



SCOTTISHPOWER

ScottishPower  
Corporate Social Responsibility  
Annual Review

2010

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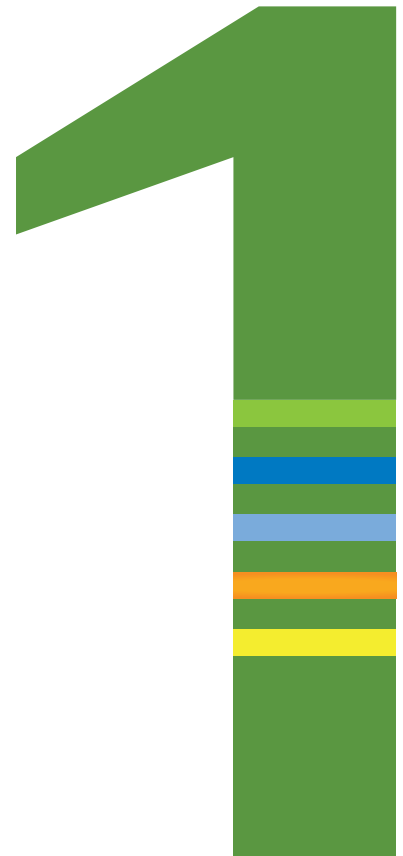
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# introduction



# welcome

## Welcome to ScottishPower's Corporate Social Responsibility Annual Review for 2010

This year, we have achieved an A+ application level rating against the Global Reporting Initiative Reporting Guidelines (third version), endorsed by independent assurance company **Two Tomorrows**.



Despite continuing challenges in our sector's operating environment and the economy generally, ScottishPower made good progress in furthering the aims of environmental and social sustainability during the year.

Climate change and reducing CO<sub>2</sub> emissions will, for the foreseeable future, continue to be the predominant sustainability issue affecting our business and our sector, internationally and in the UK. Funding and delivering the transition to a low carbon economy cannot be borne by energy companies alone – it will require contributions from Government and customers, with safeguards in place to ensure that achieving environmental sustainability does not result in the social exclusion of vulnerable customers.

During 2010 the UK Government began taking steps to stimulate investment in low carbon technologies through its Electricity Market Reform and proposals for a Green Investment Bank, and detailed how its new Green Deal will help customers to use energy more efficiently.

These new policy developments will help to support our strategic aim, which in the short to medium term, is to lead technological change by investing in mature technologies and promoting innovation. In the longer term, our strategic focus is to deliver low carbon investments in nuclear, onshore and offshore wind and marine energy.

It is our intention also to play a leading role in the delivery of investments in electricity transmission and distribution systems, including the renewal of ageing assets, the strengthening of our networks and the development of localised Smart Grids, while supporting customers through the roll-out of smart meters, energy efficiency and services to support the increasing use of electric vehicles.

During 2010 we continued to invest in de-carbonising our generation portfolio by progressing plans for efficient CCGT power stations and investigating clean coal technologies. Alongside significant investments in wind and marine energy by ScottishPower Renewables

and the IBERDROLA Group's participation in a UK consortium to build new nuclear generation, this will diversify and strengthen our portfolio and reduce the carbon impact of the electricity we generate.

During the year we continued to invest in networks infrastructure, to support the connection of renewable energy sources, such as windfarms, and embarked on innovative projects, such as Smart Grids that will support the expansion of low carbon energy sources.

Throughout 2010, ScottishPower continued to be one of the UK's largest suppliers of green energy to the public and business sectors. In addition, we launched our innovative, award winning Unifi energy monitor, to support and influence changes to the way our customers use energy in the home, and became a partner in a project to facilitate the widespread use of electric vehicles across central Scotland.

The period between now and 2020 will be one of major transition for our industry. We must reduce CO<sub>2</sub> emissions, while demand for electricity continues to grow, although at a slower rate than in the previous decade.

ScottishPower, as part of the international IBERDROLA Group, is well placed to invest in transforming the way we generate and transport electricity and to innovate in the service we provide to our customers – and as a Group we will continue to promote the exchange of best practice.

During 2010 we achieved many milestones, in terms of business performance – and the benefits we delivered to customers, communities and local economies.

Our procurement spend in 2010 exceeded £6 billion, helping to support our local economies. During the year we invested £60 million in customer energy efficiency and fuel poverty programmes, including £1.7 million in grants to 29 charities from our ScottishPower Energy People Trust, which helped 637,883 households out of fuel poverty.

