



Regulatory Financial Performance Reporting (RFPR) Commentary

31 March 2026

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1. Executive Summary

1.1. Company Performance

The business continues to perform strongly against our business plan. This was a year of ongoing transition and integration as we continue to align corporate governance, standards, policies and process with those of SPUK and the wider Iberdrola group. Alongside this there has been extensive focus across the business to develop our ED3 strategy, ensuring the future network has sufficient investment and innovation to serve our customers and communities, leading the North West to Net Zero.

Delivering our “licence to operate”

Our operations start with safety and the business remains committed to this priority and embedding initiatives we have developed in this area. Whilst we had three Lost Time Injuries during the period this remains at an upper quartile rate within the industry. We operate in a high-hazard industry and the safety of its people and customers, and the protection of the environment, will always remain key priorities.

We are committed to delivering excellent customer service and this is an area that is monitored closely to ensure the service levels continuously improve. The support offered to customers in vulnerable circumstances continues to increase, through the further development of the ‘Take Charge’ campaign with Citizens Advice Manchester and the Energy Saving Trust.

Our focus on our customers has led to further improvements in our customer satisfaction, resulting in our highest ever annual score of 93.8% which is a 0.9 improvement on last year’s score. The focus on customers in vulnerable circumstances is also endorsed through our performance on the vulnerability incentives (as part of the Customer Satisfaction Fuel Poverty incentive), and our customers have rated our service 94%.

We continue to take positive environmental actions, including reducing carbon emissions and enhancing biodiversity. In the regulatory year ended 31 March 2026 (2025/26) we completed the planting of a further 10,500 trees in partnership across our land holdings in the North West. This brings the number of trees planted to over 30,000 since the start of RIIO-ED2.

Delivering a reliable network for our customers

Network reliability is a significant part of our fundamental role and of high importance to our customers and other stakeholders. In 2025/26, network reliability continued to be high, with network availability of 99.995%.

We continue to be affected by weather-related events and have experienced three severe weather events in the period: Storm Amy (October 2025), Storm Claudia (November 2025), and Storm Bram (December 2025). There continues to be an increase in weather-related faults adversely impacting the network that do not meet the severe weather exceptionality threshold. Despite the challenging weather impacts, there have been further improvements in the number of customers restored by automation, driven by a combination of investment in automation technologies and network resilience works well as improvements in pro-active operational response. Having successfully secured investment under the Storm Arwen re-opener mechanism, we are now designing and delivering the associated resilience outputs over the later years of ED2.

Innovation is essential to maintain our sector leading network performance and reliability levels, and to meet the increasing demands on electricity from the decarbonisation of energy, at an affordable cost. We continue to develop and deliver our cutting-edge engineering innovations such as CLASS, Smart Street and LineSIGHT that will keep the network reliable, efficient and safe.

Further demonstrable progress has been made this year towards achieving our objectives in alignment with the Enhanced Cyber Assessment Framework. Key advancements include strengthening our approach to risk management and implementing robust security controls to enhance organisational resilience.

Delivering stewardship and investment to enable Net Zero

Our approach to asset management, innovation, capital investment and delivery is pragmatic and targeted. Our activities are targeted to improve the performance of the network, develop and reinforce the network efficiently, provide value for money, and a network that is able to meet our customers' needs.

Our capital delivery programme increased significantly in the year, building on previous expansion of our delivery capacity. Our model for investment delivery is through a maturing centralised Capital Delivery approach which is more scalable than the previous regionally-driven model. This has enabled us to commence some of the largest and most strategic projects of ED2 this year, supported by successful applications to Ofgem for additional funding through the re-opener process. Capital delivery will need to continue to increase throughout RIIO-ED2 and into ED3. We will continue to work on improvements to our processes and enhance our collaboration with strategic partners so we can secure the resources and materials needed to deliver these large programmes of work.

In conclusion

The business is in a very strong place going into the fourth year of the price control. As we look ahead to the next price control period and securing the scale of investment required to ensure the ambitions of the government in Clean Power 2030 and the communities of the North West, we will be focussed on finalising our ED3 submission. This will be built upon the extensive industry and stakeholder engagement undertaken to date. Throughout the past twelve months, engagement around ED3 has taken place to understand how customer and stakeholder priorities have changed since the development of the RIIO-ED2 business plan, and the leadership team has worked with the newly created Independent Stakeholder Group (ISG) to understand any concerns or opportunities. The feedback from these activities will feed directly into the ED3 business plan due later this year.

1.2. Cost Efficiency

SP ENW costs account for around 14% of the typical domestic electricity bill charged by suppliers to North West customers, equivalent to £137 (nominal prices) per home for the year ended 31 March 2026.

The investments we have made in recent years are allowing us to deliver performance improvements for our customers, visible in improved reliability measures and also to realise cost efficiencies, which we share with our customers. Unfortunately, real price effects (RPE) continue to impact our performance in this area, and we are experiencing material and labour cost increases higher than CPIH in our cost base.

Total expenditure has increased year on year since the start of RIIO-ED2, reflecting our increasing capability and delivery. At the end of 2025/26 the underspend against allowances is £110.7m and we forecast a total totex underspend of £0.8m over the entirety of ED2. This forecast includes anticipated re-openers.

1.2.1. Totex expenditure compared to allowances

£m 2020/21 prices	ED2 Period to Date (2025/26)				ED2			
	Act	Allow	Var	%	Forecast	Allow	Var	%
Load Related Costs	120.0	167.5	-47.6	-28%	296.3	358.7	-62.5	-17%
Non-Load Capex (Ex Non Op Capex)	295.3	323.7	-28.4	-9%	557.3	544.4	12.9	2%
Non Op Capex	43.8	617	-17.9	-29%	917	86.8	4.9	6%
High Value Projects	8.2	5.9	2.3	39%	19.4	17.5	1.9	11%
Network Operating Costs	183.7	168.5	15.2	9%	307.4	277.0	30.4	11%
Closely Associated Indirects	1916	210.4	-18.8	-9%	3419	357.0	-15.1	-4%
Business Support Costs	138.4	122.2	16.1	13%	240.4	207.6	32.8	16%
Other Costs Within Price Control	44.6	914	-46.8	-51%	144.1	170.3	-26.3	-15%
Totex Adjustments	-27.8	-2.7	-25.0	922%	-35.0	-4.5	-30.5	1%
Costs within Price Control (in Totex)	997.7	1,148.6	-150.9	-13%	1,963.5	2,014.9	-51.4	-3%
RPEs Adjustment		-40.2	40.2	-100%		-50.6	50.6	-100%
Totex after RPEs Adjustment	997.7	1,108.4	-110.7	-10%	1,963.5	1,964.3	-0.8	0%

2. Key Financial Performance measures (2020/21 prices)

In ED2 we forecast a total totex underspend post enduring value adjustments of £0.8m (2020/21 prices). This has not moved significantly from the prior year July 2025 position which forecast an underspend of £7.0m.

We have committed to significant investment in a number of projects in ED2 to enhance the customer experience. This investment will contribute to improved performance in the areas of customer satisfaction, connections time to connect and the reliability of our network. As a

result, we anticipate earning £46.5m (2020/21 prices) of output incentive revenues over the ED2 period.

