concentrating on four key areas we will achieve this aim.

The four areas are:

- targeted improvements in incentives performance;
- efficient delivery of our capital investment programme;
- focused delivery of regulatory outputs; and
- maintaining our leadership position on innovation.

I'll now go through each in turn, starting with incentives.

SLIDE 10 – MAKING THE MOST OF THE INCENTIVES OPPORTUNITY (1)

Incentives are one of the key components of the ED1 framework. They are designed to provide a progressive target for network operators to achieve rewards for delivering service and reliability improvements for customers and stakeholders.

It is important to note that under the price control, the financial impact of this year's incentive performance will not be seen until FY20.

Excluding penalty-only metrics, our regulatory incentives can be split broadly into three categories: The Interruptions Incentive Scheme (or IIS); Customer Satisfaction and Stakeholder Engagement; and Connections.

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On IIS, after good performance in 2016/17, we saw a marked fall in income from £13.9m to £6.8m in 2017/18. This was largely due to an unusual and sustained pattern of weather in our southern region, leading to supply faults that did not qualify under Ofgem's 'exceptional event' definition.

We're targeting improvements in this area through a major upgrade programme of our operational technology assets to deliver, amongst other things, increased automation on the network. We have also focused on the use of our operational data to improve fault restoration performance, including enhanced tracking and monitoring of multiple interruptions and 'at risk' circuits.

Our incentives related to Customer Satisfaction and Stakeholder Engagement totalled £3.5m in 2017/18. On the Broad Measure incentive, our position has improved significantly in recent years - from a small penalty in 2014 to a reward position of £2.7m today.

At the same time, we know there's more room for improvement, especially in our Southern region and in our stakeholder engagement activities, where we received £0.8m in 2017/18.

A new Customer Relationship Management system will be introduced in 2019, which will provide a platform for enhanced management of customer-related issues.

In addition, this new system will benefit progress towards our Connections incentives, where we have also made improvements to training and procedures to provide a consistent approach to design and quotation.

SLIDE 11 – MAKING THE MOST OF THE INCENTIVES OPPORTUNITY (2)

We're confident these incremental improvements in connections, customer service and fault management will move us closer to maximising our incentive income as ED1 progresses – and also position us well for RIIO 2.

The potential is clear. Despite progressing each of these areas, significant headroom remains between our current performance of £12.5m and the maximum award of £43.2m in 2017/18. Our focus is to close this gap, make the most of the incentives opportunity and support post-tax real returns.

SLIDE 12 – GROWING THE RAV THROUGH EFFICIENT NETWORK INVESTMENT

Our second area of focus is capital investment, where we're undertaking a major delivery programme across both our distribution licence areas.

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This will deliver significant improvements for our customers, provide the infrastructure required to support economic development - such as the electrification of transport – and deliver RAV growth.

In the north of Scotland, we're taking forward a major programme of investment to replace the existing subsea cables which have successfully and safely served the Scottish Islands for many decades.

Subject to regulatory approval, there is potential for further investment in this area of over £100m in addition to our capital investment base case. This investment would aim to deliver RAV growth, whilst minimising the cost impact for customers.

We're also supporting the electrification of transport with investment forecast throughout the ED1 period in rail electrification and preparations for the expected uptake of electric vehicles, thereby helping contribute to decarbonisation targets.

Our disciplined and efficient approach underpins the delivery of our capex and strategic investment programme, ensuring we continue to deliver value for energy customers - and provide a fair return on investment for shareholders.

SLIDE 13 – ...DELIVERING REGULATORY OUTPUTS THROUGH INCREASED EFFICIENCY

In addition to the focus on incentive performance and efficient delivery of investment, we're also making long-term changes to reform the way we operate, aimed at ensuring delivery of our outputs in ED1 and also paving the way for RIIO 2.

Since I joined the Networks team we've implemented a number of operational improvements, such as a move to a regional structure and the adoption of a 'restore first/repair later' policy.

We've now commenced a two-year transformational change programme to optimise management of our assets and the efficiency of our people.

This has started to bear fruit, with, for example:

- a new integrated system for logging and maintaining asset records now in place; and
- 90% of our network scanned by LiDAR technology, giving us pinpoint accuracy of our overhead line assets

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We chose to progress LiDAR directly into BAU operations due to the tangible improvements to our asset management – and we were the first network operator to do so.

I have no doubt the work of this programme will serve us well in:

- ensuring delivery of our outputs in ED1;
- preparing us for RIIO 2; and
- creating a solid foundation for delivery as we move toward a new flexible electricity system.

SLIDE 14 – MAINTAINING LEADERSHIP IN INNOVATION

In addition to outputs, investment and incentives, the fourth area of focus for our distribution business is to build on our leading position on innovation.

We have secured over £95m in regulatory funding for innovation projects since 2010; and, last October, we received a discretionary award of £2m for our Low Carbon Networks Fund projects. This was the highest award of any DNO.

Of course, securing innovation funding is only one part of the equation. We have also been successful in progressing new initiatives outside of this mechanism, where we know there are proven benefits to the efficiency of our operations or delivery for customers.

We'll continue to look for these opportunities as we progress through the current price control.

SLIDE 15 – PREPARING TO DELIVER IN A DSO WORLD (1)

Of course, one of the biggest changes in the energy system is the flexibility revolution. Distributed generation, electric vehicles, demand-side response and energy storage are transforming our energy system.

Naturally, there are still many questions to be answered. The most fundamental is this: which model will be deployed for system operation at a distribution level? It is our firm view that the DSO-led model, where the DSO works alongside operational teams on local provision of planning and flexibility arrangements, represents the optimal solution for industry, society and customers.

We believe DNOs will play a pivotal role in this revolution which will increase the investment needed across networks, creating new opportunities. We have progressed a wide range of

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initiatives that I believe give us a strong, if not unique, position in preparation for this transition.

