



SSEN Transmission

Annual report of the Managing Director of
Transmission

Covering the period from 1st April 2024 to 31st March 2025

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Introduction

This report and statement have been prepared by the Managing Director of SSEN Transmission for the directors of Scottish Hydro Electric Transmission plc (SHE Transmission), operating as SSEN Transmission, in accordance with the provisions of Special Licence Condition 9.16.9, Independence of and appointment of Managing Director of the Transmission Business, of SSEN Transmission's licence.

Following a minority stake sale completed in November 2022, SSEN Transmission is now owned 75% by SSE plc and 25% by Ontario Teachers' Pension Plan Board (OTPP). SSEN Transmission is now governed by the SSEN Transmission Board in accordance with the direction issued by the Gas and Electricity Markets Authority (the Authority) under Special Licence Condition 9.15 of SSEN Transmission's licence. This outlines requirements on the licensee to appoint an independent compliance officer and report on compliance against the licensee's duties on an annual basis.

This report and statement have been prepared as soon as practicable after the end of the financial year 2024/25 and the subsequent attainment of scheduled assurance and governance.

Report for the period 1 April 2024 to 31 March 2025

As the Managing Director of Transmission, I am responsible for the conduct of the SSE Networks Transmission business and our external transmission activities. In making this report for the period 1 April 2024 to 31 March 2025, I consider below those factors that are of material impact to the conduct of the transmission business.

People

The headcount across SSEN Transmission increased from 1,701 Whole Time Equivalent (WTE) at 31 March 2024 to 2,326(WTE) at 31 March 2025, an increase of 625. This growth is predominantly due to the increasing workload and obligations associated with the delivery of our 'Network for Net Zero' RIIO-T2 Business Plan, as well as the Pathway to 2030 commitments including the Accelerated Strategic Transmission Investment (ASTI) and Clean Power (CP) 2030 projects. These commitments are driving a material increase in the workforce, in relation to both direct and indirect support.

Looking ahead to 31 March 2026 our internally approved budget increases this headcount further to 3,225 WTE. To ensure our workforce meets the capability and skills requirements of our business, and in line with our People Strategy, we have a dedicated Workforce Planning Manager. All staff employed by SSE are notified of SSEN Transmission's obligations under Special Licence Condition 9.14 of SSEN Transmission's licence, Restriction on the use of certain information.

Expenditure

Our capital investment (excluding capitalised overheads and interest) for the year ending 31 March 2025 was £1,091m¹ with the approved budget for the following year to 31 March 2026 set at £1,958m. This significant year-on-year increase is primarily driven by £867m of expenditure on uncertainty mechanism projects which includes 4 ASTI onshore projects, ASTI offshore projects including EGL2 and Spittal to Peterhead and LOTI projects - Orkney, Skye & Argyll Reinforcements. The RIIO-T2 certain view capital projects continue to progress to completion as we near the end of the price control.

Our overheads (Gross Indirect overheads) for the year ending 31 March 2025 were £125m, with the following year forecast to be £170m at 31 March 2026. The bulk of this year-on-year expenditure increase relates to the aforementioned additional headcount being required to ensure safe and secure operation and ongoing investment in the growing North of Scotland transmission system which includes ASTI and the other projects mentioned above. As well as helping with the continuation of our Business-as-Usual activities, this growing expenditure also supports the emergence of technological developments to greatly assist our endeavours to align with national decarbonisation ambitions set out by the UK Government for a zero-carbon power system by 2035.

Our network operating costs for the year ending 31 March 2025 were £19m, with a forecast of £24m for the following year to 31 March 2026. This year-on-year increase of £5m is attributable to network growth, with the main increase a direct result of the rephasing of the subsea cable inspections from 24/25 to 25/26 of c.£1.1m. Additionally, increased Civil works - RAAC, roof and ground maintenance at substations as well as full year impact of new SVC contract plus inflationary increases on various contracts have driven the increase in network operating costs.

Funding

SSEN Transmission is funded by revenue through the price control and where costs exceed our revenue position this difference is funded via debt.

SSEN Transmission had adequate funding arrangements in place for the regulatory year ending 31 March 2025 with a mixture of cash and bank balances, external loans, internal loan stock, bonds, and committed facilities, as well as day to day balances. This has moved £0.9bn with our net position on 31 March 2025 sat at £3.8bn.

Looking ahead to future years, we have sufficient funding in place and more details can be obtained from our "Availability of Resources" report.

Stakeholders

As a stakeholder-led business we continue to focus on meeting the needs of our customers and stakeholders through effective and meaningful engagement, and this will remain a priority over the coming year. We remain mindful of the current economic conditions, not least in terms of the cost-of-living crisis currently being experienced by customers across the UK, and significant increases in cost and issues with availability of certain commodities. Ambitious UK and Scottish Government energy targets underline the importance of the Transmission network, particularly in the North of Scotland, in cost effectively transitioning

¹ All costs are nominal

the GB energy system to net zero and increased energy security. Further details will be included within the SSEN Transmission Annual Performance Report which will be published at the end of September 2025.

Conclusion

In conclusion, I can confirm that, in my opinion, adequate staff and resources were available during the 12-month period to 31 March 2025, and have been made available for the regulatory year commencing 1 April 2025, to ensure the efficient and effective management and operation of the Transmission Business in accordance with the licensee's duty under section 9(2)(a) of the Electricity Act and its licence.

Rob McDonald
Managing Director of Transmission
July 2025