We believe that when evaluating and understanding our returns against allowance, the cost of debt and taxation are important components, however as explained in sections 4.1, 4.8 and 4.9 below we believe the current forecast to outperform our cost of debt allowance of £64.4m (2020/21 prices) for ED2 (on a pre-tax adjustment and on an actual gearing basis) is skewed due to the effects of inflation as well as the actual gearing over ED2 averaging less than the 60% notional level.

The key financial performance measures are discussed in more detail in section 4.

3. Key operational performance measures

Operational Area	Measurement	FY26
Safety	Lost time incident frequency rate	0.03
Reliability and Resilience	Customer Interruptions (CI)	23.96
	Customer Minutes Lost (CML)	27.70
Environment	Business Carbon Footprint, excl. Losses (BCF) tCO2e	16,805
Connections	Time to Quote in days (LVSSA)	1.53
	Time to Quote in days (LVSSB)	3.20
	Time to Connect in days (LVSSA)	18.53
	Time to Connect in days (LVSSB)	18.71
Customer Satisfaction	Customer Satisfaction Survey Overall	93.8%
	Complaints metric	1.67
	Complaints resolved in 24 hours	86.0%
Employee Engagement	Engagement Rate	85.9%
DSO	Stakeholder Satisfaction Survey (Score out of 10)	9.23
	Performance Panel Assessment (Score out of 10)	7.72
Dig, Fix and Go	Average End-to-End Restoration Time after unplanned emergency street works in days	4.40

3.1. Safety

As a highly regulated safety critical industry, we recognise that operational and asset safety is our “licence to operate”. As we continue to develop our safety culture, we have again achieved an upper quartile lost time injury frequency rate of 0.033.

Operational safety

As a safety critical industry, the SP ENW continues to maintain and invest in its training and authorisation processes. A record volume of both in-person and e-learning training courses were provided to develop and maintain the skills of our people.

We continue to deliver a robust assurance process that includes the requirement for all operational employees to be subject to performance observations throughout the year, completing over 5,100 within the period, including our contractors.

External accreditation to international safety management system standard ISO 45001 was achieved again in the year. The SP ENW Safety and Environment Committee in providing good governance practice elected to change its Health & Safety auditors this year ending a seven-year tenure with our previous provider. We have transitioned to the services of UKAS accredited certification body NQA, who undertook an 11-day audit and found zero major non-conformances and only seven minor non-conformances.

There were three lost time injuries within the year, one relating to an employee and two relating to contractors. Whilst it is recognised that all incidents with injury should be avoided, this frequency rate is upper quartile within the industry, demonstrating the maturity of our safety culture with sustained year on year improvement:

As we enter 2026/27, we will continue to develop initiatives and campaigns aimed at incident reduction and further developing our safety culture maturity.

Asset safety

The safety of the Company's employees, contractors and the public from the inherent risks of electrical assets is assured through the Company's ongoing asset investment programme and the associated asset risk management policies which define the programme scope.

Our asset investment priorities that will deliver improvements to asset safety are as follows:

- Installation of LineSIGHT – a technology that will enable us to proactively identify faults that result on low hanging overhead lines
- Rising Lateral Mains – we will deliver a risk-based Rising Lateral Mains inspection and replacement programme
- PCB contaminated Pole Mounted Transformer replacement – leading the industry in the compliance with PCB-related legislation

We will continue to assess asset safety risks and develop safety improvement strategies accordingly.

3.2. Reliability and availability

Reliability remains a key priority for our customers and becomes even more critical as we progress through the energy transition and the electrification of the network. Through investment in automation, robust inspection and maintenance programmes and our focus on operational response times we continue to provide industry leading reliability, with a network availability of 99.995%.

We are pleased to report that for 2025/26 the overall customer interruptions (CIs) rate was 23.96, outperforming the target set by Ofgem. This represents a significant improvement in CI's and is our best performance in the RIIO regulatory period. The customer minutes lost duration (CMLs) during an interruption was 27.70, slightly higher than the Ofgem target of

26.57. It is important to highlight that these measures are a blend of both planned and unplanned events.

Breaking these down further, we have outperformed the Ofgem target for both CIs and CMLs for unplanned interruptions, however due to the increases within our capital delivery and other work programmes, the number and duration of planned interruptions has increased as a consequence. Therefore CMLs for planned work is adverse to the Ofgem target which is set based on historic actuals, rather than forward looking volumes.

Overall, performance has been driven by a combination of investment in automation and network infrastructure, along with improved processes and focused management. Our network management system gives us a strong platform for continued performance improvements and we are making better use of both new and existing technology.

In 2025/26 we have continued to see substantial growth in Planned Supply Interruptions, alongside continued impact from adverse weather. Adverse weather conditions have increasingly affected reliability performance this year contributing 1.5 CI and 2.0 CML to overall performance. Weather-related incidents, particularly wind and rainfall throughout the year have triggered incident response in all but two months. Our incident preparation and response each time continues to be industry leading.

Despite these significant challenges we still delivered our best unplanned CI and CML performance, driven by substantial improvements in baseline reliability.

Network Asset Risk Metric (NARM)

A major part of our reliability strategy is to intervene on higher risk assets before they fail. This is informed by a process of condition-based risk assessments in line with the Common Network Asset Indices Methodology (CNAIM). Our targets for risk reduction through this programme were published by Ofgem in December 2022 and equate to 416.6m risk points over ED2.

To date we have delivered 170m risk points, representing 41% of our target. Our risk point delivery profile is more heavily weighted towards the later years due to resource and supply chain mobilisation and other early ED2 priorities, e.g. PCB compliance. Our programme also includes many substantial, multi-year construction projects which have been started in early ED2 and will commission in the later years with significant associated risk point delivery.

Non-Connections Guaranteed Standards of Performance (GSoP)

	2025/26			
	Total customers impacted	Number of failures	% Pass rate	Compliance
EGS1 Main fuse failures	1,003	62	6%	94%
EGS2 12 hour failures	532,204	4,471	1%	99%
EGS2a Multiple Interruptions	6	6	100%	-
EGS2b 5,000 no supply failures	15,981	-	0%	100%
EGS4 PSI not notified	98,639	164	0%	100%
EGS5 Voltage (making appt)	636	18	3%	97%
EGS6 Voltage (keeping appt)	720	5	1%	99%
EGS8 Making appointments	10,227	197	2%	98%
EGS8 Keeping appointments	17,748	531	3%	97%
EGS9 Late payments	197	197	100%	-
EGS11a No supply (category 1)	48,783	133	0%	100%
EGS11b No supply (category 2)	-	-	-	-
Overall compliance	726,144	5,784	1%	99%

Overall compliance has increased by 0.39% to 99.2% (2024/25 98.81%). The number of customers impacted by unplanned interruptions has decreased as has the numbers impacted by a 12 hour failure. Of the customers who were eligible for a payment, 100% were proactively contacted by either telephone or in writing.

The volume of customers impacted by a Planned Supply Interruption continues to increase year on year, due to increased activity in our work plan.

EGS9 (late payments) have reduced significantly this year due to increased focus and oversight compared to prior years.

3.3. Environment

The Company is dedicated to achieving the highest standards of environmental performance, not only by minimising the risks created by our activities, but also through targeted investment in outputs that deliver a positive environmental impact.

