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Third, we argue that if energy costs are to be kept as low as possible for consumers, then

keeping down the costs of decarbonisation must also be a priority. We are confident that further cost reductions can be delivered for offshore wind. The East Anglia ONE offshore windfarm cut the price to £119/MWh. Our future offshore projects will be even better value. We also believe that affordable decarbonisation must include a route to market for the lowest cost form of renewables at scale – namely onshore wind. New onshore wind could be deployed through a market stabilisation mechanism in suitable locations across Scotland, where it is supported by the public.

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Fourth, **modern, smart, flexible networks** must also be a part of the solution for driving

down energy costs. We no longer rely solely on centralised energy generation and are seeing increasing volumes of Distributed Generation and growing demand, e.g. for electric vehicles. To manage these changes in the most cost effective way, we need to maximise the potential of the existing electrical infrastructure. We are at the forefront of pushing for the current, out-dated Distribution Network Operator model to be updated for the 21st century. We are driving the change to a modern, active Distribution System Operator approach. This will help to reduce system costs, whilst better facilitating the flexible networks needed to accommodate consumers own use of low carbon technologies.

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Fifth, we consider that there will be a **greater potential role for storage** in efficiently

delivering a smart, flexible energy system through to 2030 and beyond. This will help to limit the costs of managing a system with a significantly higher volume of intermittent renewable generation. Pumped storage hydro-electric and battery storage have very different characteristics and will have complementary roles in this future mix. Pumped storage can be deployed at scale, has an exceptionally long operating life and is particularly well suited to applications requiring longer discharge times. Therefore the likely optimal future mix will involve significantly more pumped storage capacity than is available at present and, if overall system costs are to be minimised, barriers to the further development of hydro-electric pumped storage will need to be removed.

Delivering for Britain

As Britain continues to forge its place in the world, confident in our future as a global, trading nation, we will need to secure, low-cost, low-carbon energy supplies to ensure that our economy is match-fit for the future.

This vision of a productive, efficient economy based on reliable energy supplies will deliver jobs, higher skills, apprenticeships and robust domestic supply chains across the country, and not just in the energy sector, but across the whole economy. For every job ScottishPower creates in the energy sector, over 11 further jobs are supported across the economy.

If we can work together – an industry committed to a modern, intelligent, efficient energy future, and a government with confidence in its vision and willingness to offer support – we can build a modern, smart energy system, enabling Britain to thrive as an economic powerhouse in the post-Brexit era.

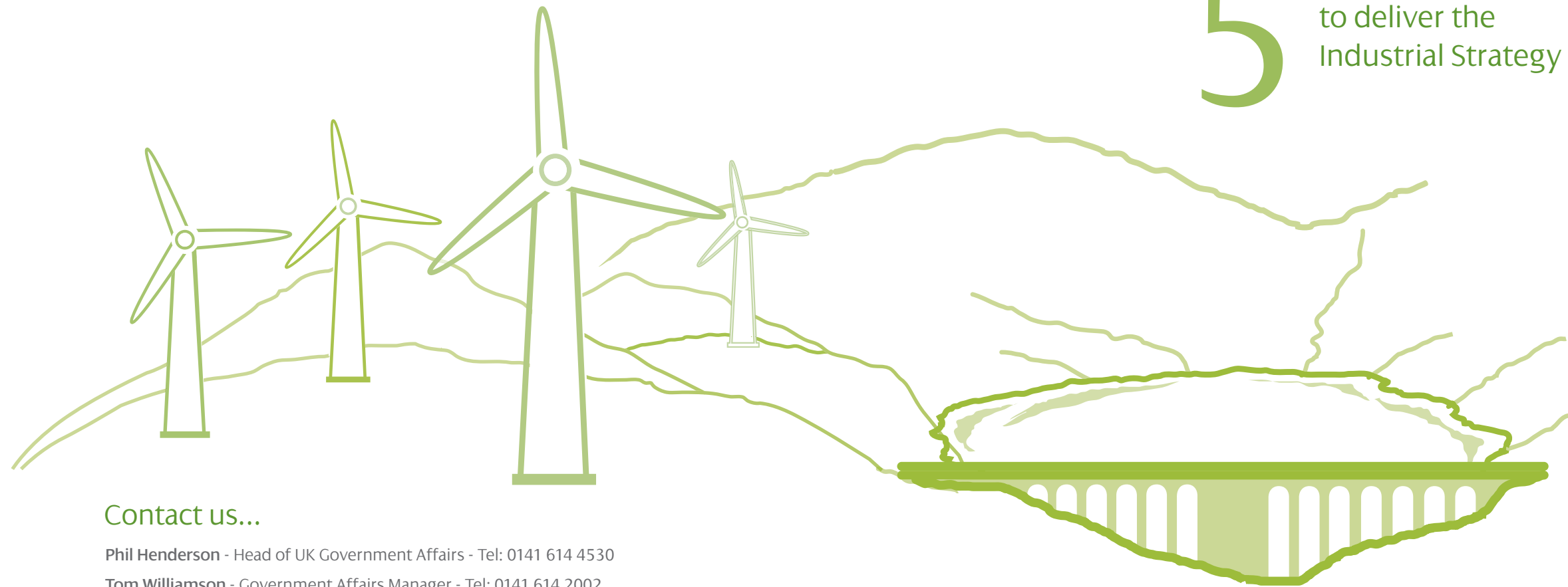


Making clean energy work for Britain

Delivering clean energy and modernising infrastructure in an affordable way

5 energy priorities to deliver the Industrial Strategy

- 1 Ensure that UK business benefits from competition to deliver affordable energy to drive our economy
- 2 Help secure our energy supplies with the construction of modern, efficient new gas plant.
- 3 Continue to bear down on the costs of offshore wind and enable further onshore wind, while building a domestic supply chain so the UK can thrive in the global marketplace.
- 4 Innovate in the transportation of power with first of a kind smart grid technology and the introduction of a Distribution System Operator model.
- 5 Develop electricity storage – big and small - so that UK plc can use its natural resources more efficiently.