These initiatives - from the NINES projects on Shetland to Constraint Managed Zones in the south - have provided key opportunities to physically trial and test the solutions that will be required in the new flexible energy system.

You'll now hear from my colleague Stewart Reid, who will give you a further insight into SSEN's DSO strategy, the collaborative work across industry and with government and his view on what the DSO transition means for the business.

SLIDE 16 ...TO PREPARE FOR A SMART, FLEXIBLE FUTURE

DSO film shown

SLIDE 17 – PREPARING TO DELIVER VALUE IN A DSO WORLD (2)

So, as you've heard, a lot of work is under way to ensure we use this real-world experience of managing flexibility and progressing innovation to be ready to deliver in a DSO world.

As the transition takes shape, we continue to work collaboratively with industry, government and Ofgem through the Open Networks project to ensure it takes place at the right pace and at the right cost – making sure the benefits to the customer and society are fully realised.

We will also collaborate with the regulator and industry to help define and shape a 'best fit' regulatory model for DSO, ensuring the right financial and incentives structures are in place to support this changing role.

This managed transition also represents the best option to avoid adding unnecessary complexity or costs to end users, is less disruptive and allows for a faster-paced approach.

SLIDE 18 – TARGETING A FRONTIER POSITION IN ED1

In summary, our Distribution businesses continue to provide stable returns and sustainable cashflows to the SSE group and we believe there is headroom for further value to be gained.

As I said earlier, our aim is to operate our Distribution business in the most efficient and effective way possible, and move into a frontier position through the course of ED1 and in preparation for RII02.

To recap, we have four clearly-defined areas of focus to achieve this:

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- targeted improvements in incentive performance;
- efficient delivery of our capital investment programme;
- focused delivery of regulatory outputs; and
- maintaining our leadership position on innovation.

This puts us in a good position to deliver the post-tax real return of around 4% to 5% that we are targeting for this business.

I'll now hand you over to Dave, who will talk about the continuing growth of our Transmission business.

SLIDE 19 – Dave Gardner

Presenter - Dave Gardner

In the five years I've been doing this job, I've seen first-hand the renewables revolution that has fundamentally reshaped the energy system in the north of Scotland – and reshaped SSE as well.

SLIDE 20 – DELIVERY IN ELECTRICITY TRANSMISSION – RAV GROWTH

Our strategic priority for the RIIO-T1 price control period that started in 2013 has been enabling the transition to a low carbon economy.

This is being achieved through building the infrastructure necessary to connect renewables and transport it to areas of demand across the GB transmission system.

As Colin said, the growth in renewables connected to our network is enormous - from 3.7 GW in 2013, to well over 5GW today. And it is forecast to grow to over 6GW by the end of the decade.

One of the key features of this business is the continued and substantial growth in RAV which will support earnings for many years to come.

SLIDE 21 – DELIVERY IN ELECTRICITY TRANSMISSION – DELIVERY CAPABILITY

Looking back over the last 10 years, we've built a strong track record for the timely and efficient delivery of major projects. The vast majority of which have been successfully delivered on time - and within allowances. A lot of skill and hard work has gone into achieving this. Since the start of RIIO-T1 we have delivered over £2bn of capital expenditure on the projects shown on this slide.

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Our disciplined approach is helping deliver a post-tax real return of around 4 to 5%, a fair return for a fast-tracked TO.

The in-house expertise we have established in the development and delivery of our major projects will stand us in good stead for the challenges we will face as we continue to support the transition to a low carbon economy.

SLIDE 22 – DELIVERY IN ELECTRICITY TRANSMISSION – CAITHNESS-MORAY LINK PROJECT

In terms of upgrading the core network, progress continues to be made in delivering the £1.1bn Caithness-Moray link. We've invested over £900m in this project so far and the disciplined and efficient approach to our large capital investments is illustrated by our decision to release £58m of unspent risk allowance.

Construction progress on most aspects of the project continues to be excellent, although, as with any project of this size and complexity there are challenges to overcome in terms of construction risk and quality assurance.

We continue to work very closely with our key contractors to make the necessary progress in the coming months so that the commissioning and energisation of the reinforcement is successful. We're continuing to plan for delivery by the end of 2018.

The scale of this project, and the kit involved, is truly remarkable and, as an engineer, I hope you'll forgive me for dwelling on this for a moment.

I thought it would be interesting to share a couple of photos. This one shows the cable-laying vessel, the NKT Victoria, which deployed the HVDC subsea cables in the Moray Firth.

SLIDE 23 – DELIVERY IN ELECTRICITY TRANSMISSION – CAITHNESS-MORAY LINK PROJECT

And this one shows the Spittal substation complex in Caithness. You'll see the HVDC Converter station in the background and the AC substation in the foreground.

SLIDE 24 – A HEALTHY PROJECT PIPELINE...

Looking to the immediate future, despite the changes affecting onshore wind policy, we still have a healthy pipeline of projects for the remaining three years of the current price control period. This comprises:

To be read with associated statements and other presentation materials

- planned projects associated with on- and off-shore wind generation developments; and,
- projects to renew ageing infrastructure dating back to the 1950s and 1960s.

These projects represent a forecast pipeline of investment of around £900m in the next three years and are part of SSE's Capital and Investment plans of £6bn over the five years to 2023. They mean we're firmly on track to increase our Transmission RAV to around £3.6bn by the end of the current price control period in 2021.

In addition to the projects I have just described, we have visibility on a further £700m of "contingent projects". Several of these relate to potential onshore reinforcements in Argyll and Kintyre and across the Highlands. This list was added to in January when the publication of National Grid's Network Options Assessment report included a positive 'proceed' signal to reinforce the existing North East and East Coast onshore transmission system which would provide further opportunities for growth into the 2020's.

We are calling these projects "contingent", as they are dependent on the progression of onshore wind developments against a continued uncertain policy regime and so the timing and ultimate need for them is not yet clear.