Business Carbon Footprint and SF6 emissions

We made a commitment to our customers to reduce carbon emissions, measured in tonnes of CO₂ equivalent, and to adopt more transparent reporting criteria. We have done this by moving to a target validated by the Science Based Target initiative. We made this commitment in August 2023 and started to use this expanded emission target in 2024/25 that puts us on a 63% reduction plan for scopes one, two and three emissions by 2035. We have seen good performance against this target this year.

The business carbon footprint for the year was 16,805 tCO₂e, which is an improvement in performance on our previous year's emissions and in line with our expanded Science-based target reduction trajectory. Emissions in the year reflect the benefits of energy efficiency measures (including refurbishment of its buildings), and the use of HVO biofuel in our generators.

The carbon emissions measure includes the impact of Sulphur Hexafluoride (SF₆) which is a potent greenhouse gas, historically used as insulation in electrical equipment. Our policy is to transition to SF₆ free modern equipment with lower leakage rates in line with EU Regulations. SF₆ emissions during the year were at a decreased level when compared to the previous year (60.49kg compared to 62.12kg in 2025), equating to 0.34% of the total mass in service (2025: 0.38%). This performance slightly misses the target we set to reduce our leakage rate to below 0.3% per year throughout ED2. During the last two years we have experienced a significant leakage rate from across the population of HV overhead line SF₆ filled vacuum Auto Reclosers, an asset class that has previously performed well. We are replacing these units in situ.

Fluid filled cable: oil leakage

We seek to minimise leaks and spills by investing to remove potentially damaging equipment. Overall leakage of oil from cables in the year was 5,550 litres which is an improvement over the previous year's performance of 15,610 litres and meets our ED2 business plan commitment target of maintaining a leakage rate of less than 25,000 litres per year.

Biodiversity

We continue to take positive steps to not only mitigate the impact our activities have on the environment but also to enhance biodiversity for the area we serve. This year we completed the planting of a further 10,500 trees in partnership across our land holdings in the North West bringing the total number of trees planted to over 30,000 since the start of RIIO-ED2.

Alongside our tree-planting initiative, we have commenced a major grassland restoration programme at one of our sites, and undertaken willow revetment work around a streamside pole as a practical nature-based solution to asset security.

To enhance our business understanding and visibility we have produced guidance documents, an interim report on biodiversity progress and updated our action plan and net gain strategy. Crucially we have developed a powerful GIS based natural capital and biodiversity tool covering our entire estate.

Future Strategy

We continue to support the North West with the transition to a low carbon future and continue to invest in our network and develop new technologies to make our network more efficient and flexible. We launched our 'Helping you to Take Charge initiative to support our customers with advice around low carbon technology and continue to support our local area energy plans.

3.4. Connections

Time To Quote (TTQ) and Time To Connect (TTC)

This year our performance on Time to Quote (TTQ) was 1.53 days for LVSSA and 3.20 days for LVSSB. This compares favourably to both targets and our previous year's performance (1.64 days for LVSSA and 5.06 days for LVSSB).

Performance on Time to Connect (TTC) was 18.53 days for LVSSA and 18.71 days for LVSSB. Again, this compares favourably with targets and also shows improvement on previous year's performance for LVSSA (19.20 days) but a slight drop for LVSSB (16.66 days). We continue to deliver for customers against the challenge of tightening targets in ED2.

Guaranteed Standards (GSoP failures)

This year has seen a slight increase in the total number of GSoP failures reported in the year, with the final number being 49, compared to 32 last year. This small increase remains lower than earlier years (66 in 23/24 and 110 in 22/23).

The 49 cases equate to a 0.2% failure rate or a 99.8% pass rate which remains significantly ahead of target (2.0% failure rate / 98.0% pass rate).

Our total GSoP payments made was £10,360, an increase on the prior year.

3.5. Customer Satisfaction

Customer satisfaction

Delivering excellent customer service is important to us. Customer Satisfaction levels have continued to improve year on year in ED2 with an overall score of 93.8% for 2025/26 (2024/25: 92.9%). The relative ranking among the DNOs was fourth, maintaining our performance from last year.

We are committed to further improving customer satisfaction levels and this is supported by a road map with clear actions in place that are monitored regularly by the Executive Leadership Team. The actions focus on inclusive customer service through reducing customer effort, simplification, owning what we do, and engaging, listening and improving.

Complaints

We are proud to deliver an improvement year on year. The overall complaints performance remains strong and well below the Ofgem target with a complaint metric of 1.67 (2024/25: 1.97), with 86% of complaints resolved in 24 hours (2024/5: 84%). Our annual number of complaints received continues to remain in line with previous years' volumes. This complaint metric reflects the percentage of complaints resolved within 24 hours, combined with the percentage complaints open and resolved within 31 days.

3.6. Employee Engagement

Our employee engagement is quantifiably assessed annually in the Climate Survey, which is undertaken by an independent, respected, expert organisation. The agreement score of 85.9% is our highest ever and achieved despite the background of significant change in the business this year. Part of our strategy is to attract diverse talent through our award-winning apprenticeship scheme. In the 2025 cohort, there was a consistent proportion of females compared to the prior year, at 28%, and the highest proportion of apprentices from an ethnic minority background, at 28%.

3.7. Distribution System Operation

Stakeholder satisfaction survey

We are pleased to show continued improvement on the stakeholder survey element of DSO assessment, increasing from 7.94 in 2023/24 to 8.86 in 2024/25 and recently 9.23 for this year. This year demonstrates a clear transition in our DSO journey, from building capability to delivering consistent outcomes.

Performance Panel assessment

The performance panel has recently taken place in July and the outcome is a score of 7.72. Through learning from previous panel feedback we have had a sharper focus on operational delivery, transparency, and evidencing impact in a way that reflects the size and characteristics of our network. Whilst we wait for detailed feedback, we anticipate this has helped contribute to our increased score for 2025/26.

More generally, across the industry, the DSO Incentive continues to raise the bar, and we have both learned from and contributed to this progress. We have adopted and scaled best practice from other regions, particularly standardising data and tools to make engagement easier for local authorities, while maintaining a highly tailored, place-based approach to partnership working. We continue to lead in areas such as ANM, Social DSO and benefits development across the sector, and are actively working to accelerate progress in these areas through collaboration.

3.8. Dig, Fix and Go

Average End-to-End Restoration Time after unplanned emergency street works for 2025/26 was 4.4 days compared to target of 5.1 days giving incentive revenue of £0.68m in 2020/21 prices.

3.9. Consumer Vulnerability

Customers in vulnerable circumstances, especially those who are at more detriment during a power cut remain a priority focus. We are committed to supporting these customers when they need us and continue to find new avenues of raising awareness of the Priority Service

Register (PSR) and encouraging registration to our PSR. Through partnerships and engagement our reach has increased this year to 102.6% (1,003,016 households).

We continue to focus on data quality, working with Lexis Nexis while building new Data Governance principles to ensure our records are as accurate as possible. We have reached out to over 700,000 customers via digital channels, sent over 30,000 directed letters and called over 90,000 properties.

Fuel poverty support continues to deliver a great service for our customers, supported by a strong satisfaction survey score. Volumes on the low carbon transition service have increased.