During 2010 we also invested £98 million in environmental initiatives and £3.4 million in community programmes, including almost £1 million on education and training projects for young people.

But our CSR activities are not only about money. Nearly 200 employees volunteered their time and energy during the year to participate in community projects, ranging from encouraging science, technology and

mathematics in schools, to carrying out landscaping projects in the heart of our communities.

These achievements are outlined throughout the CSR Annual Review, which provides details of our social and environmental programmes and performance during 2010. A number of specific programmes and projects are featured in more detail on our innovative CSR TV station.

As in previous years, we would welcome your feedback on our 2010 CSR Annual Review.



**Keith Anderson**

Chief Corporate Officer, ScottishPower

## About this report

Our CSR Annual Review outlines our approach and reports on our performance against key environmental, social and economic indicators from January to December 2010, unless otherwise stated. We report on CSR annually – our last report was published in July 2010.

The Review covers the activities of Scottish Power Limited (ScottishPower) in the UK, but excludes ScottishPower Renewables and other IBERDROLA Group activities in the UK.

We have continued to align our reporting to the Global Reporting Initiative (GRI3) framework in line with the IBERDROLA Group. In addition, we have continued to report on issues not covered by the GRI framework where our stakeholders have indicated that this is important to them.

We have sought to provide a comprehensive, accurate and transparent account of our approach to key issues, our performance over the period and to present this information within the context of current legislative, regulatory and market influences.

Where we have not reported against a GRI indicator, this is generally explained within the appropriate section of the Review – for example, the use of child or forced labour is prohibited by EU law.

This year we have presented the information in core sections, as follows:

- **Economic**
- **Environment**
- **Social**

### Materiality

We continue to focus our reporting on the issues that our stakeholders consider to be the most important, as well as key issues of national and international policy development and concern.

The drivers for determining our most material issues are:

- **Areas of significant public policy development**, particularly those that have resulted in new legislation, regulations or guidelines and those that our senior management team have discussed with Government representatives, external experts and opinion formers

- **Topics that have played a prominent part in stakeholder dialogue during the year.**

These are fed in to our CSR Steering Group by business representatives from their on-going stakeholder communications and via the Environment Forum. In addition, we assess feedback from our annual CSR stakeholder sessions in Glasgow and Chester

- **We also assess public opinion** by analysing media coverage and commentary

From an environmental perspective, the most material issues continued to be climate change and carbon reduction, emissions to air and biodiversity conservation.

In the UK during 2010, the key social issues continued to be rising energy prices and fuel poverty, as highlighted by Government, NGOs, consumer groups and charities, customers and the media.

As a result, we have given prominence to these issues in the Review and sought to clearly explain our position regarding these issues, as well as initiatives undertaken during 2010 and a summary of our performance.

With a major programme of investment planned in upgrading the UK's electricity infrastructure, energy companies' approach to development and their commercial strategies in terms of the types of projects they choose, have grown in prominence as material stakeholder issues. Forecasts show that public demand for energy will continue to grow, however, there is a degree of public opposition to almost every kind of electricity infrastructure development.

Wherever possible, we have compiled the data in this CSR Annual Review to provide a like for like comparison on previous year's reports. In some instances, where we have introduced new systems, for example in employee training and development, it has not been possible to provide a direct comparison for some data.

## Our year in summary - Highlights

### January to March

The year began with the long-awaited decision by the Scottish Government to grant approval for a project to upgrade the high voltage transmission line between Beauly, near Inverness and Denny, near Falkirk.

The majority of the 220km line is in Scottish & Southern Energy's network, with just the last 20km of line falling within ScottishPower's territory. This essential infrastructure development will be crucial to the development of Scotland's renewable energy resources.

Also in January, we announced plans to revolutionise the electricity network by developing a significant Smart Grid in Glasgow, with the aim of improving the reliability and quality of electricity supplies and making the network flexible enough to support significant deployment of small scale renewable energy sources.

The IBERDROLA Foundation launched its new Masters and PhD scholarship programme, to award scholarships to support up to 40 individuals in the study of energy and environment related courses in Spain and the UK.

We continued our sponsorship of Celtic Connections, a major traditional music festival involving 1,500 musicians and singers from all over the world.

**In February**, Tongland Power Station, part of our Galloway Hydro-electric Scheme celebrated its 75th anniversary and re-opened its newly refurbished Visitor Centre to local school children.

