

CREDIT OPINION

10 February 2026

Update



Send Your Feedback

RATINGS

Scotland Gas Networks plc

Domicile	United Kingdom
Long Term Rating	Baa1
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Stefanie Voelz +44.20.7772.5555
VP-Sr Credit Officer
stefanie.voelz@moodys.com

Jiayang Kuang +44.20.7772.1236
Ratings Associate
jiayang.kuang@moodys.com

Neil Griffiths-Lambeth +44.20.7772.5543
Associate Managing Director
neil.griffiths-lambeth@moodys.com

Scotland Gas Networks plc

Update following RIIO-3 final determinations and rating affirmation

Summary

The credit quality of [Scotland Gas Networks plc](#) (Scotland GN, Baa1 stable) is supported by (1) the company's position as monopoly owner and operator of the gas distribution network in Scotland; and (2) the predictable cash flows generated under a well-established and transparent regulatory regime in Great Britain.

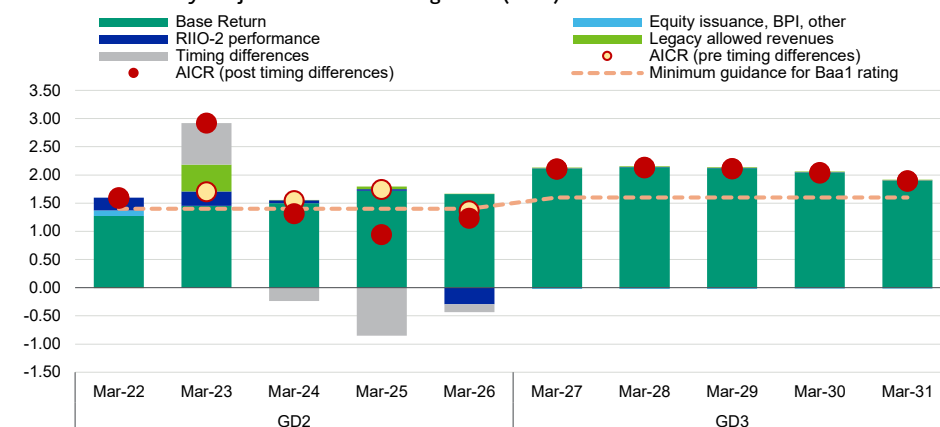
The company's leverage, which historically was above that of peers, has reduced towards the mid-60s in percentage terms of net debt to regulatory asset value (RAV). However, credit quality remains constrained by additional debt at its immediate parent company, SGN MidCo Limited (SGN MidCo), which exhibits consolidated net debt to RAV around 70%.

Higher embedded cost of debt than peers has pressured interest coverage in the past, but a switch to semi-nominal returns for RIIO-GD3 (1 April 2026 - 31 March 2031) will boost cash flows and allow the company to maintain Interest coverage well above our updated minimum guidance, assuming the company performs broadly in line with regulatory assumptions. We slightly tightened our minimum ratio requirements for Scotland GN's Baa1 rating to reflect the uncertainty of the timeline and detailed steps to facilitate the energy transition and the potential consequences for gas distribution operators.

Exhibit 1

Scotland GN is expected to maintain headroom to minimum interest coverage guidance in RIIO-GD3

Breakdown of Moody's adjusted interest coverage ratio (AICR)



RIIO-GD2 actuals to FYE March 2025, remainder Moody's Ratings forecast, which is Moody's opinion and does not represent the view of the issuer and reflects Ofgem's RIIO-GD3 final determination financial models, as republished on 3 February 2026. Moody's Ratings forecast for RIIO-GD3 assumes performance in line with regulatory assumptions.

Source: Moody's Ratings

Credit strengths

- » Monopoly position as licenced provider of gas distribution in Scotland
- » Well-established and transparent regulatory framework underpins predictable cash flows

Credit challenges

- » Additional leverage at the parent company, SGN MidCo, equivalent to around 5-6% of the combined RAV of Scotland GN and its sister company Southern GN
- » High carbon transition risk, although partially mitigated by ongoing regulatory support (e.g. through accelerated depreciation), and the potential for usage of the natural gas network to transport alternative low-carbon gases, to the extent this becomes significant in the UK

Rating outlook

The stable outlook reflects our expectation that Scotland GN will maintain financial metrics commensurate with the Baa1 rating level over the RIIO-GD3 regulatory period.

Factors that could lead to upgrade

Upward pressure on the ratings is unlikely because the additional debt at SGN MidCo, resulting in an overall consolidated MidCo leverage in the low- to mid-70s in percentage terms, will continue to constrain ratings. However, the ratings could be considered for an upgrade if there was a change in financial policy leading to, at both Scotland GN and SGN MidCo, net debt to RAV not above 65% and an AICR sustainably above 1.8x. Any upward rating pressure would have to be considered in the context of the long-term future of gas networks and potential alternative use options.

Factors that could lead to downgrade

The ratings could be downgraded if Scotland GN's net debt to RAV appeared likely to increase above 72% or the AICR was expected to fall below 1.6x, on average and excluding timing differences, over RIIO-GD3. Downward rating pressure would also arise if a more aggressive financial policy was pursued at SGN MidCo, such that either consolidated MidCo net debt to RAV rose above 80% or AICR fell below 1.4x. However, we do not anticipate this situation arising.

Key indicators

Exhibit 2

Scotland Gas Networks plc

Regulatory timing differences lead to year-on-year fluctuation in metrics

	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Mar-26 (E)	RIIO-GD3 avg
Adjusted Interest Coverage Ratio	1.6x	1.7x	2.6x	2.0x	0.4x	1.0x-1.3x	1.8x-2.1x
Net Debt / RAV	73.2%	68.8%	65.5%	60.6%	59.2%	60%-62%	63%-67%
FFO / Net Debt	11.1%	8.9%	12.1%	12.1%	6.7%	7%-9%	10%-15%
RCF / Net Debt	5.6%	5.2%	10.5%	9.8%	5.3%	4%-6%	7%-8%

Timing differences (true-ups for pass through costs) significantly boosted FYE March 2023 and 2024 metrics and will be reversed in FYE March 2025 and 2026. Cash balances held by Scotland GN (and other SGN group companies) are pooled at its sister company Southern GN, but Moody's does not consider intercompany receivables within its net debt calculations. All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. Moody's Projections (proj.) are Moody's opinion and do not represent the views of the issuer.