4. Overview of regulatory performance

4.1. Return on Regulated Equity (RoRE)

	Actuals	Actuals	Actuals	Forecast	Forecast		
	2023/24	2024/25	2025/26	2026/27	2027/28	Cumulative to 2025/26	ED2 period
RoRE based on Actual Gearing							
Allowed Equity Return	4.4%	4.6%	4.2%	4.5%	4.9%	4.4%	4.5%
Totex outperformance	-0.1%	0.2%	0.1%	0.7%	-0.9%	0.1%	0.0%
Business Plan Incentive	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Output Incentives	0.4%	0.9%	0.7%	0.7%	1.6%	0.7%	0.9%
Other	0.0%	-0.1%	0.0%	-0.1%	-0.1%	-0.1%	-0.1%
RoRE - Operational performance	4.6%	5.6%	5.0%	5.9%	5.5%	5.1%	5.3%
Debt performance - at actual gearing	3.9%	0.5%	1.0%	0.9%	-0.1%	1.7%	1.2%
Tax performance - at actual gearing	1.6%	0.7%	0.2%	0.1%	0.1%	0.8%	0.5%
RoRE - including financing and tax	10.1%	6.9%	6.2%	6.9%	5.5%	7.6%	7.0%

On an actual gearing basis, our ED2 Allowed Equity Return is 4.5%. Across ED2 totex performance has been impacted significantly by negative RPE allowances giving rise to no out- or under- performance overall (see sections 1.2.1 and 4.3). The current approach to calculating RPE allowances is not sustainable in an environment that requires significant capital investment over the medium to long term. Output incentives earned by raising performance standards are currently forecast to have generated additional returns of approximately 0.9%. Operational performance on an actual gearing basis stands at 5.3% and on a post finance and tax basis is 7.0%.

Ofgem include an inflation adjustment in assessing debt performance, which captures growth in the debt-portion of the RAV due to inflation and counts this as part of the company's in-year actual debt performance. While the debt-portion of RAV does grow due to inflation, the associated cashflows are deferred over 45 years. This mismatch in performance treatment is present throughout ED2 but is a particular factor in 2023/24.

The inflation adjustment conceals the fact that SP ENW's interest cashflow cost is significantly higher than the real debt allowance, even accounting for actual gearing being average 51% over ED2, and SP ENW's higher-than-sector-average RPI exposures reducing cash interest cost.

SP ENW has historically had higher-than-sector-average debt costs for various reasons as set out later in the Debt Performance section of 4.8.

We note that the 'inflation in interest' adjustment continues to be calculated based on the average gross debt position rather than the average net debt position. This is inconsistent with other elements of the calculation, with net financing costs effectively including cash interest income at nominal (unadjusted for inflation), with cash interest expense at real (adjusted for inflation). The effect of using net debt would be to reduce the ED2 position from 7.0% to 6.7%, on an 'actual gearing' basis.

Tax performance – tax outperformance in 2023/24 and 2024/25 is driven by higher taxable interest costs than the notional company, when the in-year inflation adjustment is excluded from the financing performance analysis.

4.2. Reconciliation to Revenue and Profit

The purpose of this worksheet is to report allowed and actual revenue and reconcile this to the revenue shown in our statutory accounts. In addition, the worksheet also provides a reconciliation for regulated network profit to the profit shown in the statutory accounts.

4.3. Totex - Reconciliation

This worksheet shows our totex performance against allowances, plus a reconciliation of our actual costs per our statutory accounts with our actual reported annual totex.

4.4. Allowed Revenue

	Actuals 2023/24	Actuals 2024/25	Actuals 2025/26	Forecast 2026/27	Forecast 2027/28
Nominal prices	£m	£m	£m	£m	£m
Base Revenue	493.1	499.5	532.2	570.5	620.6
Equity issuance costs	5.9	0.0	0.0	0.0	0.0
Output delivery incentive	4.4	12.3	10.7	11.6	25.4
Other revenue allowances	0.5	-0.0	1.2	7.3	7.9
Tax	19.4	9.7	2.6	1.9	1.9
Correction term	11.2	14.5	-14.1	-148.0	11.0
Forecasting penalty	0.0	0.0	0.0	0.0	0.0
Legacy Allowed Revenue	19.1	45.3	-2.4	-2.7	-2.9
Allowed Network Revenue	553.6	581.3	530.2	440.5	663.9

Allowed revenue projections match the updated ED2 Price Control Financial Model (PCFM) submitted alongside this commentary. Any further iterations of the PCFM could change the forecast element of ED2.

For 2025/26, the largest component of allowed revenue is base revenue which comprises totex-related costs, non-controllable costs such as licence fees and business rates, debt interest and equity shareholder costs, and tax costs. Incentive revenue for 2025/26 stood at £10.7m with the largest component coming from distribution system operator (please see section 4.5 for further detail on incentives, noting the difference in price base).

The other two components of allowed revenue reflect timing adjustments. The first, the K factor at -£14.1m, represents the under recovery of allowed revenue from 2025. The second, legacy allowed revenue at -£2.4m represents the lagged close-out adjustments from ED1 that impact revenue in ED2.

4.5. Output incentive performance

2020/21 prices	Actuals	Actuals	Actuals	Forecast	Forecast	Cumulative to 2025/26	ED2 period
	2023/24	2024/25	2025/26	2026/27	2027/28		
	£m	£m	£m	£m	£m	£m	£m
Time to connect ODI	0.9	1.0	1.3	1.3	1.3	3.2	5.8
Broad Measure of Customer Service ODI	1.2	1.9	2.3	2.7	3.1	5.3	11.1
Interruptions incentive scheme ODI	0.9	0.4	0.3	0.0	4.7	1.6	6.3
Major connections ODI	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Consumer Vulnerability ODI	0.0	3.1	0.0	0.0	4.3	3.1	7.4
Distribution System Operator ODI	0.2	2.1	3.2	3.2	3.2	5.6	11.9
Dig, Fix and Go ODI (ENWL only)	0.4	0.7	0.7	1.1	1.2	1.8	4.0
Post-Tax Earned Incentive revenue	3.5	9.3	7.8	8.2	17.7	20.6	46.5

The output incentives are linked to delivering improved service levels to customers in the areas they value most and is also an important component of RoRE. In the first three years of the five-year price control they contributed 0.7% of RoRE on average with the Distribution System Operator (DSO) incentive contributing the most reward. On an ED2 basis the DSO incentive is also expected to contribute the highest reward.

The output incentives are dependent on our key operational performance metrics as discussed in the Key Operational Performance Measures section above. Importantly the rewards we earn under these incentives have been set by Ofgem so that the rewards, reflected in our RoRE reflect the benefits delivered to customers so customers are net beneficiaries of our incentive performance. We invest both financial resources and management time to achieve these outcomes for customers. We continue to strive to deliver improved service levels for our customers, committing additional investment to do so, influenced by our programme of stakeholder engagement.

