

Scottish Power: Factsheet

Deal information

Deal announced	May 2025
Sector	Power Grid
Location	South and Central Belt of Scotland
Counterparty	Iberdrola
NWF Finance	£600m ⁱ
Product	Debt

Location of Projects



Summary

The National Wealth Fund will provide a loan of £600m to Iberdrola Group to support Scottish Power's (a fully owned subsidiary of Iberdrola) network development programme across seven identified grid and transmission related projects in Scotland. The financing will go towards two subsea interconnectors from Scotland to England, Eastern Green Links 1 and 4 (EGL1 and EGL4), and five key grid upgrades including the building of new substations, overhead line reconfiguration and the improvement of overhead transmission cables to increase both grid capacity and resilience.

Sector context

Investment in the UK's power grid has failed to keep pace with the deployment of renewables and is now increasingly seen as the key blocker to decarbonising the UK economy.ⁱⁱ Some generation projects have been told to wait up to a decade for grid connection, while wind energy is turned off ("curtailed") due to constraints on the network - 10% of wind generated power was curtailed in 2024, enough to power two million homes.^{iii,iv} There's now a step-change investment requirement to keep pace with the government's clean power by 2030 ambitions. An estimated £15 billion of investment per year is required for electricity transmission network assets between 2025-2030, 3 times the 2015-2022 average.^v

Impact and additionality

Nowhere are grid constraints felt more than on the B6 boundary – the interface between the Scottish and English transmission network – which is currently the most constrained transmission boundary in Great Britain^{vi}. In times of high generating conditions in Scotland, energy supply exceeds demands, and the system operator addresses the boundary capacity issues by reducing power flows. This is achieved by curtailing wind generation in Scotland and by requesting generators (typically gas) to turn up generation south of the congestion boundary to balance the grid, which generates additional emissions.^{vii} During congestion events, two types of cost are incurred on the system: the first is the payment to wind farms for the forgone generation and the second is payment to generators outside the congestion boundary. In 2024, congestion costs were estimated to amount to c.£900mn or £30 for every household in GB.^{viii}

The seven projects will contribute toward reducing congestion events, allowing more clean power to flow from generators to where demand is located. The National Energy System Operator (NESO) determine all projects in scope are essential for the Government’s Clean Power by 2030 mission, with the exception of EGL4, which is due to connect after this date. EGL1 alone will deliver £870mn saving for billpayers by 2030 through reduced congestion costs.^{ix}

We consider our involvement additional as appetite to provide long-dated, flexible financing is limited. NWF’s bespoke financing allows Scottish Power to better align the debt profile with the life of the assets being financed and the long-term repayment profile set by Ofgem. NWF are participating alongside a facility which amounts to c.£750m. NWF’s involvement in this transaction also aligns with our recent Statement of Strategic Priorities from HM Treasury, which empowers us to take a broader approach to additionality, which you can read more about in our [blog](#).

ESRG considerations

There are strong ESG credentials across the corporate structure. Scottish Power Energy Networks (SPEN) Sustainable Business Strategy sets out the company's approach to achieving environmental, social, and economic sustainability, which is presented to Ofgem on an annual basis. SPEN are committed to reducing Scope 1, 2 and 3 GHG emissions in line with their sector-leading 2035 Net Zero GHG Target, including 80% of SPEN’s supply chain, by spend.

Impact metrics

Impact	Metric
~190	Direct Jobs Created and Supported ^x
7.8 MtCO2e	Emissions avoided ^{xi}
£750m	Private Finance Mobilised
4 GW	Additional Capacity Of The Transmission Network (EGL 1 and 4)

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- ⁱ Investment forms part of a wider £1.35bn financing package with National Wealth Fund committing £600m and the rest being provided by several commercial banks, led by Bank of America as the Sole Debt Arranger.
- ⁱⁱ An SP commissioned BNEF report found for every £1 the UK has spent on renewables it has spent 25p on the cables and power lines. BNEF ranked the UK's grid eighth out of ten on a preparedness scale for reaching Net Zero in comparison with the other top 9 electricity markets | [BloombergNEF](#)
- ⁱⁱⁱ [Government grid reforms: From obstacle to opportunity - Energy UK](#)
- ^{iv} [UK urgently needs more energy storage to avoid wasting wind power – report - Drax Global](#)
- ^v [Renewable Energy Market Update - June 2023](#)
- ^{vi} [Gone with the wind? - Carbon Tracker Initiative](#)
- ^{vii} The B6 boundary transmission capacity is limited to 6.7GW, whereas Scotland currently has 13 GW wind power installed and peak demand of less than 4 GW ([NESO Electricity Ten Year Statement \(2023\)](#)).
- ^{viii} [UK Wind Curtailment Monitor](#)
- ^{ix} [Clean Power 2030 | National Energy System Operator](#)
- ^x We were provided project estimates for Eastern Green Links 1 and 4. For the other works, we were able to infer the scale of job creation from SPEN's RIIO-T3 investment plans. Independent analysis by University of Strathclyde's Centre for Energy Policy (CEP) commissioned by SPEN expects the programme create 1,400 direct jobs in the long-term. [SP Energy Networks RIIO-T3 Business Plan](#)
- ^{xi} Emissions are calculated using a new emissions methodology that captures enabled impacts of NWF investment. Further comment on the methodology change will be available in the 2024/25 Annual Report and Accounts. This estimate is based on the potential reduction in curtailment associated with EGL1 and 4. We assume wind curtailment is met by a weighted average of all SO-flagged offer volumes. Sources used: [Gone with the wind? - Carbon Tracker Initiative](#), [Drax-LCP - Renewable curtailment report](#), [13784-High Voltage Direct Current Electricity – technical information.pdf](#)).