



COMPLIANCE REPORT – JANUARY 2026

01 Introduction

SP Electricity North West (SP ENW) holds an Electricity Distribution Licence granted by the Office of Gas and Electricity Markets (Ofgem). This enables it to undertake electricity distribution services to customers within its Distribution Services Area, which is broadly the North West of England.

Under Standard Licence Condition 43 (SLC43) – Appointment of Compliance Officer, SP ENW has appointed a competent person (known as the Compliance Officer) to facilitate compliance with the relevant requirements. The Licensee must produce and publish a report (the Compliance Report) on its compliance with the relevant requirements and its implementation of the practices, procedures and systems adopted in accordance with the Compliance Statement required under Standard Licence Condition 42 (SLC42) throughout the relevant year.

In producing this report, the relevant requirements are:

- Standard Licence Condition 42 (SLC42) – Independence of Distribution Business and restricted use of confidential information.
- Paragraph 9 of Standard Licence Condition 4 (SLC4) – No abuse of the licensee's special position, which prohibits cross-subsidy between the licensee's Distribution Business and any other business of the licensee or an Affiliate or Related Undertaking of the licensee.
- Paragraph 1 of Standard Licence Condition 19 (SLC19) – Prohibition of discrimination under chapters 4 and 5, which prohibits the licensee from discriminating between any person or class or classes of persons when providing use of system or connections or carrying out works for the purposes of connection.
- Paragraphs 1 and 3 of Standard Licence Condition 41 (SLC41) – Prohibition of discrimination under Chapter 9, which prohibit the licensee from discriminating between any person or class or classes of persons when providing, respectively legacy metering equipment and data services.
- Standard Licence Condition 43B (SLC43B) – Prohibition on generating by licensee.
- Standard Licence Condition 31F (SLC31F) – requirements relating to electric vehicle charging points.

Throughout the year, compliance is routinely tested by SP ENW's Compliance Manager and any issues identified are resolved or escalated to the Executive Leadership Team. This report covers the measures put in place during the period December 2024 – January 2026.

A copy of this Compliance Report has been provided to Ofgem.

02 Compliance with obligations under SLC42 and measures adopted in accordance with the Compliance Statement

Effective 22 October 2024, Iberdrola S.A. acquired a majority share in Electricity North West Limited (ENWL). As a result, SP ENW (formerly ENWL) is now part of the Iberdrola and ScottishPower Group, which includes a range of vertically integrated activities across generation, transmission, distribution, and retail. SP ENW is a separate company operating one electricity distribution licence. It does not hold any licence to generate, transmit or supply electricity. However, as there are wider activities within the Iberdrola and ScottishPower Group, including Relevant Undertakings, SP ENW is subject to Business Separation requirements. The purpose of the requirements is to prevent the wider generation and supply licence holders from obtaining an unfair advantage by virtue of being in the same group as a regulated monopoly and causing consumer detriment.

As a result of the acquisition, additional licence conditions are effective (Standard Licence Condition 42) and SP ENW must appoint a Compliance Officer to advise on Business Separation compliance and to monitor procedures in place to meet these requirements. PwC is the appointed Compliance Officer. PwC monitors and advises on Business Separation compliance. This includes a programme to audit compliance and any improvements they note are reported to the relevant committee. The Business Separation requirements are outlined below.

a) Managerial separation

SP ENW has an organisational structure consisting of a Chief Operating Officer (COO) who is supported by an Executive Leadership Team. These individuals have responsibility for ensuring compliance with the licence conditions, including the independence of the distribution business and restricted use of confidential information as required by SLC42 and SLC42A. The COO and the Chief Financial Officer are executive members of the SP ENW Board.

The SP ENW distribution business is operationally and managerially separate, reporting to a separate Chief Operational Officer. The Distribution and Transmission businesses in the ScottishPower Group are managerially and operationally separate from the rest of the ScottishPower Group, reporting to a ScottishPower Energy Networks Chief Executive Officer.

The ScottishPower Corporate office supports the divisional directors in discharging their responsibilities to shareholders, including their legal obligations, but has no role in managing the day-to-day operation of the businesses within the Group. All cross business working groups have a terms of reference which references the need to comply with Business Separation.

b) Responsibility and monitoring

Accountability for SP ENW's Compliance Report and Compliance Statement has been assigned to the Chief Operating Officer (COO). Responsibility is delegated to the Head of Economic Regulation, Paul Auckland, who is SP ENW's internal Compliance Manager.

The Compliance Manager has responsibility for day-to-day management of Business Separation compliance. Since the acquisition, the Compliance Manager has established

monitoring processes, and communicates regularly with relevant compliance teams to discuss any issues that may arise. We are confident that our monitoring is supported by the strong regulatory culture that exists within SP ENW and the wider Group.

c) Branding

SP ENW is required to maintain a distribution brand that is distinct from the brand used by any other affiliated business within the ScottishPower Group. Our approved brand, implemented in August 2025, is “SP Electricity North West” which can be abbreviated to “SP ENW”. Appropriate changes to vehicles, stationery and signage are in progress.

d) IT Systems and Confidentiality of information

All staff are required to respect confidential information. A ScottishPower Compliance Code of Conduct is established which sets out the licence restrictions on the transfer of confidential information. Information that is of a corporate nature, as agreed with Ofgem, is shared with other businesses within the ScottishPower group as required.

There are managerial and operational systems in place with SP ENW that prevent any Relevant Undertaking or AIDNO from having access to confidential information. Operational IT systems used by SP ENW are separate from those used by any other business or company forming part of the wider Group. Access to IT systems used by SP ENW is subject to an authorisation process and procedures are in place to ensure that authorisation is removed as appropriate when a member of staff changes job or leaves the company.