Source: Moody's Financial Metrics™ and Moody's Ratings forecasts

Profile

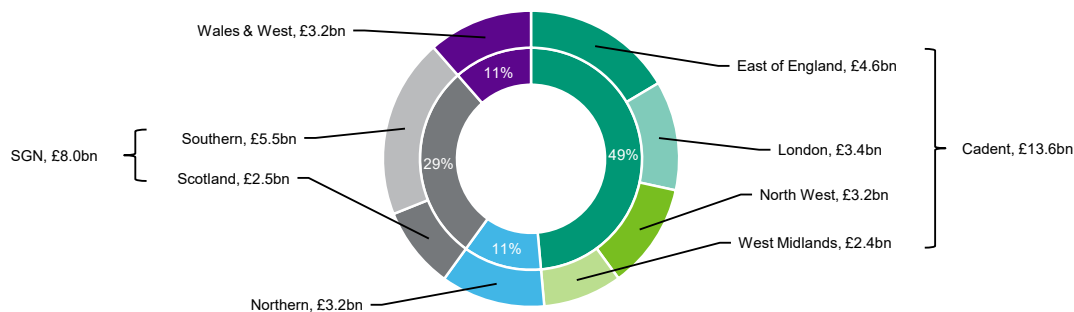
Scotland GN is the second smallest of the eight gas distribution networks (GDNs) in Great Britain by RAV, £2.4 billion at March 2025. It provides gas distribution services to around 1.85 million customers through around 24,000 kilometres of gas pipelines in Scotland.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

We estimate that RAV will grow to around £2.5 billion by March 2026, but considering Ofgem's final determination and performance in line with cost allowances, Scotland GN's RAV could fall by around 3.5% in real terms (i.e. before considering inflation) over the next five years.

Exhibit 3

Regulated Asset Value by gas distribution network operator group
RAV estimated at 31 March 2026, nominal



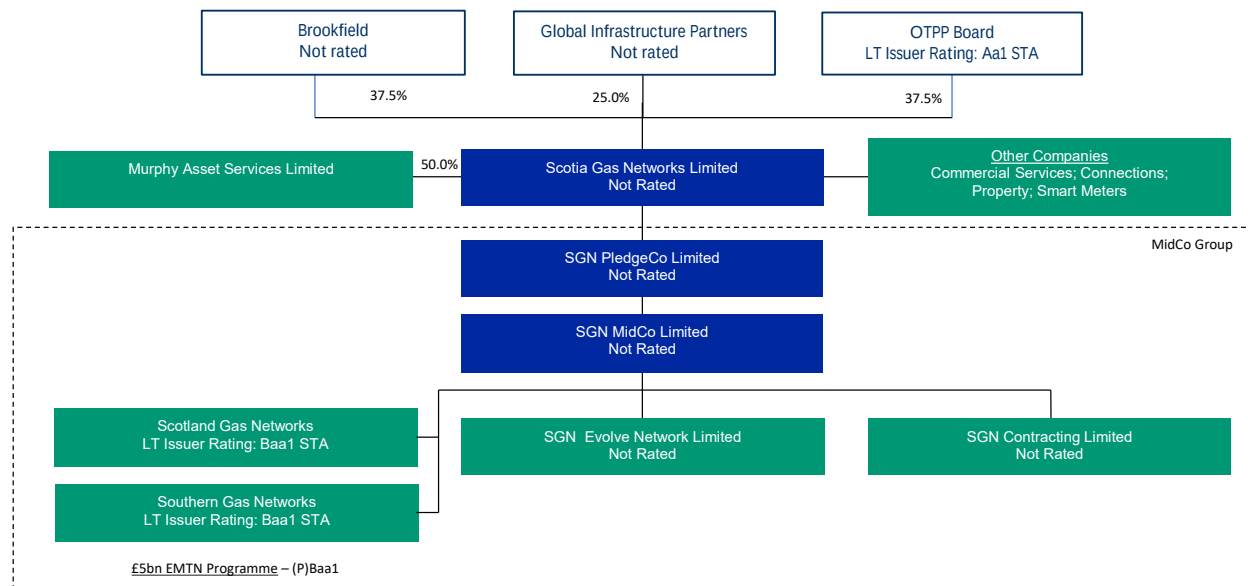
RAV as per Ofgem's RIIO-GD3 final determination models, published in December 2025

Source: Ofgem and Moody's Ratings

Scotland GN is a wholly owned subsidiary of Scotia Gas Networks Limited (Scotia Gas Networks) via the intermediate holding companies SGN MidCo Limited (SGN MidCo) and SGN PledgeCo Limited. Scotia Gas Networks is owned by a consortium which, since March 2022, comprises (1) [Ontario Teachers' Pension Plan Board](#) (Aa1 stable), 37.5% stake; (2) Brookfield Super-Core Infrastructure Partners (Brookfield), 37.5%; and (3) Global Infrastructure Partners (GIP), 25%. Scotia Gas Networks also owns [Southern Gas Networks plc](#) (Southern GN, Baa1 stable) as well as SGN Evolve Network Limited in Northern Ireland. The networks have separate regulatory licences and remain legally separate and independent of each other. Whilst they are operationally managed independently, group functions are run centrally and policies, including treasury, and processes are aligned across entities.

Exhibit 4

Simplified organisational structure



Source: Company, Moody's Ratings

Detailed credit considerations

Well-established and transparent regulatory framework underpins predictable cash flow

The GDNs in Great Britain benefit from a very transparent, stable and predictable regulatory regime based on clearly defined risk and reward principles. It is overseen by an experienced regulator, the Office of Gas and Electricity Markets (Ofgem), which has a long track record of consistent decision making. Ofgem has consulted widely with a variety of stakeholders whenever changes to the regulatory framework have been made. Scotland GN has good visibility of revenues and cash flow under the latest regulatory determination for the upcoming price control for gas distribution networks (RIIO-GD3), which will begin on 1 April 2026 and run until 31 March 2031.