4.6. Totex performance

2020/21 prices	Actuals	Actuals	Actuals	Forecast	Forecast	Cumulative to 2025/26	ED2 period
	2023/24	2024/25	2025/26	2026/27	2027/28		
	£m	£m	£m	£m	£m	£m	£m
Latest Totex actuals/forecast	280.6	341.8	375.3	454.8	511.0	997.7	1,963.5
Totex allowance including forecast allowed adjust	349.5	361.1	397.8	417.8	438.0	1,108.5	1,964.3
Totex out(under)performance	69.0	19.3	22.5	-36.9	-73.0	110.7	0.8
Customer share of out(under) performance	34.9	9.8	11.4	-18.7	-36.9	56.0	0.4
NWO share of performance	34.1	9.6	11.1	-18.3	-36.1	54.7	0.4
Total enduring value adjustments	-71.7	-14.4	-19.3	52.9	52.5	-105.4	-0.0
Enduring Value: Customer share of performance	-36.3	-7.3	-9.8	26.8	26.6	-53.3	-0.0
Enduring Value: NWO share of performance	-35.4	-7.1	-9.5	26.1	25.9	-52.1	-0.0
Total out(under) performance (including enduring value adjustments)							
Customer share of performance	-1.4	2.5	1.6	8.1	-10.4	2.7	0.4
NWO share of performance	-1.4	2.4	1.6	7.9	-10.1	2.6	0.4
Total	-2.7	4.9	3.2	16.0	-20.5	5.4	0.8

Overall, in the first three years of ED2 we have delivered totex spend which is £150.9m lower than allowances, reducing to £110.7m after the inclusion of RPE allowances. We continue to believe the RPEs mechanism is not calibrated properly against our actual costs. As a result, there is a significant gap between the principle that RPEs need to fulfil and the current mechanism.

We had a slow start to year one of the price control which led to a large enduring value adjustment, however delivery has been increasing through years two and three of the price control as we have embedded the improvements we made to the capital delivery model. Overall, year three spend was £33.5m higher than year 2 driven by our capital delivery programme which increased significantly this year. Our model for investment delivery is through a maturing centralised Capital Delivery approach which is more scalable than the previous regionally-driven model. The investment programme will continue to increase through the later years of ED2 and into ED3 and we are forecasting to utilise very close to the full ED2 allowance by the end of the price control.

The underspend to date of £110.7m is largely due to timing or rephasing of work from year 1 of the price control and underspends are reducing as delivery has increased throughout years two and three. Efficiencies of £30.6m have also been achieved along with reinvestment of £7.0m. The reinvestments include net revenue obtained from CLASS £20.3m, additional civils work requirements £10.0m and investment in Quality of Supply £8.9m. These investments are all delivering enhanced network performance or totex efficiencies which are then shared with customers.

Overall totex performance is forecast as an underspend of £0.8m for ED2 which has not moved significantly from the prior year July 2025 position which was a forecast of £7m adverse. The most adverse variance has been seen in Network Operating Costs mainly due to the number of severe weather events, an external factor which has negatively impacted our fault cost performance £(19.6m).

The Enduring Value methodology and adjustments are outlined in Appendix 1. The most significant elements of the calculation are the deferral of operational IT and Telecoms expenditure into the latter years of ED2 and the timing of the Smart Street and Asset Replacement programmes. Allowances for these programmes have been profiled flat across ED2 but the planned spend profiles are more profiled towards the later years.

4.7. Innovation performance

Our commitment to delivering world class innovation for the benefit of North West and UK customers is unwavering in ED2. Innovation is the catalyst for enabling improvement to make our network more affordable, reliable and safer for North West customers.

We have been at the forefront of the industry developing transformative network innovation projects, which we continue to successfully transition into business as usual delivering tangible benefits to North West stakeholders. We strive to leverage our innovation culture, processes, frameworks and experience of deploying innovation into business-as-usual at pace to deliver more benefits to customers.

In ED2 we are continuing to take the strategic approach of focusing our innovation in the five industry challenge areas, ensuring we deliver outcome-based innovation. We are delivering measurable social, environmental and safety benefits to North West stakeholders and customers whilst working to innovate in the areas of future system operations, the facilitation of the Net Zero energy transition and supporting consumer vulnerability.

Expenditure to date reflects the natural phasing of project lifecycles, many of which are in the early stages of mobilisation. We have a well-defined delivery roadmap that supports the efficient and timely use of our full allowance. Key milestones have been mapped out across the remainder of RIIO-ED2, and processes for several major workstreams are already underway. We remain confident that our plans will unlock the full value of the registered projects, with spend expected to ramp up significantly in the next reporting period as implementation progresses.

We continue to progress the two remaining NIC projects which had funding awarded during RIIO-ED1 with these projects continuing into the current period and our activity on SIF continues to increase with nine projects with awarded funding to date in RIIO-ED2.

The integration of large volumes of renewable generation and meeting the increased capacity requirements for the electrification of heat and transport we believe will require innovation in the areas of enhanced network operability and the efficient use of system flexibility. We will continue to innovate and deliver solutions enhancing control and optimisation of our system to maximise the use of existing infrastructure capability whilst developing commercial and market solutions to support integration and efficient use of flexibility.

The development of our future system operations function will be underpinned by innovation in technology and digitisation to deliver best value for North West consumers and to support regional growth. Our innovation work will develop new markets and the platforms required for participation in close to real time, new flexibility products such as in the areas of energy efficiency and heat technologies as well as local area energy planning. We continue to support the most vulnerable consumers in our region to ensure no one is left behind - this is a key focus area of innovation where we will further our understanding of the challenges and development of network and community solutions. Specifically, we will work to enable the highly innovative approach of network led energy efficiency in rural areas of fuel poverty as well as improving participation in emerging local markets.

We will continue to prepare for an inclusive Net Zero future in the North West; by developing integrated modelling, enhanced analytics, methods for sharing of data and insights and new visualisation approaches, all of which we believe supports greater active participation and best value for consumers. We will collaborate widely, working with a wider range of stakeholders, including regional stakeholders and other network companies, to co-create and deliver projects together.

4.8. Financing and Net Debt position

£m 2020/21	Actuals 2023/24	Actuals 2024/25	Actuals 2025/26	Forecast 2026/27	Forecast 2027/28	Cumulative to 2025/26	ED2 period
	£m	£m	£m	£m	£m	£m	£m
Assumed regulatory finance cost at actual gearing	-16.0	22.8	19.3	17.5	34.8	26.2	78.4
Assumed regulatory finance cost at notional gearing	-18.4	26.9	24.0	20.9	38.2	8.5	91.6
Forecast revised Cost of Debt Allowance	37.0	39.6	42.0	44.9	48.1	76.6	211.6
Cost of Debt out(under)performance at actual gearing (pre tax adjustment)	37.5	5.2	11.4	11.0	-0.8	42.8	64.4
Cost of Debt out(under)performance at notional gearing (pre tax adjustment)	37.6	-0.9	3.8	4.3	-5.6	36.7	39.3
Impact on out(under) performance relating to deviating from notional levels of gearing (pre tax adjustment)	-0.1	6.1	7.5	6.7	4.8	6.0	25.1
Notional Gearing	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
Actual Gearing	51.9%	50.9%	48.2%	50.1%	54.6%	50.3%	51.1%
Average Net Debt (per Regulatory Definition)	1,032.9	1,059.7	1,057.7	1,169.7	1,368.4	1,050.1	1,137.7
Equity RAV	956.1	1,021.1	1,138.2	1,167.2	1,136.0	1,038.5	1,083.7
Adjusted RAV - including latest forecast and Enduring Value adjustment	1,989.1	2,080.8	2,196.0	2,337.0	2,504.4	2,088.6	2,221.4