Contact us...

Phil Henderson - Head of UK Government Affairs - Tel: 0141 614 4530
Tom Williamson - Government Affairs Manager - Tel: 0141 614 2002
Michelle Cullis - Government Affairs Manager - Tel: 0141 614 4598
Email Government Affairs - govaffairs@scottishpower.com

www.scottishpower.com

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Delivering clean energy and modernising infrastructure in an affordable way

The Industrial Strategy envisages the Government “not just stepping back and leaving business to get on with the job, but stepping up to a new, active role that backs business and ensures more people in all corners of the country share in the benefits of its success”.

ScottishPower endorses the Government’s twin challenges of “Delivering affordable energy and clean growth” and “Upgrading infrastructure”, including our energy system, as being two key pillars of the new Industrial Strategy.

These are consistent with achieving the UN’s Sustainable Development Goal seven, namely the achievement of “affordable and clean energy”.

The Industrial Strategy also rightly identifies as a key priority “how energy costs can be contained or reduced by increasing resource and energy productivity”. We welcome, therefore, the Government’s manifesto commitment to commission an independent review into the cost of energy. We also endorse the pillars “developing skills” and “investing in research and innovation” as an integral aspect of meeting the challenges ahead in the energy sector.

ScottishPower’s aim is to make clean energy work for Britain.

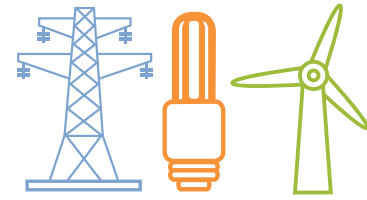
Energy underpins our economy and, increasingly, the way we live our lives. If the economy is to grow sustainably, it will be our energy supplies that enable that growth across all sectors and all aspects of our lives, including advances in digital technologies, automation and artificial intelligence.

For our economy to modernise, decarbonise and digitise, as we believe it must, the energy system should lead the way.

This clean energy has to be affordable, secure and must help meet our climate change commitments. That is how we will power a prosperous future for our economy.

And we are not just talking about it. We are already doing it.

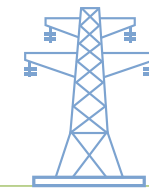
ScottishPower is already helping deliver the Industrial Strategy.



We are involved in every stage of the energy business from generation, through transmission to distribution of power – and supplying energy right across mainland Britain.

Our gas-fired power stations and windfarms generate enough electricity to meet the needs of over **4.5m homes**.

We manage over 40,000 km of overhead power lines and 65,000 km of underground cables in Scotland, the north of England and Wales.



We sell electricity and gas directly to over 5 million customer accounts with, despite our name, more customers in England and Wales than in Scotland. **5 million**



We have invested over £7 billion in the UK since 2007 and are ready to invest another £7 billion through to 2020.

That’s over £3 million every day.

We employ over 6,000 people, across England, Scotland and Wales, including highly skilled engineers working on cutting edge innovation projects in our networks business and building offshore windfarms in the most challenging conditions.



>6,000



And we are working hard to drive up efficiency and drive down costs in everything that we do.

That is why our East Anglia ONE offshore windfarm, on which construction is just beginning, will do more than any other existing windfarm project to harness the efforts of UK supply chain companies, while delivering the best value-for-money offshore windfarm in the UK yet to go into construction.



That is why SP Energy Networks is reducing networks costs on consumer bills through innovation – by 8% in Central and Southern Scotland and by 12% in Manweb ¹ – while still investing in vital upgrades to improve resilience.



That is why we have a dedicated retail team who are tailoring our products to meet the individual needs of our larger commercial customers.



¹ http://www.spenergynetworks.co.uk/userfiles/file/SPEN_ED1Leaflet.pdf

We recognise that we can do more.

We want to do more to help the Government deliver it’s Industrial Strategy.

We are not complacent. We recognise that we can do more. We are determined to forge ahead with major infrastructure investment here in the UK, and want to work with the Government to break down the barriers to delivering an affordable, clean, secure energy future for the UK. And because we are part of Iberdrola – one of the world’s largest integrated utilities – we bring a global perspective to innovation and research, international experience and major investment potential.

Working with government, we would like to help deliver five priorities:

1 | First, we believe that **competitive energy costs** are vital to underpinning our economic future. For decades, Britain has been a global pioneer of free markets and competition, blazing the trail in competitive energy markets which others have followed. Under this liberalised model, Britain has created a diverse, secure energy grid mix that has driven down costs for consumers. We want to see this leadership continue and thrive as the UK leaves the European Union. Any intervention in the market, such as a safeguard tariff for certain domestic customers, must ensure that competitive energy markets are sustained and foster further innovation for the benefit of UK businesses and consumers.

2 | Second, we believe that **maintaining reliable and secure energy supplies** in the UK at the lowest possible cost, means progressing quickly with building modern, efficient gas-fired power stations. ScottishPower has a ‘shovel-ready’ project in Kent, Damhead Creek 2, which could be delivering power to the grid two and a half years after the Final Investment Decision. We believe that the Capacity Market auction is the correct vehicle to deliver new gas plant. However, some key rule changes are needed to ensure a competitive level playing field and avoid the distortions we have seen recently, resulting in over-reward to both diesel generators and short duration batteries. Further reform to the Capacity Market may also be needed if the Government wants to ensure it meets its objectives of removing all unabated coal by 2025.