Across the onshore wind sector, progress is being made in driving down costs and exploring alternative routes to market. Therefore, we're optimistic that the need for some of these reinforcements will be demonstrated in the years ahead.

SLIDE 25 – PREPARING TO DELIVER ISLANDS LINKS

Another growth opportunity in the years ahead is the potential delivery of transmission connections to one or more of the three Scottish island groups. The UK Government intends to allow remote island onshore wind to compete in the next CfD auction, opening up the potential requirement for new transmission connections.

In March 2018, we submitted to Ofgem a Needs Case for the link to Orkney. Our proposed solution would deliver a phased approach to reinforcement, initially delivering a single 220MW cable by October 2022.

We're also working hard to take forward links to connect both the Western Isles and Shetland and intend to submit Needs Cases for both projects in the second half of 2018. All three projects would have a combined value of around £1.5bn.

We believe these three island projects should be progressed under the existing Strategic Wider Works mechanism. They are well established, complex projects, and we do not

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believe the introduction of competition at this late stage is in the interests of electricity generators or customers.

We're clearly supportive of competition where it can:

- first, be demonstrated to benefit electricity customers and the wider economy; and
- second, support the efficient delivery of transmission infrastructure to meet generators' requirements.

In fact, we believe the experience and expertise we have established over recent years means that we are well placed to participate in competitive delivery arrangements once an appropriate regime, underpinned by legislation, is implemented. We believe this should be after the end of the current Price Control.

SLIDE 26 – KEEPING UP THE MOMENTUM ON RAV GROWTH

Over recent years we've delivered significant growth in RAV with substantial opportunities still available in the years ahead.

Taking our base case for capital expenditure and investment of around £900m, the Transmission RAV is forecast to grow to around £3.6bn by March 2021.

Beyond the end of the current Price Control, our base case includes a further £300m capex over the two years to 2023, with RAV forecast to grow to £3.8bn.

It is important to note that this base case does not include the potential £700m upside related to contingent projects or any of the £1.5bn capital investment opportunity coming from islands links.

As we look ahead to the next price control, the in-house expertise and capability in project development and delivery clearly puts us in a good position to pursue the opportunities this presents in RIIO2.

With our pipeline, and the numerous opportunities for further growth, we remain confident we can continue to deliver value for energy customers, stakeholders and shareholders alike.

I'll now hand you back to Gregor.

SLIDE 27 – Gregor Alexander
Presenter – Gregor Alexander

Thank you Dave.

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Before going to Q and A, I'd like to say something about RIIO 2, on which Ofgem has started to consult. This will affect SGN and Transmission from 2021 and Electricity Distribution from 2023.

SLIDE 28 –THE RIIO-2 FRAMEWORK

As you'd expect, RIIO 2 represents a challenge for energy networks companies. Ofgem clearly expects the range of available returns to be lower in the next Price Controls than it is in the current Price Controls. But we believe there are three main grounds for optimism.

First, the process to determine the final outcomes for the Price Controls has a long way to go. Ofgem will undertake extensive consultations, and these are always critical in determining how Price Controls actually turn out. In line with this, we welcome the fact that Ofgem has confirmed a stronger voice for customers and stakeholders in the development and scrutiny of price control business plans through the establishment of independent user groups and panels.

Second, on returns, we're encouraged to see that output incentives feature in the initial RIIO 2 framework, which will help deliver continued improvements for customers whilst providing fair and sustained returns for high performing network companies. A lot of the work we are doing in this Price Control is to ensure SSE is a high-performing company in the next Price Control.

Third, Ofgem's focus on whole-system solutions offers numerous benefits and opportunities for network companies and our customers.

And the new opportunities the transition to a smarter, more flexible energy system will present will create exciting new markets, providing additional opportunities for traditional and new market entrants and greater choice for energy customers.

SLIDE 29 – THE OUTLOOK FOR NETWORKS

As you've heard, we have ownership interest in a group of high quality networks businesses that are continuing to grow. Our base case, including our share of SGN, is that their combined RAV should reach £10bn by March 2023.

This represents average annual growth of around 4% and should be delivered through efficient delivery of investment to maintain, extend and modernise the networks themselves.

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As I said earlier, we expect capital investment in electricity networks to average above £500m per year for the next five years.

This, together with good performance and efficient delivery of outputs and incentives, should mean that the E-BIT of our combined networks businesses should continue to average around £800m per year over the same period, on current projections.

So even on our base case, this is a group of networks businesses that are:

- growing in value;
- positioning themselves well for the future; and
- has significant options that could deliver further upside.

They do a vital job for customers; and earn fair and sustainable returns for investors.

Thank you.

SLIDE 31- WHOLESALE INTRODUCTION

Presenter – Alistair Phillips-Davies

The film you've just seen sums up the opportunities we have in our Business Energy, Enterprise and Ireland businesses. Together they contributed £124.1m to adjusted operating profit in the last financial year, and they have significant potential to add to that in the future.

In Ireland, there continues to be value in a more integrated business model that balances electricity generation and energy supply. These asset bases are complementary, allow the continued delivery of steady results and the potential to open up new opportunities, such as offshore wind.

Across the Contracting, Utilities, Rail and Telecoms divisions of our Enterprise business, there is an encouraging pipeline of opportunities to develop larger projects, develop further the capacity of the business to undertake such projects - and provide innovative solutions to meet the needs of customers.

And in Business Energy, there is the opportunity to build on strong competencies in commercial insight, sales and service in what is a deeply segmented market. As part of SSE, it is in a strong position to price and hedge most customer requirements at a time when there is a clear trend towards end users seeking those sorts of solutions.

Business Energy, Enterprise and Ireland complement very well our core market-based businesses of renewables, which is complemented by and flexible thermal generation. To

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hear more about those businesses, and their potential for the future, I'll now hand you over to Martin.