Our debt structure comprises of the following debt and hedging instruments:

Debt Instruments

- £100m 1.4746% +RPI index linked bond maturing in 2046
- £50m 0.38% + RPI index linked loan from EIB maturing in 2032
- £50m 0% +RPI index linked loan from EIB maturing in 2033
- £300m 1.415% fixed rate loan, on back-to-back terms with public bond issued by ENW Finance plc in July 2020, maturing in 2030
- £425m 4.893% fixed rate loan, on back-to-back terms with public bond issued by ENW Finance plc in January 2023, maturing in November 2032
- £650m 6 month SONIA intercompany loan facility from parent company Scottish Power UK plc, of which £500m was drawn at 31 March 2026, maturing in 2036
- £114.0m of various intercompany loans at differing fixed nominal rates issued maturing in 2028. All rates were set as third-party market rates at the time of issue
- £250m intercompany revolving credit facility from parent company Scottish Power UK plc, of which nil was drawn at 31 March 2026. Initial maturity in April 2027, with options for 2 extensions.

Hedging Instruments

- A set of RPI swaps totalling £200m (receive fixed to 2021, floating from 2021 to 2038, Pay RPI from start to 2038). These hedged the £200m fixed rate intercompany debt which matured in 2021. Subsequent to the maturity of the £200m fixed rate intercompany debt, the swaps hedge £200m of the £300m fixed rate debt entered in 2020. When this debt matures in 2030, these swaps continue to hedge refinancing debt until 2038. These swaps are structured on a PAYG basis, with accretion payable at either five or seven year intervals. All interest rates were competitively negotiated at inception of each instrument. The receive leg of the swap moved from fixed to floating in 2021, aligning with the maturity of the original underlying debt.
- A new £200m swap was entered into during 2020/21 which came into effect from July 2021, which receives fixed and pays floating until 2030. The effect of this combined with the pre-existing £200m 2038 RPI swaps is to maintain the net position of receive fixed and pay RPI until 2030.
- A set of RPI swaps totalling £100m (Receive fixed to 2026, floating to 2050, pay RPI to 2050). Similar to above, these swaps mature in 2050 and it is our intention to use them to hedge future debt. These swaps are structured on a PAYG basis, with accretion payable at 10-year intervals, from 2030.

The high proportion of index-linked finance was intended to reduce the cash flow mismatch between nominal fixed interest payments and the real cost of debt allowance revenues.

Forecast Debt issuance summary

Date Of Issue	Amount	Interest Rate Assumption	Financing Rationale
2026/27	£350m	SONIA +1.46%	Financing of the ED2 capital program
2027/28	£250m	SONIA +1.46%	Financing of the ED2 capital program

Debt performance

On an actual gearing basis our cost of debt outperformance is £64.4m (2020/21 prices) cumulatively for ED2. This is driven by 2023/24 outperformance of £37.5m, due to an inflation component adjustment, where 2023/24 saw high levels of inflation. This outperformance is driven by the mechanical inflation adjustment described above. There are underlying pressures on our cost of debt due to a variety of factors which have impacted our historic debt issuances:

- We had large embedded debt costs (£450m bond finance raised pre 2005) which pre-date the current trailing average mechanism. This debt was efficiently raised at the time of issuance however market rates have since fallen significantly. This facility matured during 2025/26, but impacts significantly on ED2 performance.

- The pricing of smaller debt issuances is often at a premium to larger, issuances. There is no adjustment for this ‘small company premium’ within the current debt allowance.
- SP ENW is an efficient, well performing company with gearing below notional level, but is rated BBB+ only. However, the trailing average mechanism uses a blend of iBoxx A and iBoxx BBB indices to estimate reference debt pricing.
- The trailing average mechanism assumes that debt is raised at the average annual pricing level. Debt pricing can fluctuate materially within the year. Again, this can create windfall gains or underperformance due to lucky timing rather than good management performance.

4.9. Taxation

2020/21 prices	Actuals 2023/24	Actuals 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28
	£m	£m	£m	£m	£m
Adjusted/ forecast regulated tax liability with timing differences	0.1	-0.0	0.0	0.0	0.0
Revised regulated tax liability for comparison against allowance	0.1	-1.5	-1.9	-1.7	-1.2
Net forecast tax allowance	15.2	7.4	1.9	1.3	1.3
Regulated tax out(under) performance at actual gearing (pre adjustment for financing)	15.0	7.4	1.9	1.3	1.3
Regulated tax out(under) performance at notional gearing (pre adjustment for financing)	15.0	8.9	3.7	3.0	2.5
Impact on out(under) performance deviating from notional levels of gearing (pre adjustment for financing)	0.0	-1.5	-1.9	-1.7	-1.2
Tax performance - at notional gearing (RoRE)	15.0	8.9	3.7	3.0	2.5

Tax returns have now been filed for 2024/25 and therefore the performance figures for the second year of ED2 are aligned to the detail provided in the R8a tax reconciliation; 2025/26 to 2027/28 are forecasts.

The 2025/26 tax liability has been estimated using draft workings prepared for statutory accounts reporting. For the last two years of ED2 we have estimated the tax liabilities using internal business modelling.

For 2025/26 we have determined a forecast tax liability position on a regulated basis utilising the 2026 statutory reporting estimate as a starting point. To establish a “regulated” tax liability aligning to the composition of the PCFM tax allowance, we have applied the following adjustments to the statutory estimate:

1. Removed timing adjustments
2. Removed non-regulatory items
3. Removed “accounting” adjustments

(2026/27 to 2027/28 utilised forecast tax liability positions from internal business modelling, applying similar adjustments to arrive at an estimated regulatory-equivalent tax liability.)

This allows for a reasonable basis on which the liability and allowance can be compared. In 2023/24 and 2024/25 the difference amounted to 1.6% and 0.7% RoRE - with an overall ED2 position of 0.5% (actual company basis) - which can in part be attributed to the relatively high level of inflation, which increased debt costs, and for which we receive a tax deduction. (see comment on tax in RoRE section above).

The relative positions of the actual/forecast company tax liability and the notional company tax allowance are heavily impacted by the notional company approach to modelling financing costs and capital allowances versus the real world outcomes. On an “adjusted-to-regulatory” company actual/forecast basis the 2024/25 year gives rise to a zero liability which is also the case for the remaining ED2 years. 2025/26 to 2027/28 tax allowance represents the effect of the deadband.

As noted in the RoRE section above financing performance, particularly in 2023/24, has been skewed by the effects of the inflation adjustment. For the reasons set out in that section, we do not believe this is an accurate representation of performance.

