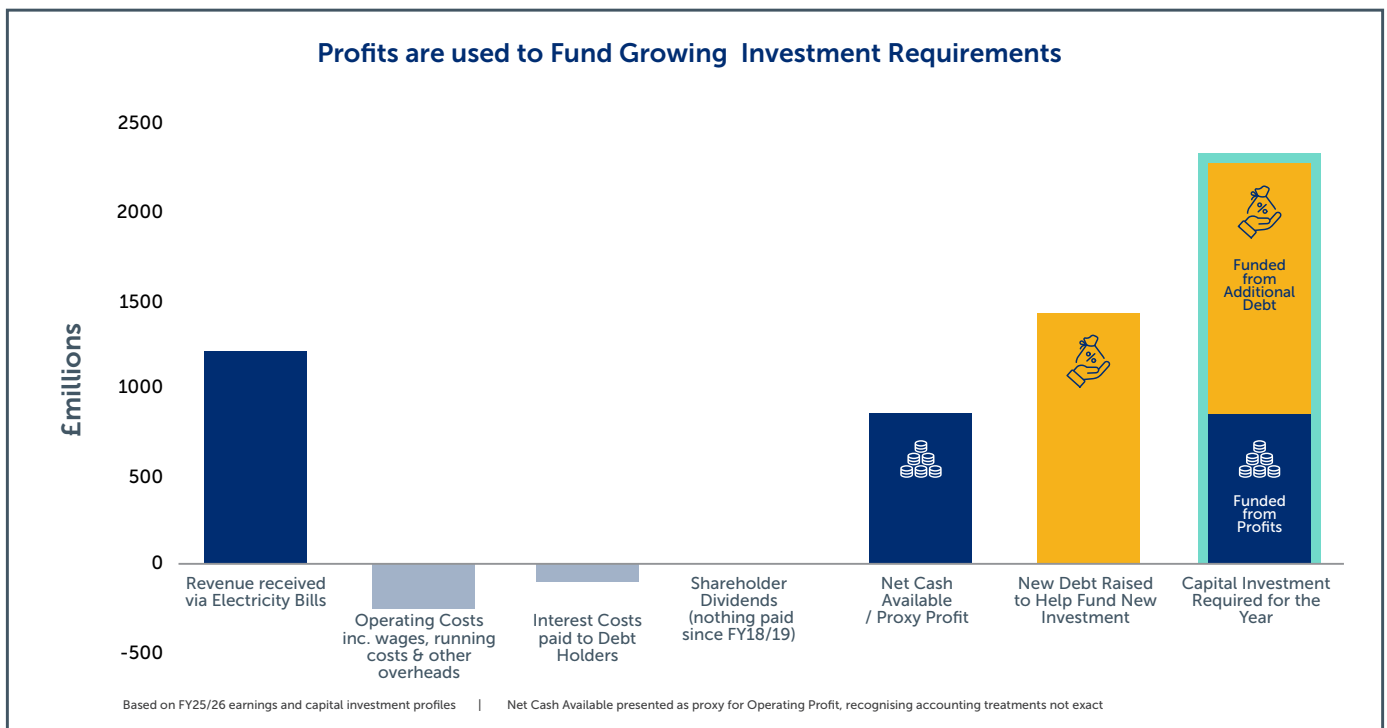




How we use profits to fund investment

Transforming the electricity network and enabling increased low-carbon generation

Our Revenue and Returns are controlled by the Regulator: SSEN Transmission owns and operates the electricity transmission network in the north of Scotland. Our revenues and returns are tightly regulated by Ofgem, the GB energy regulator. While we do not receive any direct funding from Ofgem, they do set how much we can invest, the returns we are allowed to earn, and how these costs are recovered from all GB users of the electricity transmission system, as part of electricity bills.



Our Profits Are Used to Fund Critical Grid Infrastructure Investment and we're investing at least double what we make in profits:

This graph shows how we've used our revenue and associated profits for FY25/26 to help fund our capital investment plan. Revenue is used to first fund operating costs, interest charges, tax costs, and then part fund a proportion of capital investment. The remaining capital investment – or cash deficit - is funded by an increase in borrowings, within the 'gearing' limits agreed with the Regulator, as part of prudent financial governance. In the seven years since FY18/19, we've invested double what we've made in profits and this is expected to increase to between three and five times over the next five years.