SLIDE 31 – INTRODUCTION

Presenter – Martin Pibworth: Providing energy in the transition to a low carbon world

Thank you, Alistair, and good afternoon everyone.

SLIDE 32 – SSE HAS A VALUABLE PORTFOLIO OF WHOLESALE ASSETS AND OPPORTUNITIES

Over the next 30 minutes I plan to set out:

- the value of SSE's portfolio of Wholesale assets, and why it's worth more than the sum of its parts;
- the attributes of our unique portfolio of renewables;
- the importance of flexible thermal generation;
- the benefits of gas production and the separate gas storage business; and
- our significant and diverse growth opportunities.

I also want to set out why this puts SSE in a good position to support the trends we are seeing of decarbonisation, electrification and infrastructure growth; and, ultimately to achieve its strategic goal of creating value for shareholders and society.

I want to start with a recent example which, to me, exemplifies SSE's agility in creating and securing value from the Wholesale business that it has developed, owns and operates.

SLIDE 33 – BEAST FROM THE EAST: 1 MARCH 2018

On March 1st GB and Ireland succumbed to the impacts of the "Beast from the East." Temperatures plummeted, gas demand soared, and prices spiked to levels not seen since the 1990s. The UK energy complex was put under significant pressure.

SLIDE 34 – BEAST FROM THE EAST: SSE'S FLEXIBLE AND RELIABLE GENERATION PORTFOLIO IN ACTION

Through the course of that day, SSE's British and Irish Wholesale portfolio dispatched:

- 2.3GW of wind;
- 950MW of hydro;
- 300MW of pumped storage; and
- 2.6GW of thermal load - a mixture of coal, CCGT and multifuel plant.

Most of the remaining gas and oil-fired generation was available as back-up and in the afternoon Seabank and Medway were instructed on by National Grid.

In Ireland, we saw fuel switching of our Great Island CCGT for our oil-fired plant at Tarbert

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Our gas production business was producing 1.2mth of gas that day, supporting our Business Energy customers and our own CCGT fuel demand.

In our separate gas storage business, almost 35 mcm of gas withdrawal was delivering to the system in response to the market febrility.

In summary:

- our wind turbines received ROC revenue and their hedged electricity price;
- our thermal plant accrued positive spark spreads; and
- our gas storage business gained on the volatility that found its way into the spot price.

We played our part in sustaining energy supplies for our customers. We did so in a responsible way. And our portfolio was rewarded for its performance.

SLIDE 31 – SSE’S DIVERSE PORTFOLIO PROVES ITSELF IN WINTER 2017/18

The Beast from the East is an extreme day to pick as an example of portfolio value. But is it really? We would contend that on most days our asset base is flexing against the prevailing market or meteorological out-turns.

In fact, the strength of the businesses in SSE’s Wholesale division comes from the ability to thrive in most prevailing conditions. We chose the first of March; but we could have illustrated the point for the whole of last winter.

- In October for example our thermal plants idled as warm temperatures came in; but our renewable assets gained substantially on the high wind and hydro flows that correlated through.
- In November we hedged our thermal assets against a strong forward spark spread. In the event, wind out-turned normally, our gas plant barely ran but it was able to buy back all its hedges profitably. Our hydro plant captured peaky prices and normal revenues despite lower loads.
- In December it was dry, still and cold. Our wind plant suffered; our hydro plant contributed flexibility to the system without depleting too much water storage; and our coal and gas plant earned higher than normal revenues. There was also heavy drawdown on gas storage.
- In January conditions were normal and we saw typical performances from all our asset classes and gas storage inventories were replenished.
- In February it got cold and again lower wind was largely mitigated by hydro flexibility and the increased attainment of spark spreads. Gas storage displayed its increasing value to a market that was attempting to balance against uncertain international LNG flows.
- And in March there was snow, and with it, a mixture of cold weather and thermal gains, followed by higher wind production in the second half. Gas storage was again drawn down against the lifting market backdrop.

SLIDE 36 – SSE HAS THE ABILITY TO THRIVE IN MOST PREVAILING MARKET CONDITIONS

All of this points to an enviable portfolio of assets that is distinctive from any other energy group. It also shows deep operational understanding of the assets, combined with extensive commercial experience, to deliver what the GB electricity system needs – whilst earning the optimal return.

Alistair talked about the shared talent, skills and values of people throughout SSE; and in the Wholesale businesses our people know how to deliver performance from our assets in this market. They also know how to do it in a responsible way that is mindful of the concerns and interests of all of SSE's stakeholders.

SLIDE 37 – SSE HAS A COMPLEMENTARY PORTFOLIO OF ASSETS

The strategic point, however, is this. Our renewable and thermal assets across SSE's Wholesale portfolio are highly complementary. Renewable output evidently benefits from cyclonic conditions. But when wind penetration is low, our CCGTs, and to an extent our coal plant, can respond and find different ways of delivering value to the portfolio. Our thermal flexibility is of significant value in a market of mass intermittency.

In each of the past 3 years, SSE Generation delivered an annual contribution to operating profit of between £50m and £100m by participating in National Grid's Balancing Mechanism. This supports the electricity system for the benefit of customers.

The conclusion must be that our intermittent wind assets have value; but so too does our invested thermal agility.

SLIDE 38 – SSE HAS A LEADING PORTFOLIO OF RENEWABLE ENERGY ASSETS

I'm now going to talk about the attributes of SSE's portfolio of renewables, built up through more than a decade of investment that is continuing.

In March 2008, our total onshore wind farm capacity was 600MW. In the year to March 2018 alone, we delivered over 500MW of new onshore wind from the West of Ireland to the highlands of Scotland. The additions take our operational onshore wind farm portfolio to nearly 2,000MW and our total renewable portfolio to almost 3.8 GW across the UK and Ireland. In addition to onshore wind, this comprises:

- 1,150 MW of hydro;
- 300MW of pumped storage; and
- 344 MW of offshore wind.