Exhibit 5

Scotland GN service area



Source: Energy Networks Association

Exhibit 6

Price control overview

GB Gas Distribution		
Regulator/ Price control	Ofgem / RIIO-GD2	Ofgem / RIIO-GD3
Regulated businesses	Scotland Gas Network plc	
Term of price control	April 2021 - March 2026	April 2026 - March 2031
Allowed return on RAV (vanilla real, CPIH stripped)	3.57% (FY 2025/26) Forecast average ¹ for RIIO-GD2: 3.30%	Forecast average ¹ for RIIO-GD3: 4.32% (semi-nominal 5.25%)
Return on regulatory equity (Real, CPIH stripped)	5.08% expected average ¹ (Ofgem assm) (Company forecast ~0.6% average operational outperformance over RIIO-GD2)	6.11% expected average ¹ (Ofgem assm)
Regulatory RAV (March 2025)	£2.4 billion	under 4% real RCV decline

(1) The cost of debt allowance and allowed equity return are updated annually according to predefined methodologies. Forecast estimates as per Ofgem's RIIO-GD3 Business Plan and Price Control Financial Models as republished on 3 February 2026. The RAV also comes from these sources. (2) Company estimates of operational performance over RIIO-GD2 also reflect information included in the Ofgem models.

Source: Ofgem

Ofgem's determinations for transmission and gas distribution networks for the forthcoming RIIO-3 controls, discussed below, affirmed our view that the framework is among the most transparent regimes and on a par with 'best in class' globally. For gas distribution networks, the decision to accelerate cost recovery of new investments reduced stranded asset risk arising from uncertainty of the future of gas. However, social risks have become evident in Ofgem's RIIO-2 and RIIO-3 determinations with the regulator enacting measures to limit the rewards (and penalties) for operating and financial performance deviation from regulatory assumptions.

Changed approach to setting the cost of debt allowance will boost cash flows in RIIO-GD3

Allowed cash returns increased in RIIO-GD2 compared with RIIO-GD1, because of the move to a structurally lower measure of inflation (the consumer prices index adjusted for housing costs, or CPIH, rather than the retail prices index, or RPI, previously). On average, allowed returns over RIIO-GD2 averaged around 3.3%, including equity returns around 5.1%.

In RIIO-GD3, allowed cash returns will grow further because of Ofgem's decision to move from a real to nominal allowance for the portion of the RAV financed by fixed-rate debt. The change means that around 42% of the allowed return for gas networks will be determined on a nominal basis, including a long-term inflation assumption, which has historically been close to the Bank of England's 2% target. In its final determination for RIIO-GD3, Ofgem calculated a weighted average semi-nominal return of 5.25%, but actual returns will adjust over the period, as elements of the cost of debt and equity calculations are linked to the evolution of specific indices.

The cost of debt is determined with reference to a 14-year trailing average of the iBoxx A/BBB non-financial corporate indices and includes a calibration adjustment of 61 basis points as well as 32 basis points for the cost of borrowing. Furthermore, the risk-free rate, which is included in the cost of equity assumptions is updated each year to reflect the one-months average of 20-year index-linked gilts in October of the preceding year.

Like many of its peers, Scotland GN raised most of its debt on a fixed-rate nominal basis, with around a third of total debt linked to inflation (including through derivatives). This is broadly in line with regulatory assumptions, and Ofgem indicated that it would maintain a real cost of debt allowance for around 30% of debt over RIIO-GD3. Switching to a partial nominal return allowance will increase near-term cash flows but result in lower RAV growth in future. We currently estimate that the change could initially add well over 0.3x to Scotland GN's forecast AICR in RIIO-GD3, albeit reducing slightly over time towards 0.3x, broadly in line with the notional company.

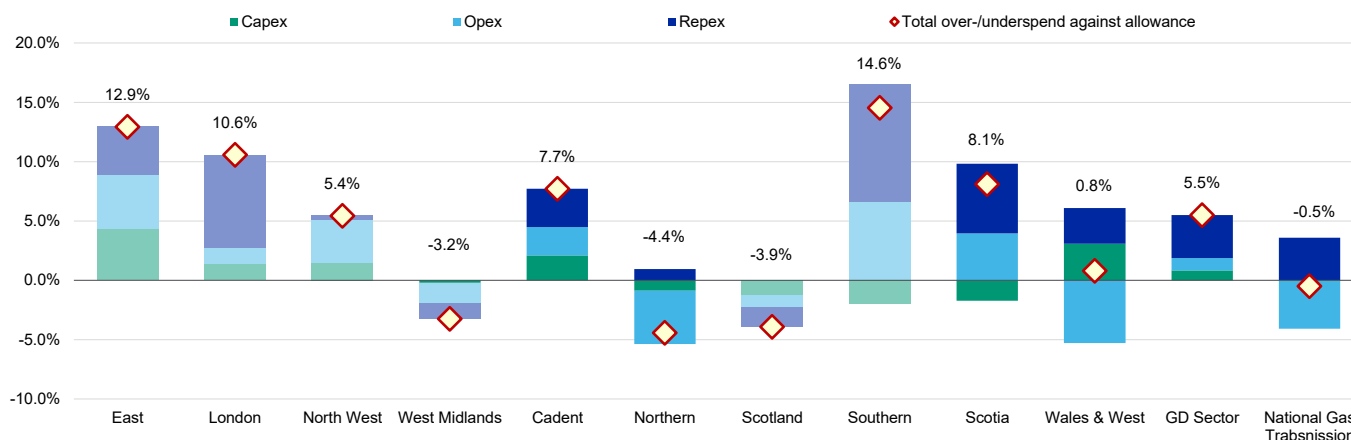
Scotland GN refinanced a significant amount of its debt during FY 2022/23, when interest rates were close to a peak, at around 6.2-6.4% p.a. Around half of the issuance volume was swapped into floating rates and re-fixed in three intervals at February, May and August 2023, resulting in an average fixed rate of 6.15%. The company has also raised in aggregate £121.5 million through private placements since March 2024 and, given higher market rates, the issuance carries relatively high interest cost with a weighted average coupon of around 5.9%. In addition, Scotland GN entered RIIO-GD2 with a higher embedded cost of debt than many of its peers. Despite a higher cost of debt, we believe the company will exhibit relatively healthy interest coverage with the semi-nominal boost to cash flows. We estimate an AICR in the range of 1.8-2.1x over RIIO-GD3, with gearing broadly in the mid-60s in percentage terms, if Scotland GN performs in line with regulatory assumptions.