Also in February, we launched a new green energy tariff, Simply Green Energy, which meets Ofgem's green supply guidelines. The tariff matches customers' energy use with a supply of renewable wind energy into the grid – and customers donate to the ScottishPower Green Energy Trust, which supports small-scale renewable energy projects at community level.

**In March** we announced average gas price cuts of 8% for around 1.6 million customers, along with a new £50 winter rebate for vulnerable customers with electric heating.

In addition, the ScottishPower Energy People Trust supported the launch of a home energy advice team in Glasgow, alongside Glasgow City Council and the city's Fuel Poverty Partnership, G-Heat.

### April to June

**In April** we launched our popular schools competition, the ScottishPower Story Swap Shop – a joint venture with the Edinburgh Book Festival and Friends of the Earth Scotland that encourages children to read, recycle their books and raise money for environmental projects.

**In May** we announced our on-going commitment as lead sponsor of the Celtic Connections music festival for a further year. We also launched a partnership with The Duke of Edinburgh's Award and Glasgow City Council, to give more young people the opportunity to take part in the Duke of Edinburgh's Award scheme.

As part of the programme, young people taking part in the scheme will benefit from additional learning opportunities at our technical training centre in Cumbernauld.

**In June**, Iberdrola Engineering and Construction established a new UK base in Glasgow and 96 employees from our Energy Networks business transferred to the new organisation, which is based in Bellshill, Lanarkshire.

Also in June we learned that we had retained Platinum status in Business in the Community's Corporate Responsibility index for the fourth consecutive year.

### July to September

**In July** we hosted a visit by Secretary of State for Scotland, Michael Moore, to Longannet Power Station, where he also paid a visit to ScotAsh, our ash recycling joint venture with Lafarge Cement.

**In September** we announced an Academic Alliance to support the research capacity of academics at University of Edinburgh and Imperial College, London.

### October to December

**In October** IBERDROLA held its first global international employee volunteering day, which was supported by more than 300 staff across the group. Staff in the UK worked on an environmental project at the RSPB's reserve at Lochwinnoch, helped a homeless people's charity in Inverclyde and collected cash for the Poppy Appeal.

**In November** we joined forces with the University of Strathclyde to fund a Chair in Smart Grid technology, to support high quality academic research and development that will lead to the practical application of new technologies.

**In December**, a consortium led by Transport Scotland, and of which ScottishPower is a member, was awarded funding of nearly £3m to create a corridor of electric vehicle charging points across central Scotland. The money will fund up to 375 charging points and support the rollout of electric vehicles.

## Performance highlights

### Social

- Community investment of £3.4 million
- Nearly £1m spent on education and training projects for young people
- Almost 200 employees involved in volunteering projects in 2010 – from encouraging Science, Technology and Mathematics in schools (STEM Ambassadors) to lending senior management expertise to the boards of charities and improving school playgrounds and community spaces
- ScottishPower Energy People Trust donated nearly £1.7m to 29 projects run by not-for-profit organisations to help people suffering from fuel poverty. 637,883 households were helped in 2010. Over £8m has been awarded to 160 fuel poverty projects since the Trust was formed in 2005, helping nearly 1.5 million people throughout Britain
- We launched a brilliant new energy monitor, Unifi, which helps customers track energy use in pounds and pence and can be used to switch appliances on and off remotely using an iPhone
- Our 13 Community Liaison Officers carried out 10,600 home visits in 2010, many of them to vulnerable customers
- We came top in the UK National Customer Satisfaction Index of energy utilities during 2010, with a 10% improvement in our score

### Environmental

- £60 million spent on energy efficiency and fuel poverty projects in 2010 (mandatory Government programmes)
- Supplying Scotland's biggest green energy contract to Procurement Scotland, which means that every school, hospital and public building from the Scottish Parliament to Edinburgh Castle is using our renewable energy
- We invested £98 million in environmental initiatives in 2010, including energy efficiency and clean coal projects
- We continued to sponsor full-time countryside rangers at five of our sites in 2010, managing our land in the interests of biodiversity
- We became the first UK energy supplier to achieve the Carbon Trust Standard for commitment to reducing our carbon emissions

### Economic

- Procurement spend in 2010 exceeded £6 billion – a high proportion of this went on Scottish coal and biomass fuels injecting money into the Scottish economy
- Capital investment for 2010 was £585m. £395m was for new grid connections and power projects, supporting engineering and construction jobs
- We retained platinum status in BITC's corporate responsibility index

## About us

Scottish Power Limited (ScottishPower) is part of the IBERDROLA Group of Spain, one of the world's largest electricity utilities by market capitalisation. The Group employs more than 33,000 people in 40 countries worldwide, with operations concentrated in the Atlantic region, including the Iberian Peninsula, the UK, the United States and Latin America.