In 2017/18 this renewable generation portfolio earned EBITDA of over £690m. And it is a portfolio that is continuing to grow, with an additional 463MW under construction right now - onshore at Stronelairg; and offshore at Beatrice.

To be read with associated statements and other presentation materials

When Beatrice is complete, the wind portfolio will include over 1GWs of joint ventures, with these having a total capacity of over 2.3GWs. This is an impressive portfolio of renewables; and it has also provided beneficial experience of working with partners. As Alistair said, this is a key strength for SSE to draw on in the future.

SLIDE 39 – SSE HAS A LEADERSHIP POSITION IN ONSHORE WIND FARM DEVELOPMENT

With this year marking the 10th anniversary of our acquisition of Airtricity, we're particularly proud of the rapid growth of our onshore wind fleet over the last decade. We believe we are best in class in the construction and operation of onshore wind, and our operational costs per turbine bear witness to several key strengths:

- first, our legacy renewable engineering capability, illustrated by 97% availability for our onshore wind turbines;
- second, the strategic siting of assets into operational hubs that can be managed in a pragmatic and low-cost way; and
- third, our size, scale and experience which provides a competitive edge. Over the past 3 years the onshore wind portfolio has earned around £250m to £340m EBITDA per annum.

The quality of the onshore business is further enhanced by our longevity of trading expertise. Our wind speed forecasting, alongside our wider spot market knowledge and our operational capability; we believe, enable us on average, to beat the mean industry wind capture price.

This is partly because we own some of the best sites and have some of the best engineers; but also, because our portfolio optionality permits us to deploy those assets in an optimal way which accrues value to the plant.

SLIDE 40 – SSE'S OFFSHORE WIND FARMS ARE A SIGNIFICANT AND GROWING ASSET

In the last three years, our offshore wind EBITDA has ranged from around £130m to £140m. Our asset base in offshore wind is significant (in terms of volume and profit contribution) and will be enhanced by the commissioning of Beatrice, which gets under way this year.

Part of the asset class's value is its geographical diversity across the UK, with the siting of turbines from the Irish Sea, to the outer Thames Estuary and eventually the Moray Firth. This provides a spread of wind capture possibilities under most meteorological out-turns.

Our early entry into offshore wind has also allowed us to learn the operational lessons: we continue to make improvements that lift the availability and reliability of our machines.

Additionally, our JV operations have allowed us to form good commercial partnerships. At all the sites we benefit from the shared industry learnings that arrive from the joint interests we have with partners that are deeply embedded into this space.

To be read with associated statements and other presentation materials

As such, existing offshore wind continues to hold possibilities of growth either through more efficient operation, better targeting of O&M investment, or through enhancements to revenue streams. And our ability to work with partners should stand us in good stead when we look to bid the multitude of options we carry for offshore development.

SLIDE 41 – SSE IS ACHIEVING EXCELLENCE IN HYDRO

SSE operates 91 hydro dams; there are 125 miles of aqueducts, 186 miles of roads, 47 miles of steel pipes, 126 machines and we cover a water catchment area of 5,382 sq. miles. Our dams can store 2200 million cubic m of water.

If we put all of those aqueducts end to end, we could travel from Pitlochry where the operation is centred, sweep through rural Perthshire and Fife, cross the Queensferry crossing, saunter through to the Borders, and just about make Berwick-on-Tweed; if we travelled the full distance of those roadways from Pitlochry we just about find ourselves in the suburbs of Newcastle. Oh, and by the way, that size of the water catchment area would take in all of London; in fact, it would handle over five Londons.

.....And how about that storage facility of 2200 million cubic metres. If we were filling that with Scotch it would take us nearly 3,000 years to produce enough to get the hydro reservoirs full.

We are unique to have large scale hydro as part of our UK portfolio. It's both renewable and flexible, but it is flexibility where our hydro assets truly excel in delivering value. These are assets which have benefited from long-term investment and day-to-day nurturing; so, their contribution to the GB electricity system is more important than ever.

From an operational perspective, we believe our hydro business is best in class. On any external benchmarking we have commissioned we have scored incredibly highly in terms of water capture, minimisation of spill, and resource efficiency.

In addition to our deeply embedded expertise, we have been able to respond to the changing needs of the market to optimise the revenues from these assets and create value. Jerry Williamson, SSE's Director of Renewables, will tell you more.

SLIDE 42 – SHOW HYDRO FILM (2:26)

Jerry referred to our hydro assets as Britain's biggest battery. In many ways this is useful descriptor in understanding how the portfolio will respond to ever changing conditions. This "Battery" will offer either trading opportunity or a portfolio defence to our own wind intermittency.

To be read with associated statements and other presentation materials

SLIDE 43 – SSE’S PORTFOLIO QUALITY IS ILLUSTRATED BY FOYERS

As well as conventional hydro, SSE’s 300MW pumped storage asset at Foyers makes a valuable contribution, with an average annual EBITDA for the past 3 years of around £12m. While not hugely material in itself, the performance of Foyers does validate our thesis that we have assets in our portfolio that look very attractive against the emerging market context.

Over the next few years the market will have to cope with the closure of significant coal capacity and the possibility of nuclear retirement at the same time as it is absorbing demand shape alterations through the penetration of distributed energy, electric vehicle take-up and smart led consumer behavioural change. Significant volumes of wind are also still anticipated to be constructed.

Something needs to respond to the less predictable intraday demand/supply balance and it is likely to be an everyday requirement of fast- acting flexible assets like our hydro and pumped storage to do that. On that basis we’re investing in upgrading our existing assets to make our “natural batteries” even more relevant.

SLIDE 44 – SSE EXPECTS TO CREATS SUSTAINABLE VALUE FROM RENEWABLES

This breadth of renewables, which by 2020 will include over 4GW of onshore and offshore wind and hydro, combined with SSE’s ability to optimise generation, forecast wind and water, and hedge outturns with our wider portfolio of flexible generation, creates a valuable future earnings story for SSE.