Solid cost track record, but cost challenges for RIIO-GD3

In RIIO-GD2, Scotland GN has been one of very few gas networks that achieved cost outperformance (at individual network level).

Exhibit 7

Scotland GN expects to underspend RIIO-GD2 allowances by around 4%



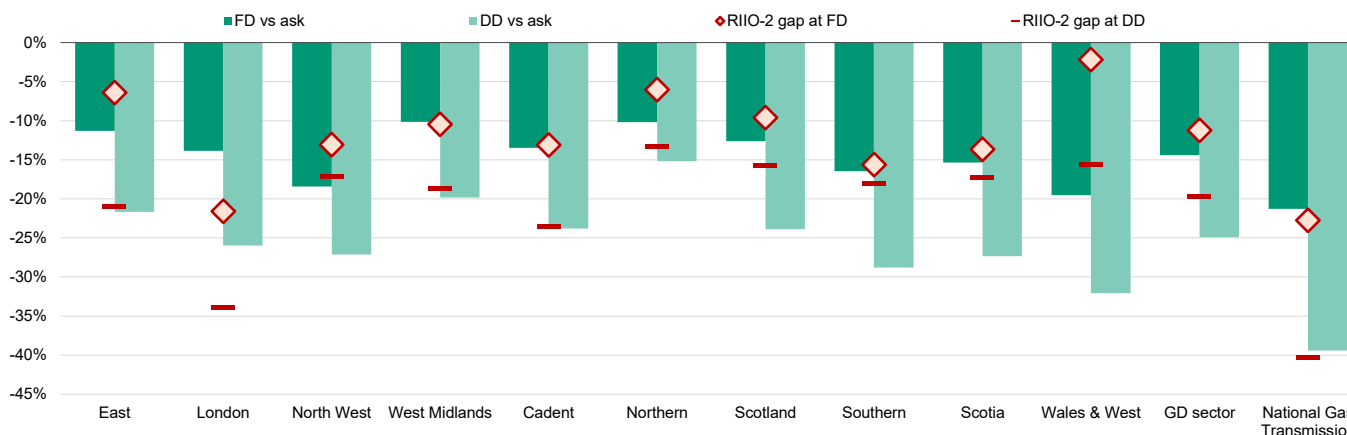
Data for RIIO-GD2 are based on the 4 Dec 2025 BPFM, and may exclude more recent updates.

Source: Ofgem's RIIO-GD3 final determination BPFM

Ofgem's final determination for RIIO-GD3 included a baseline total expenditure (totex) allowance of around £1.2 billion for Scotland GN. The company has been considered closer to the cost benchmark than its sister company, Southern GN, and faced a below average ca. 13% cut to baseline allowances. We estimate that between 3-4% of the overall cost challenge may be related to scope, that is investment that may – in Ofgem's view – not be needed, with the remainder linked to cost efficiencies, including an ongoing frontier shift of 1% per year. The weak cost benchmarking results, in particular for Southern GN, will result in an additional business plan incentive penalty across the two SGN networks, of which Scotland GN carries £5 million in aggregate over the RIIO-GD3 period. This will reduce the annual regulatory return on equity by roughly 11 basis points.

Exhibit 8

The SGN networks face sizable RIIO-GD3 cost challenge Cost gap calculated before adjusting for real price effects



RIIO-3 information presented as solid bars is taken from the final determination documents, which included additional submission amounts of around £433 million in aggregate across the gas distribution networks between draft and final determinations. Updated allowances as at 3 February 2026 would have marginally changed individual network's cost gap, but the updates for Scotland GN and Southern GN were small. RIIO-2 totex gaps were calculated based on respective publications at DD and FD stage.

Source: Ofgem's determination documents and models

As in RIIO-GD2, over RIIO-GD3 totex allowances are subject to annual change due to application of uncertainty mechanisms and indexation adjustments to reflect real price effects. Certain disallowances may therefore be captured through uncertainty mechanisms and allowed in later years, particularly if load-related. As in the current period, Scotland GN will share 50% of any out- or underperformance against totex allowances over RIIO-GD3 with customers with a lag.

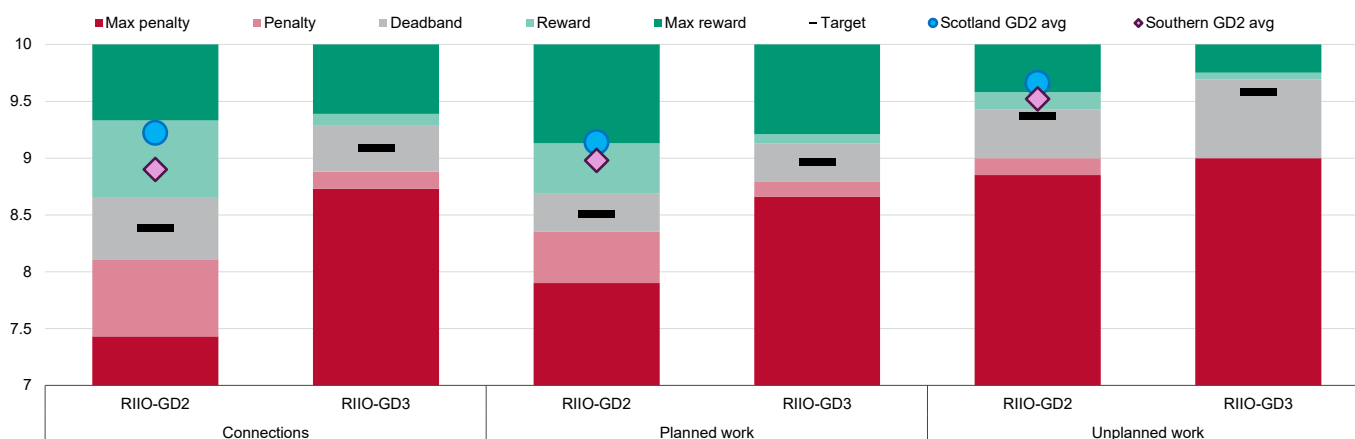
Incentive potential reducing in RIIO-GD3 as targets continue to tighten