4.10. Corporate Governance

4.10.1. Corporate Ownership and Governance Framework

Appended to this commentary is a corporate ownership structure chart. It includes:

The entities within the Licensee’s group, up to and including the ultimate parent undertaking, Electricity North West (Holdings) Limited

- Ownership stakes in the group, including the Licensee, expressed as percentages.
- The registered companies’ names have been provided in full for all companies in the ownership structure. The trading name for the licensee is SP Electricity North West)

We can confirm that the decision-making responsibility for the following matters for the Licensee (Electricity North West Limited) rests wholly with Electricity North West Limited:

- Purpose, values and strategy,
- Approval of Dividends

The decision-making responsibility for the following matters rests with NWEN UK per NWEN UK’s terms of reference:

- Board director evaluation, and
- Executive remuneration

The Licensee’s current Board Committees (and Board directors serving on each) are as follows:

Audit and Compliance Committee	Harold Hutchinson, Ellen Fraser and Charles Langan
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The Board composition for Electricity North West Limited:

	Position	Appointed	Resigned
Harold Hutchison	Chair and Sufficiently Independent Director	22 October 2024	-
Ellen Fraser	Sufficiently Independent Director	1 January 2026	-
Stephanie Trubshaw	Executive Director (Chief Operating Officer)	29 July 2025	-
Paul Killilea	Executive Director (Asset & Investment Director)	30 April 2026	-
Keith Anderson	Shareholder Appointed Non-Executive Director	22 March 2025	-
Charles Langan	Shareholder Appointed Non-Executive Director	22 March 2025	-
Ana Teresa LaFuente Gonzalez	Shareholder Appointed Non-Executive Director	1 January 2026	-
Tetsu Onaru	Shareholder Appointed Non-Executive Director	2 July 2025	-
Shinichiro Kitagawa	Alternate Shareholder-Appointed Non-Executive Director	2 July 2025	-

Other Board Director appointments since 1 April 2023

Anne Baldock	Sufficiently Independent Director	26 September 2018	21 March 2025
Susan Cooklin	Sufficiently Independent Director	25 July 2018	21 March 2025
Robert Holden	Independent Non-Executive Director	1 January 2016	21 March 2025
Ian Smyth	Executive Director (Chief Executive Officer)	5 September 2022	2 July 2025
Mitsuo Wada	Shareholder-Appointed Non-Executive Director	31 July 2023	21 March 2025

Masahide Yamada	Shareholder-Appointed Non-Executive Director	7 July 2022	2 July 2025
Makoto Murata	Alternate Shareholder-Appointed Non-Executive Director	28 July 2022	2 July 2025
Michiko Hara	Alternate Shareholder-Appointed Non-Executive Director	4 July 2024	21 March 2025
Genping Pan	Shareholder-Appointed Non-Executive Director	12 December 2019	22 October 2024
Hailin Yu	Alternate Shareholder-Appointed Non-Executive Director	24 February 2020	22 October 2024
Sion Jones	Shareholder-Appointed Non-Executive Director	20 August 2019	22 October 2024
Peter O'Flaherty	Shareholder-Appointed Non-Executive Director	17 September 2019	22 October 2024
Aisha Hamid	Alternate Shareholder-Appointed Non-Executive Director	2 February 2023	22 October 2024
Christopher Johns	Executive Director (Chief Financial Officer)	25 May 2023	30 April 2026
David Mesonero Molina	Shareholder Appointed Non-Executive Director	22 March 2025	31 December 2025
Alistair Buchanan	Chair and Sufficiently Independent Director	25 July 2018	13 January 2026

4.10.2. Executive Remuneration Policies

Executive Remuneration Policies

The executive remuneration policy and structure during the year ending 31 March 2026 was determined by the Iberdrola Group Reward team.

Share options are offered as an incentive to members of the Executive Team / Directors.

SP ENW's Statement on linkages between Directors' Pay and Standards of Performance (Also applicable to SP Transmission plc, SP Distribution plc, SP Manweb plc,) to 31st March 2026

The directors participated in the group's performance related Annual Incentive Plan and received a bonus in the year under review. Entitlement to a bonus is dependent upon achievement of objectives set at a group, business and personal level. Business objectives are set annually based on what requires to be delivered by the business and progress is tracked against a scorecard. The objectives set include targets relating to service standards and safety standards.

Bonus, incentive and share plans are based on key measurable outputs that relate to financial, operational and sustainability performance

CEO Pay Ratio

There are three methodologies that companies can choose to report their pay ratio, known as Option A, B and C (see "The Companies (Miscellaneous Reporting) Regulations 2018" where the CEO pay ratio requirements are set). The government preference, and most accurate reporting method, is Option A. SP ENW have elected to use this method, consistent with previous years, which enables us to compare total remuneration for the financial year ended 31 March 2026, in line with the pay gap requirements.

The CEO pay ratio for 2025/26 is based on total remuneration which is inclusive of an exit payment, as the CEO left the business on 2nd July 2025, however the exit payment is still comparable for the full year as it would have taken into account notice pay, bonus, and any allowances.

4.11. RAV

2020/21 prices	Actuals 2023/24 £m	Actuals 2024/25 £m	Actuals 2025/26 £m	Forecast 2026/27 £m	Forecast 2027/28 £m
Opening RAV (before transfers)	1,983.2	2,074.2	2,173.7	2,309.1	2,463.9
Opening RAV (after transfers)	1,983.2	2,074.2	2,173.7	2,309.1	2,463.9
Net additions (after disposals)	218.2	243.5	274.0	315.5	347.1
Net additions (after disposals) - enduring value adjustment	25.3	5.1	7.2	-18.7	-19.0
Total Net Additions	243.5	248.6	281.2	296.8	328.2
Depreciation	-152.6	-148.5	-145.2	-141.1	-141.7
Total Depreciation	-152.6	-149.0	-145.9	-142.0	-142.1
Adjusted Closing RAV	2,074.2	2,173.7	2,309.1	2,463.9	2,649.9

Regulatory asset value (RAV) effectively reflects the part of totex costs that are not immediately chargeable to the customer via allowed revenue, thereby spreading costs between current and future generations. Our adjusted closing RAV as at 31 March 2026 is £2.3bn in 2020/21 prices. This number is expected to increase in comparable price base as we continue to invest in the network and meet the challenges of ED3. RAV has also been adjusted in table R7 as a result of the adjustment to totex for Enduring Value. Please see the enduring value section in Appendix 1 for further details.

4.12. Pensions

Nominal prices	Actuals 2023/24 £m	Actuals 2024/25 £m	Actuals 2025/26 £m	2026/27 £m	2027/28 £m
Established deficit element funded via specific allowances	0.0	0.0	0.0		
Incremental deficit funded via totex	0.0	0.0	0.0		
Licensee share of total pension deficit repair payment made for defined benefit scheme	0.0	0.0	0.0		

2020/21 prices	Actuals 2023/24 £m	Actuals 2024/25 £m	Actuals 2025/26 £m	Forecast 2026/27 £m	Forecast 2027/28 £m
Established deficit element funded via specific allowances	0.0	0.0	0.0	0.0	0.0
Established deficit (EDE) allowance as per PCFM	0.0	-7.3	0.0	0.0	0.0

Latest pension scheme valuation (as advised to be used by Ofgem)	31/03/2022
Price base	2021/22
	£m
Total Liabilities attributable to post cut-off date notional sub fund	244.4
Total Liabilities attributable to pre cut-off date notional sub fund	1,153.6
Total Assets attributable to post cut-off date notional sub fund	241.3
Total Assets attributable to pre cut-off date notional sub fund	1,137.3
Deficit in the post Cut-Off Date Notional Sub-Fund	3.1
Deficit in the pre Cut-Off Date Notional Sub-Fund	16.3
Licensee element of established deficit	16.3
Licensee element of incremental deficit	3.1

Reporting of pension deficit information is aligned with Ofgem's latest complete reasonableness review (Nov 2023) which takes place every three years. That review was based on a 31 March 2022 valuation. The outcome of that review meant no further customer funding was needed at that point in time.