IBERDROLA is the world leader in renewable energy, but in 2007, ScottishPower Renewables became part of IBERDROLA Renovables and while it remains a sister company to Scottish Power Ltd, as we are both part of the IBERDROLA Group, it is a separate legal entity.

During 2010 ScottishPower had three main business divisions:

### Energy Wholesale

– operates a diverse generation fleet with a capacity of 6,000 MW, plus gas storage, and trades energy commodities and carbon

### Energy Networks

– owns and operates our electricity transmission and distribution networks in south and central Scotland, Merseyside, Cheshire and North Wales

### Energy Retail

– supplies customer services to 5.2 million electricity and gas customers across the UK

We also continued to operate several joint ventures and subsidiaries. These include SWM Ltd, a wholly owned subsidiary of our Energy Wholesale business that operates a sludge drying facility near Glasgow and ScotAsh Ltd, a 50:50 joint venture with Lafarge Cement UK, which processes power station ash into products for the construction industry.

ScottishPower's headquarters continues to be located at: 1 Atlantic Quay, Glasgow, G2 8SP.

## Key statistics

**At the end of December 2010  
our key statistics were:**

- 8,039 employees
- 5,234,309 electricity and gas customers
- 3.48 million electricity connections
- 6,139 MW of generation capacity
- 117,223 km of underground cables and overhead lines
- Turnover of £7,134 million
- Net profit of £527 million
- Procurement spend of £5,511 million
- Community investment of £3.4 million



# Stakeholder engagement

Communicating with stakeholders and understanding their opinions enables companies to develop better-informed policies and strategies that are more likely to be successful.

We engage with our many stakeholder groups regularly, to build and maintain positive relationships and listen to their opinions on our business.

Stakeholder analysis and mapping is undertaken as part of the communication planning processes at corporate, business and site levels and stakeholder management plans are developed in connection with specific projects.

ScottishPower is represented on IBERDROLA Group's Reputation Committee, which provides a forum for discussion on stakeholder engagement and the key issues emerging at Group and geographic levels.

Our CSR Steering Committee fulfils a similar function in the UK.

## Customers

We continue to carry out regular Voice of the Customer surveys to gather feedback on the customer experience and focus our efforts on addressing any issues raised.

During the year our Energy Networks business moved from quantitative research to qualitative customer journey mapping among customers who had experienced loss of supply and those enquiring about new connections. Feedback will be used to change practices and improve the customer experience.

We also engage regularly with our regulator, Ofgem and Consumer Direct.

## Environment

Our Environmental Forum challenges and informs our environmental policies and actions. The Forum meets at least twice a year and includes academics, policy experts and representatives from environmental organisations. We engage with many environmental stakeholders on a daily basis. Some examples can be seen in the Biodiversity section of this report, under Environment. Examples include the Environment Agency and the Scottish Environment Protection Agency and Scottish Natural Heritage, as well as the Royal Society for the Protection of Birds (RSPB) and the Scottish Wildlife Trust.

## Community

We maintain close links with communities at our existing sites and conduct significant community consultation on any new developments. Examples include community councils and other local groups and charities, which are important to our local communities.

## Employees

We gather employee feedback throughout the year through formal and informal channels and use the results to improve the employment experience. We also engage with trade unions formally, through the Company Consultative Council and informally.

## Government

We continue to engage with the UK and devolved Governments and their agencies on all aspects of energy policy and other industry issues. We also engage with MPs and MSPs who represent areas where we have operations. We make representation to public powers through meetings and responses to government and regulatory consultations to explain ScottishPower's stance and provide the necessary information.

We are also represented through the following organisations: Energy UK (formerly the Energy Retail Association); Energy Networks Association (ENA); Association of Electricity Producers (AEP); United Kingdom Business Council of Sustainable Energy (UKBCSE), the UK Business Council Sustainable Development and the Scottish Council for Development and Industry (SCDI).

## Regulators

We maintain regular dialogue with our industry regulators including Ofgem, the Environment Agency and Scottish Environmental Protection Agency (SEPA).

## NGOs/Special interest groups

We consult extensively with a variety of Non Governmental Organisations and where appropriate work closely with them on developing our projects. Examples include the RSPB, the Scottish Wildlife Trust and the Galloway and Ayrshire Fisheries Trusts, as well as charitable organisations such as Energy Action Scotland, National Energy Action and Citizens Advice.