Scotland GN performed strongly on outcome delivery incentives with a financial impact (ODI-F) over RIIO-GD2, achieving over £5 million of rewards in aggregate over the period to date. Over £6 million is attributable to customer satisfaction (CSAT), where Scotland GN has been leading the sector. These rewards were offset by penalties on unplanned interruptions during the early part of RIIO-GD2.

However, RIIO-GD3 CSAT target levels will be set at average RIIO-GD2 performance, and therefore require a further step-up in performance to achieve meaningful rewards that boost operational cash flow going forward.

Exhibit 9

Scotland has been leading on customer service in RIIO-GD2, but tighter targets will require step-up to achieve rewards in RIIO-GD3



Source: Ofgem's determination documents and models

RIIO-GD3 will introduce collaborative streetworks as a reward only ODI-F for all GDNs (in RIIO-GD2 it applied only to networks operating in London, including Southern GN) as well as a new penalty only incentive on minimum repair standards. The maximum annual incentive for Scotland GN ranges from a reward of around £5 million to a penalty of £10 million, representing a rise of 54 to a fall of 108 basis points on regulatory return on equity.

Revenue profiling will create lower initial cash flows in RIIO-GD3 to be trued up in later years

After receiving feedback, primarily from supply companies, about the impact of significant increases in the network cost element of non-domestic energy bills in 2026/27, Ofgem proposes to spread the impact of cost increases across the RIIO-GD3 period. This profiling, which is done on a net present value neutral basis, will depress revenue allowances in the early years but boost them towards the end of the period. For the purpose of calculating our key interest cover metrics, we will be reversing the revenue profiling to reflect underlying allowed revenue, so our AICR will be unaffected by the delay in cash flows.

However, the revenue (and resulting cash flow) impact is relatively meaningful in the first year of RIIO-GD3, where Scotland GN's revenue will be almost 4% lower than without the profiling. The average first-year reduction as a percentage of the NPV-neutral RAV is around 77 basis points. This is slightly lower than the benefit that the company receives from the switch to a semi-nominal return. Scotland GN is taking a proportionally larger initial revenue hit than most peers to support its sister company, which has less gearing headroom.

Uncertainty around long-term future of gas networks and potential alternative use options slightly increases business risk for gas networks

On 30 June 2025, the UK government announced an update to the market on the country's gas system.¹ The update sets out a timeline to determine the necessary steps to aid an affordable energy transition as well as define its costs and adequate cost recovery model. While this may provide clarity on the future use of gas networks over time, it could also completely overhaul the current model of remuneration. Following the government's announcement, Ofgem introduced some acceleration of cash flows, particularly for gas distributions networks in its RIIO-GD3 final determinations. However, the regulator fell short of mandating full depreciation of the regulated assets by 2050, the government's current target date for net zero. This reflects that the overall trajectory of the energy transition will be defined through government policy and the regulator will await key decisions before taking further steps.

While key steps toward an orderly transition have not yet been defined, and delays remain possible, we believe that the transition away from natural gas will ultimately happen. Gas distribution networks are more exposed to domestic household heating than gas transmission. Industrial use of hydrogen may become prevalent, but a smaller portion of distribution networks compared with transmission may be repurposed or required in future.

Reflecting ongoing uncertainties and the potential risk associated with future policy decisions and affordability constraints, we believe that GB gas networks will have to exhibit a stronger financial profile to maintain existing credit quality.

Scotia Gas Networks' involvement with hydrogen

Scotia Gas Networks' flagship study is the H100 Fife project on the east coast of Scotland to demonstrate end-to-end-heating of homes with 100% renewable hydrogen. In the project's first phase, the network is expected to heat around 300 local homes using clean hydrogen produced by a dedicated electrolysis plant, powered by a nearby offshore wind turbine. The project received £28 million of funding from Ofgem in RIIO-GD2, with a further £40 million provided by shareholders. Additional £44 million will be funded through network tariffs in early RIIO-GD3, including £18 million from GDNs outside of the SGN group.

ESG considerations

Scotland Gas Networks plc's ESG credit impact score is CIS-3

Exhibit 10

ESG credit impact score

CIS-3

Score



ESG considerations have a limited impact on the current rating, with potential for greater negative impact over time.

Source: Moody's Ratings

Scotland GN's **CIS-3** indicates that ESG considerations have a limited impact on the current credit quality with potential for greater negative impact over time. This is largely driven by high environmental risk linked to carbon transition, albeit partly mitigated by our expectation of some regulatory support, as demonstrated by a faster recovery of gas investments than of electricity investments, and the potential for usage of the natural gas network to transport hydrogen, to the extent this becomes significant in the United Kingdom.

Exhibit 11

ESG issuer profile scores



Source: Moody's Ratings

Environmental

Scotland GN's **E-4** score reflects its exposure to carbon transition risk, with a stated government policy to achieve net zero by 2050, although the time line may shift. Domestic gas connections for newly build houses were scheduled to cease from 2025, but this target was never enacted into law and has been missed. The UK government set out an ambition that no new gas boilers will be sold by 2035, but this target will likely also be softened. Despite potential delays to the energy transition, we expect overall natural gas demand to continue falling, reducing demand for Scotland GN's core service. The network may be repurposed for alternative low carbon gases including hydrogen. Over the current and next regulatory periods, Scotia Gas Networks, along with sector peers, is utilising regulatory

allowances to undertake studies exploring the ability of the gas distribution networks to transport hydrogen and a government decision on the potential use of hydrogen for home heating is expected during 2026.