The documents for this year's triennial review have been submitted to Ofgem which show an increase in the overall surplus. As such we have not requested any further allowances and calculate that a £2.6m (2020/21 prices) negative adjustment to 2027/28 allowed revenue will be necessary to address historical allowance payment differences. At this stage, the current triennial review has not been concluded so we do not present the current numbers in this RFP in line with the guidance.

We continue to monitor the performance of the pension funds with the funding rate at 31 March 2026 being approximately 108%.

Formal pension funding documents can be requested from the SP ENW Pensions Department.

5. Data assurance statement

We have applied the principles of Ofgem’s data assurance guidance to the RFPR. We note the element of judgement and inherent risk in preparing forecasts until the end of the RII0-ED2 period. Against this backdrop we have provided our best estimates aligned with Licence and guidance requirements. The submission has been subject to expert and second person review and signed off by the Chief Operating Officer on behalf of the Board.

6. Appendices

6.1. Appendix 1 - Enduring Value Methodology

Overview

Enduring Value (EV) is an adjustment made to totex performance by licensees to reflect the true value of the performance over the course of the price control. The adjustment reflects the estimated value of the impact of decisions that impact future value. Adjustments are made for the known or estimated value of close out mechanisms and to reflect timing differences in delivery for example, expenditure in advance or lagged from the timing of the allowance received.

For SP ENW, the most material items impacting the EV are:

1. The timing of our Smart Street price control deliverable which is profiled more heavily in the second half of ED2.
2. The timing of our expenditure on Cyber resilience projects.
3. The timing of non-load related capital expenditure relating to operational IT estate enhancements and the delivery of risk points.

Enduring Value Methodology

The approach to EV by core category is outlined below:

Totex category	Expenditure Type	Basis of EV calculation
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Load Related expenditure	Reinforcement expenditure (Distribution and connections) less customer contributions	Each year we assess our overall load related expenditure compared to allowances to assess whether any under or overspend needs to be included in our EV adjustment. At the end of 2025/26 we are slightly ahead of base allowances mainly due to full utilisation of our ex-ante Primary Reinforcement allowance to meet demands of our stakeholders and ensure we scale our delivery capabilities for ED3; offset by delays in customer led delivery timescales and evolving scope on Connections projects.
Non-Load Capex	Asset Replacement and Refurbishment	Allowances for the asset replacement and refurbishment programmes have been profiled flat across ED2 but the planned spend profile is more heavily weighted towards the later years as we mobilise for an increased level of delivery. We also assess progress on risk point delivery against the overall ED2 target when making any adjustment.
Non Load Capex	Operational IT and Telecoms	Current under / over spends vs. allowances fall into the EV calculation to the extent they unwind over ED2. To date we have concentrated on embedding the Cyber Assessment Framework (CAF) basic policies, principles, and disciplines across the business. This focus meant that other enhancements to our operational IT estate were delayed. Another significant area of delayed spend was the Network Management System (NMS) rebuild as the design phase took longer than anticipated but is now progressing.
Non Load Capex	Other	Current under / over spends vs. allowances fall into the EV calculation to the extent they unwind over ED2.
Non Operational Capex	Non-Operational IT / Fleet / Logistics / accommodation	Adjustments made where an acceleration or deferral has occurred on specific projects and manufacturing delays.
Network Operating Costs		Adjustment applied dependent on separate scrutiny of individual components in light of events affecting the network.

This year we have included adjustments for inspections where the allowances do not match the internal programme phasing.

Business Support / Closely associated Indirects	Operational Training	General principle is that under or overspend is recognised in the year it arises. Adjustments limited to specific areas where acceleration or deferral has occurred, in our case we have included an adjustment here increased apprentice training following integration.
Smart Street Mechanistic Price Control Deliverable (SSMPt)	Smart Street	The allowances for Smart Street are flat phased, whereas the planned installation profile is back end loaded. We still expect to deliver the planned 1,000 units by the end of ED2 therefore the variance to allowance has been included in the EV adjustment.
Cyber Resilience	Cyber Baseline and Reopener	Adjustment made for profiling of delivery of cyber projects compared to allowances. Spend on cyber initiatives continues with work ramping up in 2025/26. The level of activity and spend continues to increase in 2026/27, to a level where we are confident in our ability to deliver the full set of outputs.
Storm Arwen	Arwen	Adjustment made for profiling of delivery of Arwen projects compared to allowances. Following modelling and network assessment of the major projects, the majority of work will be in 2026/27 and 2027/28.

Summary of position at 31 March 2026

Enduring Value summary £m (2020/21 prices)	Cumulative 2026
Load related costs	-1.1
Non load – Asset Replacement and Refurbishment	9.0
Non load - Op IT&T	22.3
Non load – other	13.6
Non Op Capex	17.2
Network operating costs	3.3
Smart Street	22.0
Cyber Resilience	14.3
Arwen	3.8
CA Indirects	1.0
Total	105.4

6.2. Appendix 2 - Net Debt Forecasting Assumptions

In the two years to 31 March 2028, SP ENW has no internal or external debt maturity:

In addition, there is capacity for incremental borrowings, which have been forecast based on business needs and with reference to expected RAV growth.

The key assumptions used in modelling the debt and financing costs are as follows:

- **Refinancing rate and issuance costs.** Our working assumption for refinancing rates is derived from our parent company, with the assumption going forward that future debt will be SONIA linked + a margin spread.
- **Debt issuance timing.** Previously, all external debt was assumed to be refinanced 12-18 months before the existing maturity date to reflect our treasury policy and manage liquidity risk in order to maintain our investment grade rating. This inherently included either 'double-handling' costs for this period necessary to minimise our liquidity risk exposure. Going forward, as part of the wider Scottish Power Group, debt issuances will be timed as and when needed, minimising interest costs.
- The £114.0m inter-company loan has been borrowed in instalments from the parent company, North West Electricity Networks plc. This is not directly linked to external debt and was refinanced on maturity in March 2023, without double-handling. All intercompany borrowings are made on an arms' length basis, reflecting market rates at time of drawing.
- **Issuance size.** We base our figures taking into consideration our incremental debt requirements at the time to maintain our RAV gearing targets.

The current planned issuances can be seen in the forecast debt issuance summary table in section 4.8.

- **Nominal and index-linked debt.** Refinancing is currently forecast as being on a nominal basis and this assumption will be revisited at the time of refinancing.

6.3. Appendix 3 - Methodology notes for Net Debt and Financing tables

In completing the tables, we have made the following assumptions:

- The Net Debt per Regulatory definition excludes debt fair value adjustments and the fair value of the derivative. It also excludes any restricted cash balances.
- The cash balance is forecast to be maintained at, or above, a minimum acceptable level for working capital requirements. In some years it could be significantly higher due to liquidity requirements.

- The forecast new debt/financing is done on a cumulative basis. This is done so future gearing is accurately reflected thus, analysed accordingly.
- The forecast new financing/refinancing net interest costs is also comprised on a cumulative basis.