We expect the renewable portfolio to generate around 12TWh in a typical year. From 2020, based on a power price of £45/MWh, and a ROC price of £50/MWh that would earn EBITDA of just over £800m. Increasing carbon prices provide further confidence to these assumptions.

Our renewable narrative is a critical example of the SSE strategy in action. Disciplined investment in a class of assets of critical importance, operated responsibly and commercially to:

- create value for shareholders in terms of returns; and
- create value for society in terms of its contribution to the achievement of the all-important goal of a low carbon economy.

SLIDE 45 – THERMAL BACK-UP TO RENEWABLES IS VITAL

As the transition to this low carbon economy progresses, thermal back-up to our renewable portfolio is vital. Good, efficient, reliable and flexible thermal back-up – in the form of CCGTs – can be converted into weather insurance for the wind fleet. And that creates the ability to optimise the portfolio.

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SLIDE 46 – SSE IS GENERATING VALUE FROM THERMAL PLANT

CCGTs can also provide support to the wider electricity market. Increased wind penetration conflating with the accelerating closure of coal leaves a gap for our thermal fleet to find new value streams, for example through provision of ancillary services like black start and voltage support.

Through 17/18 we again saw a power market having to absorb significant changes in fundamentals, such as French nuclear outage extensions, commodity price volatility and variability in demand and in renewable production.

Whilst out-turn spark spreads have been disappointing, both the Balancing Mechanism (where intraday flexibility gets remunerated) and forward curve risk premiums have benefited our CCGTs and coal plant. The BM performance of all our asset base reflects and validates this.

We remain convinced that we have the most flexible CCGT fleet (with start-up times on major gas plants as short as any competitor in the market); and we have a proven ability to deploy this asset base in response to electricity market conditions. The increasingly positive role played in the electricity system by Peterhead since we took the decision in 2015 to modify it for enhanced flexibility is just one example of that.

I wanted you to leave this presentation convinced about the important role thermal plant has to play. The role of CCGTs in supporting the electricity market through its dramatic fundamental shifts is critical.

It's what electricity customers need and it's central to the transition to a low carbon economy.

SLIDE 47 – ESTABLISHED CCGTs HAVE FUTURE OPPORTUNITIES

There is another market angle here. Although low Capacity Market clearing prices have captured attention in recent years we believe there could be positive implications for SSE's portfolio.

Increasingly the Capacity Market is switching coal out and replacing it with reciprocating engines, embedded generation, OCGTs or indeed DSR and battery solutions. But all of these alternative technologies have higher running costs and as such this trend points to the possibility of enhanced reward potential for existing assets.

For example, if a low capex but high marginal cost OCGT must run to meet demand, it will very likely cost more to dispatch than even one of lower efficiency CCGTs, Medway. With the OCGT setting the power price, the marginal cost delta will accrue to Medway, in this example, permitting it to realise a higher spark spread. Ultimately low capacity mechanism out-turns should lead to higher inframarginal rent for CCGTs due to their efficiency advantage over peaking plant. New, high efficiency CCGTs will see an even greater advantage.

The last financial year provided evidence of this shifting merit order - and the increased load factors on our CCGTs reflect this dynamic.

SLIDE 48 – GAS PRODUCTION COMPLEMENTS THE SSE PORTFOLIO

The complementary diversity within SSE's Wholesale business division expands beyond our generation portfolio. It also includes infrastructure assets in gas production and in the separate gas storage business.

Including liquids, SSE's Gas Production business, produced around 1.6mth/day in 2017/18. We currently produce enough gas from our assets to supply all of SSE's Business Energy customers as well as SSE Airtricity household customers in Ireland - around 540mth per annum.

In the last financial year, our gas production business earned an EBITDA of over £153m. We do not expect to make further acquisitions – but we may make investments to enhance our existing assets if the opportunity to create value is there.

SLIDE 49 – GAS STORAGE: WELL-PLACED FOR THE FUTURE

Gas storage is an entirely separate business within the SSE group. The returns for these assets are driven by seasonal spreads and price volatility. Following the closure of Rough capacity, SSE now holds around 40% of the UK's conventional gas storage, with good recycling capability. The UK storage duration curve has shrunk to around 16 days. This loss of energy storage will be further exacerbated as coal generation shuts over the next few years and with it goes the storage inherent in coal stocks.

Despite the diversity of gas supply sources available to the UK, such as interconnection and LNG, gas storage will play an important role in safeguarding the UK's gas and electricity security of supply. If the market or regulatory signals are there, we believe our assets are well-placed to provide this service that the country and energy users will need.

SLIDE 50 – SSE IS PLAYING ITS PART IN DELIVERING A LOW CARBON ELECTRICITY SYSTEM

That's the current state of the operational business. But what does the future look like?

Our strategic interests to develop, own and operate renewable generation and supporting flexibility are well aligned with what the UK requires to deliver a low carbon electricity system that will enable a wider low carbon economy.

SLIDE 51 – SSE IS PLAYING ITS PART IN DELIVERING A LOW CARBON ELECTRICITY SYSTEM (2)

Having met our 2020 carbon target three years early and played our part in helping the UK to meet its first two carbon budgets, we have today set out a new ambition for a further

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reduction in the carbon intensity of the power we generate by 50%, to below 150g/kWh by 2030. As Alistair said, we want to be a leading energy company in a low carbon world.

With coal coming off the system and some uncertainty surrounding the timing of nuclear life extensions and new build, the UK will also need new capacity in the 2020s.

SSE's future pipeline is well placed to deliver on these key trends. We continue to hold valuable prospects for each technology type in the UK and Ireland – particularly in offshore, onshore, multifuel and CCGT.