### Suppliers

We engage in regular feedback sessions with all major suppliers, and maintain close communications both at contract award stage and during contract delivery.

### Stakeholder Sessions

In addition, we run stakeholder sessions annually in Glasgow and Chester that are linked specifically to our reporting of CSR activities. We invite a cross-section of organisations to these sessions, representing social and environmental stakeholders, and invite them to provide us with feedback on our previous year's CSR Annual Review. We also seek feedback on our CSR reporting online, via our website.

We are always prepared to consider the viewpoints of key stakeholders in relation to our reporting to ensure that our CSR Annual Review is fulfilling our stakeholders' needs for information about our business. A summary report from the stakeholder sessions is available here.

### Basis for identification of stakeholder groups

ScottishPower is prepared to engage with any stakeholder on any material issue, from Government and regulators to NGOs and individual customers or householders who have an enquiry or complaint, but in the main we have mature, on-going dialogue with a wide variety of stakeholders from the groups outlined above.

The stakeholders we engage with are too numerous to list in their entirety in this review, however, we engage with groups and individuals whose decisions and opinions have a direct bearing on the way we do business and, in turn, groups and individuals on whose interests our business operations have an actual or potential impact.

Engagement takes place in a variety of ways, ranging from monthly or quarterly meetings, to emails, telephone contact and letters. Examples of engagement with key stakeholders are described throughout this Review.

## Associative bodies

ScottishPower is a member of many organisations, including the following:

### Energy UK

(formerly the Energy Retail Association)

### Energy Networks Association

(ENA)

### Association of Electricity Producers

(AEP)

### United Kingdom Business Council for Sustainable Development

(UKBCSD).

### United Kingdom Business Council for Sustainable Energy

(UKBCSE)

### Scotland's 2020 Climate Group

### May Day Network

### All Party Parliamentary Fuel Poverty & Energy Efficiency Group

(Associate member)

### Fuel Poverty Advisory Group

### Scottish Business in the Community

### Carbon Capture and Storage Association

### Arts & Business Scotland

## Benchmarking and recognition

ScottishPower participates in a number of external indices and award programmes.

### Business in the Community

ScottishPower retained platinum status in Business in the Community's Corporate Responsibility Index 2010 – for the fourth consecutive year. The index, which ScottishPower has participated in since its launch in 2002, is widely recognised as the UK's leading voluntary benchmark of corporate responsibility.

### Carbon Disclosure Project

ScottishPower provides information to IBERDROLA for their submission to the Carbon Disclosure Project's Climate Leadership Index of top 50 global companies.

The Carbon Disclosure Project is the world's largest institutional investor collaboration on the business implications for climate change.

More than 1,000 large corporations report on their emissions through the CDP's website: [www.cdproject.net](http://www.cdproject.net)

### Dow Jones Sustainability Index

Through our parent IBERDROLA, we participate annually in the Dow Jones Sustainability Index. A number of indices covering different geographic zones, worldwide, provide asset managers with reliable and objective benchmarks to manage sustainability portfolios.

### Awards 2010

Longannet Power Station was shortlisted for two Vision in Business for the Environment of Scotland (VIBES) Awards in the process and management categories. Longannet was also nominated as the UK entry for the Large Organisations category in the European EMAS Awards.

Energy Wholesale won the IChemE Award for Health & Safety for their work on implementing process safety across the business.

ScottishPower also won several Big Tick Awards from Business in the Community. These were:

- Employability Award for ScottishPower's Skillskeer Programme
- Education Award for the PowerWise children's safety programme
- Highly Commended in the "Turning Work Experience Into Work Inspiration" category for ScottishPower's Young Apprentice Programme

In addition, a Big Tick awarded in 2009 was reaccredited in 2010 for the Power in Partnership Award received in respect of North Staffordshire Warm Zone, in partnership with National Grid.

ScottishPower also received a commendation in the Arts & Business Scotland Awards for its sustained partnership with the Scottish music festival, Celtic Connections.

The company was also shortlisted in the Hollis Sponsorship Awards 2010, in the Education Sponsorship category for its Transform programme, in partnership with National Theatre of Scotland.

ScottishPower also won a customer service award in the North West Contact Centre Awards, in the Best Customer Experience Programme category, for its Customer First programme, in Direct Debit Operations, Warrington.