Social

Scotland GN's **S-3** score reflects the risk, common to all regulated utilities, that public concern over environmental, social or affordability issues could lead to adverse regulatory or political intervention. These risks are slightly higher for gas networks than electricity networks due to the UK's ambitious decarbonisation objectives. Scotland GN also carries moderate risk exposure associated with public safety, as a gas leak or explosion, although unlikely, could have a significant negative impact on the company's reputation.

Governance

Scotland GN's **G-3** score reflects a financial strategy where the company's leverage remains above regulatory assumptions (60%), with net debt to regulatory asset value (RAV) expected to remain within the mid- to high-60s in percentage terms over RIIO-GD3. We also consider additional debt (equivalent to around 5-6% of the combined RAV of Scotland GN and Southern GN) at Scotland GN's immediate holding company, SGN MidCo, which relies on distributions from Scotland GN and Southern GN to service this debt. Scotland GN is ultimately owned by Scotia Gas Networks Limited which, in turn is owned by a consortium of three North American institutional investors each owning a minority stake.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis

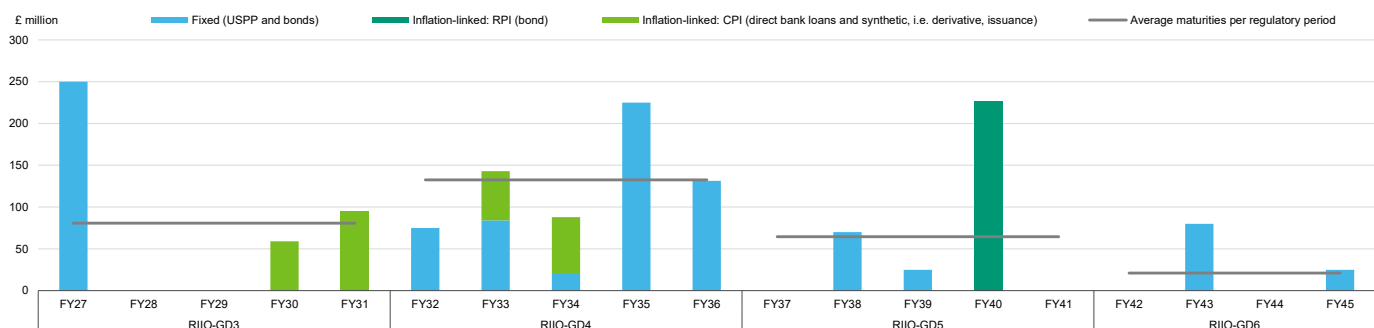
Liquidity is managed centrally for Scotland and Southern GN, with Southern GN acting as the cash pooling agent for the wider group.

We view liquidity as solid over the next 12-18 months, reflecting (1) the stable and predictable cash flow generated by regulated gas distribution activities that allow funding of the bulk of capex and repex requirements; and (2) access to an undrawn £600 million revolving credit facility, which is shared between Southern GN (£450 million) and Scotland GN (£150 million) and does not mature until March 2028 (with a one-year extension options).

As at September 2025, Scotland GN held cash of £10 million, but had also borrowed £57 million from Southern GN under the cash-pooling arrangement (an additional £52 million of trade balances were also outstanding with group companies). The next major maturity is a £250 million bond in March 2027. In October 2025, Scotland GN issued a total of CHF55m in 1.91% fixed rate private placement notes due 2035, for which the drawings occurred in October 2025. These were swapped into £51.5m sterling with a fixed rate of 5.997%. We expect further issuance in the near-term to prefinance the March 2027 bond maturity, but there also remains sufficient available liquidity within Southern GN to onlend funds to Scotland GN to facilitate repayment.

Exhibit 12

External debt maturity profile by regulatory period including recent refinancing activity As of March 2025 (includes accretion on CPI-linked swaps and bank loans)



Assumes subsequent regulatory periods are five years. Values for inflation-linked instruments are the accreted amounts as of March 2025. CPI-linked instruments comprise original notional of (1) £100 million of CPI-linked loans (two £50 million tranches with a 7- and 10-year tenor that were drawn down in October 2022); and (2) £130 million of CPI-linked swaps that were overlaid to existing fixed rate USPP notes. Includes CHF55 million private placement (swapped to £51.5 million) October 2025.

Source: Company information and Moody's Ratings

Structural considerations

Our assessment of Scotland GN factors in the weaker credit quality of the SGN MidCo group that it belongs to. The weaker credit profile of the SGN MidCo group is primarily the result of the additional leverage at SGN MidCo Limited, amounting to around £479 million at March 2025 or around 6% of the combined RAV of Scotia Gas Networks. We expect the consolidated SGN Midco group to exhibit consolidated net debt to RAV around the low- to mid-70s in percentage terms over RIIO-GD3 (although SGN MidCo's financing structure allows gearing of up to 85% before a distribution block would be triggered), compared with operating company gearing in the mid- to high-60s in percentage terms.

The weaker credit quality of SGN MidCo acts as a constraint on Scotland GN's rating. However, the operating company benefits from regulatory ring-fencing provisions, which partly insulate it from the credit quality of SGN MidCo (described in Appendix B, Considerations for ratings within a corporate family, of the Regulated Electric and Gas Networks rating methodology). While licence provisions, including a new distribution block if gearing exceeds 75%, do not provide sufficient credit insulation at the current rating level to fully de-link Scotland GN's credit profile from our assessment of the credit quality of the consolidated SGN MidCo group, they support the current Baa1 ratings.

We also consider that the covenant package in the SGN MidCo financing structure insulates the operating companies from shareholder loans at the ultimate holding company, Scotia Gas Networks. As a result, the debt at Scotia Gas Networks does not constrain the credit quality of the operating companies.