Importantly, even before any construction begins, our investment decisions continue to be executed against a backdrop of strict financial investment criteria. But once those decisions are made, we have an exemplary record for building out new assets in a highly competent, low cost manner.

I now want to pause and show you a short film detailing progress at Beatrice (the biggest value construction project ever undertaken in Scotland).

SLIDE 52 – BEATRICE FILM

Our Beatrice Offshore Windfarm joint venture, in which we have a 40% stake, is making excellent progress towards its construction milestones and our experience from this project is one of the many reasons we're optimistic about offshore wind as a growth opportunity.

There is alignment with the Government's Industrial Strategy, with Beatrice delivering quantifiable benefits to local communities and economies. It's just the latest example of creating value for shareholders and for society as a whole.

SLIDE 53 – SSE HAS SIGNIFICANT OPTIONS IN OFFSHORE WIND

As Beatrice moves towards completion, our portfolio remains replete with opportunity.

We have a potential 520MW development in Ireland at Arklow Bank. In the UK, we are in JVs with consented sites at Seagreen and Dogger Bank, which together represent on our equity share up to 2.3GW of possible build.

Seagreen was cleared of its legal challenge in November 2017, and both it and Dogger Bank are being progressed in readiness to bid in an upcoming CfD auction.

We remain positive about the prospects for offshore wind, given the scale of low carbon generation it can provide at a time when there is an overt need for mass investment in new capacity within North West Europe. The UK itself needs offshore wind to meet its legally binding carbon targets, with the Committee on Climate Change estimating that an additional 80-100TWh of low carbon generation are needed by 2030 for the UK to meet its carbon ambitions.

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The political support for offshore wind in the UK appears favourable, with the Government confirming a further £557m for CfD auctions and an ambition for new offshore projects.

For all of these reasons, our own offshore projects are valuable options – and we're keen to build them out; but their value depends on SSE retaining its financial discipline.

SLIDE 54 – SSE HAS SIGNIFICANT OPTIONS IN ONSHORE WIND

Until now our focus in onshore has been to complete our RO accredited projects in the UK and our REFIT wind farms in Ireland. The development team has delivered seven new wind projects in the last 16 months with Stronelaig as well as the Beatrice offshore windfarm in construction.

All are on course to be under budget; all are benefiting from our operational efficiency; and all are augmented by our ability to service hubs at scale. Since commissioning the UK's first 100MW wind farm at Hadyard Hill in 2006, we have accumulated 12 years' experience of successfully developing, owning and operating onshore wind farms.

With no upcoming CfD auction for onshore wind, this appears to look less immediate as a development option. However, we are experienced enough as a management team to understand that the landscape for opportunities can quickly change and that political direction moves fast.

It's why Gregor called out optionality when he spoke earlier. As well as our evident operational capabilities in running wind farms, we also possess extremely strong developer insight. This gives us good reason to develop options in this space.

Our current onshore pipeline consists of over 800MW of feasible new builds or extensions in GB and Ireland, including our joint venture Viking Project on Shetland and our site at Strathy South. If onshore wind revenue risk can be mitigated, either through a market stabilisation mechanism or a lift in long term energy or carbon values, then our best sites should be amongst the most competitively priced.

With the sale of a stake in Clyde windfarm we have also shown that our onshore wind portfolio can be monetised and our asset management competencies provide additional benefits to prospective partners. We believe that onshore wind investment opportunities will return in both GB and Ireland and we're well placed to take advantage of these.

SLIDE 55 – SSE HAS IMPORTANT OPTIONS IN MULTI-FUEL

We have shown our capabilities in partnering through our 50:50 joint venture, Ferrybridge Multifuel. The FM1 plant has operated well and has generated returns at the top end of our expectations; and in 2017/18 contributed an SSE EBITDA of close to £26m. Construction of FM2 is also progressing well.

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Once it is operational in 2019, the JV will have 138MW in operation, processing around 1.1 million tonnes of fuel annually.

The UK waste market continues to have capacity for further build and our strategy is therefore to construct Slough multifuel - and to seek further opportunities as well.

SLIDE 56 –SSE TO INVEST IN NEW-BUILD CCGT

Another investment possibility is new build CCGTs.

SSE believes that some new CCGT will be needed in the early 2020s to enable the UK to move away from coal and to integrate more renewables into the grid.

We are excited to announce today that we have partnered with Siemens to introduce first-of-a-kind, high efficiency CCGT technology to the UK at our Keadby 2 site. Works will begin imminently, and once complete, Keadby 2 will be the most efficient CCGT on the system.

This next generation technology, with its high efficiency rating of around 63%, should guarantee the capture of inframarginal rent that will flow through the merit order.

Our partnership with Siemens on Keadby 2 puts us in a unique commercial position and will enable us to deliver new CCGT at the most competitive cost. Siemens will provide its 9000HL technology and will manage technical and construction risk until the plant is handed over to SSE as well as provide appropriate performance guarantees.

SSE will invest around £350 million in the development and construction of the project, with a substantial proportion of its financial exposure deferred until the plant is operational. This represents around 5% of the overall £6bn investment programme we have announced today.

We continue to believe the UK's capacity market is the right mechanism to ensure the GB electricity system remains secure at the lowest cost to consumers, and we intend to participate in future capacity market auctions to secure a capacity agreement for Keadby 2.

In addition to Keadby 2, we also have a CCGT project at Ferrybridge D, which is going through the planning process.

SLIDE 57 – CONCLUSION – VALUABLE PORTFOLIO OF WHOLESALE ASSETS AND OPPORTUNITIES

I have set out this afternoon:

- the value of SSE's portfolio of assets, and why it's worth more than the sum of its parts;

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- the attributes of our unique portfolio of renewables in terms of technology, capacity, output and EBITDA;
- the importance of flexible thermal generation;
- the benefits of gas production;
- the importance of gas storage; and, on top of all of this
- our significant and diverse growth opportunities.