As investment levels increase, so will the quantum of our profits, but the return to investors remains tightly controlled at ~ 6% by the Regulator:

SSEN Transmission funds investment upfront and is repaid gradually through regulated revenues. With an unprecedented c.£29bn investment plan to be delivered over the next five years, as the quantum of our annual capital investment ramps up, naturally, so too will the quantum of our profits, which should be considered in this 'scaling-up' context. Importantly, our return to investors remains tightly controlled and is expected to average no more than 6%, (excluding inflation) over the RIIO-T3 period. Any excess allowances are also returned

to consumers as part of the continuous 'true-up' cycle also overseen by the Regulator. Efficient companies can also earn additional income from incentives, which are designed to improve their performance and also deliver more for consumers.

SSEN Transmission has not paid dividends to SSE plc shareholders since FY18/19. Given the capital expenditure profile, all earnings continue to be reinvested to fund the ongoing investment programme of c.£29bn over the next five years. While SSE pay a dividend to SSE plc shareholders in return for their investment, this is currently funded by other parts of the SSE group.

We Are Fair Tax Accredited: SSEN Transmission as part of the SSE Group is Fair Tax accredited, meaning it has been independently assessed as demonstrating responsible tax practices and has been for over 10 years. While SSEN Transmission's corporation tax charge is currently low due to this investment phase, this is purely a timing difference, with corporation tax being paid in full over time and consumers only paying for what the company is charged annually.

The Regulatory Framework: Revenues are determined through fixed Price Control periods, currently RIIO-T3, which runs from April 2026 to March 2031. Under RIIO-T3:

- We submit a five-year Business Plan setting out maintenance, upgrades and new connections needed to support a low-carbon electricity system.
- Ofgem approves our required investment, operating costs, and allowed returns.
- Once agreed, these allowances are written into our licence and dictate permitted spend for the period.

How Investment Is Recovered: We invest in long-life critical national infrastructure and typically recover most of these costs over 45 years, known as 'slow money'. To support cashflow and balance sheet stability, Ofgem also allows some costs to be recovered in the year they are incurred. This is referred to as 'fast money' and is based on an agreed capitalisation rate which applies throughout the price control period. As the level of investment scales up, so will the proportion of 'fast money' recovered in the corresponding year. This contributes to increased profit levels, alongside a range of other factors, including the impact of continued growth in our Regulatory Asset Value (RAV).

How Income Is Collected: Ofgem-approved expenditure (known as Totex, covering capital and operating costs) feeds into an annual Transmission Use of System (TNUoS) charge.

- TNUoS charges are billed monthly to the National Energy System Operator (NESO).
- NESO recovers these charges from generators and electricity suppliers.
- Suppliers pass costs through to end users, including domestic, commercial and industrial customers.

Charges to Domestic Customers: In FY25/26, domestic customers paid around £51 per household per year for electricity transmission.

Meeting GB clean power targets by 2030 requires a major step-change in grid investment. Ofgem estimates up to £70bn of electricity network investment may be needed across the next price control period. While this could increase transmission charges to around £110–£130 per household, these increases are expected to be largely offset by reduced constraint costs and lower wholesale electricity prices, leaving the overall impact to energy consumers broadly neutral by around 2031.

Performance and Accountability: Our performance is monitored annually through regulatory reporting to Ofgem, including the Regulatory Reporting Pack. Ofgem also applies incentives, penalties, and specific licence obligations to ensure efficient delivery and value for consumers, including asset health measures such as the Network Asset Risk Metric (NARM).

Wider Economic Benefits: Our c.£29bn investment programme is a major driver of UK economic growth, supporting 50,000 jobs across the UK, 24,000 of those in Scotland, including 10,000 in the North of Scotland and contributing up to 2% of Scotland's Gross Value Add (GVA) annually. It enables the delivery of 1,000 new homes and more than £100m in community benefit funding across the regions we serve. Overall, it delivers enduring value for consumers through a more resilient, secure and sustainable energy system; transforming the electricity network and enabling increased low-carbon generation.

SSEN Transmission is the trading name of Scottish Hydro Electric Transmission plc. Last updated: May 2026.