Methodology and scorecard

Our assessment of Scotland GN's credit quality is based on the rating methodology for Regulated Electric and Gas Networks. The scorecard-indicated outcome for historical metrics is Baa1, in line with the Baa1 assigned rating. Forward-looking RIIO-GD3 metrics are boosted by semi-nominal returns, but overall credit quality remains constrained by additional debt at SGN MidCo.

Exhibit 13

Rating factors

Scotland Gas Networks plc

Regulated Electric and Gas Networks Industry			Current FY 3/31/2025		Moody's RIIO-GD3 Forward View As of Feb 2026	
Factor 1 : Regulatory Environment and Asset Ownership Model (40%)			Measure	Score	Measure	Score
a) Stability and Predictability of Regulatory Regime			Aaa	Aaa	Aaa	Aaa
b) Asset Ownership Model			Aa	Aa	Aa	Aa
c) Cost and Investment Recovery (Ability and Timeliness)			A	A	A	A
d) Revenue Risk			Aa	Aa	Aa	Aa
Factor 2 : Scale and Complexity of Capital Program (10%)						
a) Scale and Complexity of Capital Program			A	A	A	A
Factor 3 : Financial Policy (10%)						
a) Financial Policy			Ba	Ba	Ba	Ba
Factor 4 : Leverage and Coverage (40%)						
a) Adjusted Interest Coverage Ratio (3 Year Avg)			1.6x	Baa	1.8x - 2.1x	Baa
b) Net Debt / RAB (3 Year Avg)			61.6%	Baa	63% - 67%	Baa
c) FFO / Net Debt (3 Year Avg)			10.3%	Ba	10% - 15%	Baa
d) RCF / Net Debt (3 Year Avg)			8.5%	Baa	7% - 8%	Baa
Rating:						
Scorecard-Indicated Rating from Grid Factors 1-4				Baa1		A3
Rating Lift				0.5		0.5
a) Scorecard-Indicated Outcome				Baa1		A3
b) Actual Rating Assigned						Baa1

All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations, as of 31 March 2025. Moody's forward view represents our forecast, not the view of the issuer, and unless noted in the text, does not incorporate significant acquisitions and divestitures.

Source: Moody's Financial Metrics™ and Moody's Ratings forecasts

Ratings

Exhibit 14

Category	Moody's Rating
SCOTLAND GAS NETWORKS PLC	
Outlook	Stable
Issuer Rating -Dom Curr	Baa1
Senior Unsecured -Dom Curr	Baa1
Underlying Senior Unsecured -Dom Curr	Baa1

Source: Moody's Ratings

Appendix

Exhibit 15

Peer Comparison

Scotland Gas Networks plc

	Scotland Gas Networks plc Baa1 Stable			Southern Gas Networks plc Baa1 Stable			Cadent Gas Limited Baa1 Stable			Northern Gas Networks Limited Baa1 Stable		
	FYE	FYE	FYE	FYE	FYE	FYE	FYE	FYE	FYE	FYE	FYE	FYE
(in GBP million)	Mar-23	Mar-24	Mar-25	Mar-23	Mar-24	Mar-25	Mar-23	Mar-24	Mar-25	Mar-23	Mar-24	Mar-25
Revenue	407	434	386	799	901	799	2,340	2,277	2,172	504	538	524
EBITDA	243	246	169	466	536	392	1,408	1,460	1,254	359	355	324
Total Debt	1,438	1,389	1,436	3,322	3,231	3,766	8,014	8,473	8,452	1,836	1,874	1,953
Net Debt	1,438	1,389	1,436	3,114	3,221	3,422	7,487	7,884	8,435	1,825	1,835	1,943
Adjusted Interest Coverage Ratio	2.6x	2.0x	0.4x	2.0x	2.1x	0.8x	3.2x	2.8x	1.5x	3.8x	3.3x	2.2x
Net Debt / Regulated Asset Base	65.5%	60.6%	59.2%	64.4%	64.5%	65.0%	61.4%	62.3%	63.4%	64.7%	62.3%	62.8%
FFO / Net Debt	12.1%	12.1%	6.7%	10.7%	11.4%	6.9%	13.8%	13.0%	9.6%	13.1%	13.4%	11.2%
RCF / Net Debt	10.5%	9.8%	5.3%	9.2%	10.6%	6.9%	9.1%	9.1%	4.7%	8.2%	7.9%	6.1%

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology.

Source: Moody's Financial Metrics™

Exhibit 16

Moody's-adjusted net debt reconciliation

Scotland Gas Networks plc

	FYE	FYE	FYE	FYE	FYE
(in GBP million)	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
As Reported Total Debt	1,354		1,430	1,381	1,428
Leases	8	6	8	8	8
Moody's Adjusted Total Debt	1,362	1,384	1,438	1,389	1,436
Cash & Cash Equivalents	0	0	0	0	0
Moody's Adjusted Net Debt	1,362	1,384	1,438	1,389	1,436

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology.

Source: Moody's Financial Metrics™

Exhibit 17

Moody's-adjusted funds from operations reconciliation

Scotland Gas Networks plc

	FYE	FYE	FYE	FYE	FYE
(in GBP million)	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
As Reported Funds from Operations (FFO)	161		168	171	89
Pensions	2	1	0	0	0
Leases	2	1	2	2	2
Alignment FFO	(9)	(19)	(56)	(25)	(12)
Unusual Items - Cash Flow	(9)	0	0	0	0
Non-Standard Public Adjustments	4	24	61	21	17
Moody's Adjusted Funds from Operations (FFO)	151	123	175	169	96

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. Non-standard adjustments largely add back indexation associated with inflation-linked debt and derivatives.

Source: Moody's Financial Metrics™

Exhibit 18

Moody's regulatory capital charges
Scotland Gas Networks plc

	FYE	FYE	FYE	FYE	FYE
(in GBP million)	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
Regulatory Depreciation	119.6	100.0	111.2	120.1	127.6
Excess Fast/(Slow) Money	3.0	(8.0)	(5.9)	0.3	(4.5)
Operating Leases	1.8	0.8	1.6	1.6	1.6
Moody's Regulatory Capital Charges	124.4	92.8	106.9	121.9	124.6

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology.