I believe SSE is in a very good position to: support the trends we are seeing of decarbonisation; electrification and Infrastructure; and, ultimately, achieve its strategic goal of creating value for shareholders and society.

To put it another way - SSE owns and operates a valuable generation and business portfolio that can respond flexibly to every market requirement and offer every possible system service.

It is robust; and operated by deeply experienced teams.

And while it is driven as a commercial portfolio that is greater than the sum of its individual parts, our people understand all of their responsibilities to the customers they ultimately serve and the communities and countries in which they operate.

At its heart is renewable energy, but the portfolio offers strong EBITDA from diverse sources; upside to a progressive carbon story; and protection to our customer interests in Business Energy and Ireland.

Looking across the UK and Ireland, in our view; in my view; it is the outstanding portfolio.

On all our portfolio aspects we have covetous options to extend our interests:

- our offshore wind pipeline is materially large, presents economies of scale, and is biddable in the short term;
- our onshore pipeline has latent value should the economic or political conditions return;
- multifuel provides a remunerative income stream in which we have proven developer and operational capabilities; and
- for new CCGTs we possess the engineering and developer expertise, the OEM partnerships, and critically the sites with connections in place to deliver them.

We're **mindful** of the advantages that the existing and future portfolio provides. We **continue** to be responsible decision-makers. And we will remain **rigorously committed** to the strict principles of investment discipline that have served us so well in delivering value to our shareholders in the past; and will do so in the future.

Thank you.

SLIDE 57 – WHOLESALE CONCLUSION

Presenter – Alistair Phillips-Davies

I believe this session has shown that SSE owns and operates a valuable portfolio of wholesale businesses, with renewables at the core. As Martin said, it offers strong EBITDA from diverse sources, upside to a progressive carbon story and protection to our customer interests in Business Energy and Ireland.

He also emphasised our commitment to the strict principles of investment discipline. I also called this out as one of SSE's key strengths. Along with options to extend our interests and our earnings potential, and agility in creating and securing value, discipline has been at the heart of SSE in the past and will be at the heart of SSE in the future.

It's all about keeping the focus on value. Going forward, networks and renewables will be core, with flexible generation also being key. Our other businesses also help to ensure we have valuable options for the future. We believe there are significant opportunities to create value in a changing energy system, and we want to be focused on realizing them. We are renewing SSE to set it up for long term success.

I'll now hand you over to Gregor to bring today's session to a close.

SLIDE 58 – CONCLUSION: CREATING VALUE IN A SUSTAINABLE WAY

Presenter – Gregor Alexander

SLIDE 59 – CONCLUSION SLIDE 1: SSE IS BEING RENEWED

Thank you, Alistair; and thank you everyone for taking the time to join us today. I'll now sum up what you've heard.

The strategic decision to renew SSE gives two clear advantages:

- For SSE, it gives a greater focus on the infrastructure and related services which energy customers need; and which is more aligned to the core strengths of the group that Alistair described earlier.
- For investors, it gives greater visibility of assets and earnings in the future, the majority of which will come from renewables and regulated networks.

Put simply, our strategy going forward is to create value for shareholders and society from developing, operating and owning energy and related infrastructure and services in a sustainable way.

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SLIDE 60 – CONCLUSION SLIDE 2: SSE IS CREATING VALUE

The commitment to, and delivery of, value creation is clear, illustrated by our plans for £6bn of capital and investment spend across the five years to 2023.

From Martin, you heard why SSE's portfolio of assets is worth more than the sum of its parts. In particular, he described the attributes of our unique and diverse portfolio of renewables.

By 2020, it will comprise almost 4.3GW of capacity and be capable of generating around 12TWh of electricity annually. In a typical year – and based on an electricity price of £45/MWh and a ROC price of £50/MWh – that would earn EBITDA of almost £800m.

On top of that, offshore wind in particular presents opportunities for additional assets and earnings from around 2023 onwards.

From Colin and Dave, you heard about our networks' focus on customer service, operational efficiency, innovation and delivery of large capital projects.

Over the next five years, we expect to invest around £2.5bn in our electricity networks, taking their RAV and our share of SGN's to around £10bn in 2023. And over that period, we expect our networks businesses' EBIT contribution to average around £800m a year.

That's the base case for networks. There are opportunities for investment, RAV growth and earnings beyond this, such as potential transmission links for the Scottish islands.

In networks and renewables alone, we have a prize collection of assets that: are well-maintained; continuing to grow; have a range of opportunities; and have a huge part to play in the energy system of the future. In addition to helping meet the needs of energy customers, they provide the cash flow capability and earnings engine for SSE.

And they are complemented by the likes of our flexible thermal generation assets and other businesses, which provide us with options as the energy sector and energy provision itself evolves.

SLIDE 61 – CONCLUSION SLIDE 3: SSE IS COMMITTED TO DIVIDENDS

SSE's earnings engine is optimised when it functions in a sustainable way, mindful of SSE's responsibilities to a wide range of stakeholders. But it has a clear financial objective: to remunerate shareholders' investment through the payment of dividends.

And today this SSE team has given you its five-year dividend plan that:

- aims to give clarity in this year of transition;

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- reflects the changes to the SSE group we expect to take affect from the next financial year; and
- sets the dividend on a path for sustainable growth from 2020 onwards.

Taking all of this into account, and reflecting the underlying quality and value of the company's assets and the earnings and cash flows they deliver, this five-year dividend plans means we are:

- In year one, we're expecting to recommend a full-year dividend of 97.5 pence per share;
- In year two, we're planning to set the first post-demerger dividend in 2020 at a clearly sustainable level of 80 pence per share; and
- In years three, four and five, we're targeting annual dividend growth that at least matches RPI inflation.

This company has the strategy, the assets, the earnings, cash flow and the focus to deliver that five-year dividend plan, and we are confident that is what we will do. **ENDS**