Support and guidance is provided to staff by the Regulation team, with the Compliance Manager providing advice where needed. A Business Separation Policy is established and maintained by the wider Group. SP ENW staff adhere to the principles and requirements set out therein.

e) Staff transfers

Staff transfer guidelines have been developed in line with the ScottishPower Energy Network’s process. Before any member of staff transfers from the distribution business to a competitive ScottishPower supply or generation business, an assessment is made as to their existing level of access to confidential information. Following consultation, a decision is made about whether a period of quarantine is required and if so, the appropriate duration of such.

Thus far in 2024/25, since the acquisition, there have been no relevant transfers and no quarantines applied.

f) Staff training and awareness

During 2024/25 and since the acquisition, there have been communications on the key requirements of Business Separation compliance to all SP ENW staff. Overview training has been provided to all colleagues involved directly in integration activities to advise of appropriate engagement with the wider Group. A mandatory online training course for all SP ENW staff on Business Separation has been developed and completed by all staff to raise awareness and understanding. The training includes questions that require correct answers to pass the course. A schedule of refresher online training has been developed to take place

annually. New starters are required to complete the mandatory e-learning promptly and completion of the training is monitored to ensure compliance. All new employees undertake mandatory induction training to raise awareness of the regulatory environment in which SP ENW operates; the content of this has been updated to include Business Separation within the Corporate Induction.

Internal business processes and procedures related to Business Separation are easily accessible via our intranet site and regularly reviewed. Support and guidance is provided to staff by the Regulation team, with the Compliance Manager providing advice where needed. SP ENW's intranet site has been updated to reflect the new brand and Business Separation requirements.

g) Shared Sites

None of the SP ENW sites are shared sites.

An electronic security tag system is in place and access privileges are controlled and monitored via a secure database. Arrangements are in place to prevent employees from other ScottishPower businesses having access to sites occupied by the SP ENW business. Employees of other ScottishPower businesses cannot access SP ENW buildings without prior authorisation from SP ENW and are accompanied when on site.

h) Non-discrimination and prohibition of cross-subsidy

The provision of services to the wider Group's supply business under licence or statutory obligations (Use of System, legacy meter equipment provision and data services) is covered by standard industry agreements and is accordingly on the same terms as for other suppliers. Provision of connections services by our distribution businesses is subject to standard procedures and a connection charging methodology that is applicable to all parties seeking a connection.

We are also required to report on our compliance with the licence obligation not to cross-subsidise or receive a cross-subsidy from any other business of the Group, or related undertaking. Provision of services by other businesses within the Group, including use of system, takes place under standard terms and charging methodology that apply equally to third parties.

Staff are required to complete an e-learning training module on competition law and non-discrimination. This training is mandatory and completion is monitored to ensure compliance.

03 Complaints in relation to relevant requirements

Should any complaints be received in relation to the relevant requirements, these are referred to the Compliance Manager for investigation as required under SLC43. The role of the Compliance Manager is to investigate and determine if there is any issue in relation to the relevant requirements and recommend any remedial action that the investigation has demonstrated to be necessary.

No formal complaints regarding potential breaches of our business separation requirements have been received during the year. This reflects positively on the effectiveness of our monitoring procedures and staff awareness programmes.

As set out in our Compliance Statement, should additional support be required to assist the Compliance Manager in an investigation, this will be drawn from the appropriate teams across the organisation, including the Economic Regulation Team and the Governance Services Team. If required, external third party organisations are appointed to carry out assurance activities.

04 Managerial and Operational controls

SP ENW has an organisational structure consisting of a COO supported by an Executive Leadership Team. These individuals have responsibility for ensuring compliance with the licence conditions including the Relevant Requirements. The Board also includes non-executive directors, two of whom are sufficiently independent to meet the requirements of SLC43A.

The COO and the Chief Financial Officer are executive members of the SP ENW Board. The Board includes both executive and non-executive directors.

05 Activities of the Compliance Officer

Through the role of Compliance Manager during the year, the Head of Economic Regulation has carried out the following activities:

- Ensured that new employees are introduced to the regulatory regime through an induction briefing. All new employees undertake mandatory induction training to raise awareness of the regulatory environment in which SP ENW operates, and a refresher training programme is in place for those directly associated with regulatory reporting.
- Maintained a Table of Accountabilities (ToA) throughout the period ensuring this reflects SP ENW's licence and commercial code obligations, that these are being discharged appropriately within the organisation and that routine briefings are completed as required. Provided briefings to managers named within the ToA to ensure they understand their responsibilities. In the event of personnel changes, briefed the new post holder of their regulatory accountabilities.
- Through compliance assurance assessments, evaluated a sample of SP ENW's practices, procedures and systems to test the effectiveness of the controls. Actions resulting from the compliance assurance programme are tracked and progress is regularly reported to the Regulatory Compliance Steering Group.
- Held meetings with the Regulatory Compliance Steering Group to track progress of assurance activities and review learnings from wider relevant industry enforcement investigations.
- Raised awareness of Business Separation requirements, produced and rolled-out mandatory Business Separation training to all colleagues employed by SP ENW and monitored completion targets supported by a compliance report.
- Developed a schedule of online refresher training for Business Separation training to be completed annually.

- Revised employee induction content to include an introduction to Business Separation requirements.
- Developed and/or updated processes, procedures and policies to support Business Separation compliance.
- Appointed an independent Compliance Officer.
- Delivered in person virtual training on business separation to over 200 colleagues directly involved in the early stages of working with the wider group.
- Held a business separation engagement session for any SP ENW employees with Business Separation queries to attend.
- Attended SP ENW executive leadership team meetings to discuss regulatory compliance through a period of change.

06 Contact

Any queries in relation to this compliance report should be directed to the Head of Economic Regulation (Compliance Manager) using the details below:

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