Source: Moody's Financial Metrics™

Exhibit 19

Overview on selected historical Moody's-adjusted financial data
Scotland Gas Networks plc

	FYE	FYE	FYE	FYE	FYE
(in GBP million)	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
INCOME STATEMENT					
Revenue	384	339	407	434	386
EBITDA	226	178	243	246	169
EBITDA margin %	58.9%	52.5%	59.7%	56.7%	43.8%
EBIT	163	111	174	174	93
EBIT margin %	42.5%	32.8%	42.9%	40.2%	24.2%
Interest Expense	47	76	103	69	64
Net income	94	(45)	53	78	21
BALANCE SHEET					
Total Debt	1,362	1,384	1,438	1,389	1,436
Cash & Cash Equivalents	0	0	0	0	0
Net Debt	1,362	1,384	1,438	1,389	1,436
Net Property Plant and Equipment	2,127	2,165	2,232	2,313	2,406
Total Assets	2,428	2,483	2,568	2,569	2,646
CASH FLOW					
Funds from Operations (FFO)	151	123	175	169	96
Cash Flow From Operations (CFO)	178	171	147	224	140
Dividends	75	51	23	33	20
Retained Cash Flow (RCF)	76	72	152	136	76
Capital Expenditures	(95)	(93)	(117)	(150)	(158)
Free Cash Flow (FCF)	8	27	7	41	(38)
INTEREST COVERAGE					
Adjusted Interest Coverage Ratio	1.6x	1.7x	2.6x	2.0x	0.4x
LEVERAGE					
FFO / Net Debt	11.1%	8.9%	12.1%	12.1%	6.7%
RCF / Net Debt	5.6%	5.2%	10.5%	9.8%	5.3%
FCF / Net Debt	0.6%	2.0%	0.5%	3.0%	-2.6%
Debt / EBITDA	6.0x	7.8x	5.9x	5.6x	8.5x
Net Debt / EBITDA	6.0x	7.8x	5.9x	5.6x	8.5x
Net Debt / Regulated Asset Base	73.2%	68.8%	65.5%	60.6%	59.2%

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology.

Source: Moody's Financial Metrics™

Endnotes

- 1 ["Policy paper: Midstream gas system: update to the market"](#), 30 June 2025, Department for Energy Security and Net Zero

© 2026 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED OR OTHERWISE MADE AVAILABLE BY MOODY'S (COLLECTIVELY, "MATERIALS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S MATERIALS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S MATERIALS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT CONSTITUTE OR PROVIDE LEGAL, COMPLIANCE, INVESTMENT, FINANCIAL OR OTHER PROFESSIONAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES OR OTHERWISE MAKES AVAILABLE ITS MATERIALS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND MATERIALS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR MATERIALS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. FOR CLARITY, NO INFORMATION CONTAINED HEREIN MAY BE USED TO DEVELOP, IMPROVE, TRAIN OR RETRAIN ANY SOFTWARE PROGRAM OR DATABASE, INCLUDING, BUT NOT LIMITED TO, FOR ANY ARTIFICIAL INTELLIGENCE, MACHINE LEARNING OR NATURAL LANGUAGE PROCESSING SOFTWARE, ALGORITHM, METHODOLOGY AND/OR MODEL.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating or assessment is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the credit rating or assessment process or in preparing its Materials.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating or assessment assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it. MCO and all MCO entities that issue ratings under the "Moody's Ratings" brand name ("Moody's Ratings"), also maintain policies and procedures to address the independence of Moody's Ratings' credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at ir.moody.com under the heading "Investor Relations — Corporate Governance — Charter and Governance Documents - Director and Shareholder Affiliation Policy."

Moody's SF Japan K.K., Moody's Local AR Agente de Calificación de Riesgo S.A., Moody's Local BR Agência de Classificação de Risco LTDA, Moody's Local MX S.A. de C.V., I.C.V., Moody's Local PE Clasificadora de Riesgo S.A., Moody's Local PA Clasificadora de Riesgo S.A., Moody's Local CR Clasificadora de Riesgo S.A., Moody's Local ES S.A. de CV Clasificadora de Riesgo, Moody's Local RD Sociedad Clasificadora de Riesgo S.R.L. and Moody's Local GT S.A. (collectively, the "Moody's Non-NRSRO CRAs") are all indirectly wholly-owned credit rating agency subsidiaries of MCO. None of the Moody's Non-NRSRO CRAs is a Nationally Recognized Statistical Rating Organization.

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for India only: Moody's credit ratings, Assessments, other opinions and Materials are not intended to be and shall not be relied upon or used by any users located in India in relation to securities listed or proposed to be listed on Indian stock exchanges.

Additional terms with respect to Second Party Opinions and Net Zero Assessments (as defined in Moody's Ratings Rating Symbols and Definitions): Please note that neither a Second Party Opinion ("SPO") nor a Net Zero Assessment ("NZA") is a "credit rating". The issuance of SPOs and NZAs is not a regulated activity in many jurisdictions, including Singapore.

EU: In the European Union, each of Moody's Deutschland GmbH and Moody's France SAS provide services as an external reviewer in accordance with the applicable requirements of the EU Green Bond Regulation. JAPAN: In Japan, development and provision of SPOs and NZAs fall under the category of "Ancillary Businesses", not "Credit Rating Business", and are not subject to the regulations applicable to "Credit Rating Business" under the Financial Instruments and Exchange Act of Japan and its relevant regulation. PRC: Any SPO: (1) does not constitute a PRC Green Bond Assessment as defined under any relevant PRC laws or regulations; (2) cannot be included in any registration statement, offering circular, prospectus or any other documents submitted to the PRC regulatory authorities or otherwise used to satisfy any PRC regulatory disclosure requirement; and (3) cannot be used

within the PRC for any regulatory purpose or for any other purpose which is not permitted under relevant PRC laws or regulations. For the purposes of this disclaimer, "PRC" refers to the mainland of the People's Republic of China, excluding Hong Kong, Macau and Taiwan.

REPORT NUMBER 1470897