We also retained our Gold Award in Scotland's Healthy Working Lives programme.

governance



# Governance

ScottishPower is part of the IBERDROLA group, which is committed to responsible business operations and growth. IBERDROLA operates a corporate governance framework that reflects international best practice, in particular the Unified Good Governance Code for Listed Companies.

## Governance in 2010

The following describes ScottishPower's position in relation to governance within the IBERDROLA Group from January to December 2010.

The IBERDROLA Group's Governance Model incorporates a "multi local" approach that combines corporate and local management of its subsidiaries. This can be viewed on the Group website:

<http://www.iberdrola.es/webibd/corporativa/iberdrola?IDPAG=ENWEBACCPOITICAS&codCache=13094497602347890>

In the UK, responsibility for the day-to-day running of ScottishPower's operations, during 2010, including compliance, risk management and control, lay with the ScottishPower Executive Team.

The ScottishPower Board is the principal governance and decision-making body for ScottishPower's operations in the UK. Nick Horler resigned as CEO in October 2010. As an interim measure, this role is being fulfilled by Amparo Moraleda, Chief Operating Officer of IBERDROLA's International Division.

Outside the reporting period, Keith Anderson, CEO of ScottishPower Renewables was appointed Chief Corporate Officer on 20th July 2011.

IBERDROLA is a global organisation that understands the importance of local management in the 40-plus countries in which it operates. Ensuring that the ScottishPower Board combines both global international business experience with a strong Scottish and UK core is fundamental to IBERDROLA's aim of ensuring its activities are globally coordinated and implemented in the most appropriate way in the UK and Scotland.

The ScottishPower Board comprises the Chairman José Ignacio Sanchez Galán and nine other directors. Sr Galán is also the Chairman and Chief Executive of Iberdrola S.A. The ScottishPower Audit and Compliance Committee ("the Committee") is a permanent internal body, having an informative and consultative role, without executive functions, with powers of information, assessment and presentation of proposals to the Board of ScottishPower within its scope of action. The Committee is governed by the Memorandum and Articles of Association of Scottish Power Limited and by the Terms of Reference of the Committee. The Committee's responsibilities include:

- Monitoring the financial reporting process for the group;
- Monitoring the effectiveness of the group's internal control, internal audit and risk management systems
- Monitoring the statutory audit of the annual and consolidated accounts; and
- Reviewing the status of compliance with laws, regulations and internal procedures.

A risk and control governance framework is in place across ScottishPower. The risk management framework and internal control system is subject to continuous

## ScottishPower Executive Team

comprised:

### Frank Mitchell

Director, Energy Networks

### John Campbell

Director, Energy Wholesale

### Raymond Jack

Director, Energy Retail

### Ramón Fernández Olmedo

Director, Finance

### Rupert Steele

Director, Regulation

### Sheila Duncan

Human Resources Director

### Marion Venman

Head of Legal and General Secretary

## The directors of Scottish Power Limited

and their classifications are shown below:

### José Ignacio Sánchez Galán (Chairman)

Non-independent, non-executive director

### Amparo Moraleda Martínez

Non-independent, non-executive director

### Fernando Becker Zuazua

Non-independent, non-executive director

### José Luís San Pedro Gerenabarrena

Non-independent, non-executive director

### José Miguel Alcolea Cantos

Non-independent, non-executive director

### José Sainz Armada

Non-independent, non-executive director

### John Campbell

Executive Director\*

### Rt Hon Lord Macdonald of Tradeston

Independent, non-executive director

### Lord Kerr of Kinlochard

Independent, non-executive director

### Sir Tom Farmer

Independent, non-executive director

\* John Campbell resigned from the Board of Directors during 2010.

review and development. The company is committed to ensuring that a proper control environment is maintained.

At the end of 2010 IBERDROLA announced plans to reorganise the Group by global businesses. In addition, the creation of one corporate centre will provide services across the Group.

### Governance in 2011

IBERDROLA plans to integrate its businesses in Spain, Portugal, the UK, Mexico and Continental Europe. This means that the liberalised businesses – Generation, Energy Management and Supply, will be managed as a single P & L account and investment portfolio. The integration is expected to be completed during 2011.

To facilitate the development of the global businesses, two new holdings companies, **ScottishPower Generation Holdings Limited** and **ScottishPower Energy Networks Limited**, have been created to lead the Group's liberalised and regulated activities respectively in the UK.

### Vision and Values

ScottishPower is committed to the best corporate governance practices, to principles of business ethics, and to transparency across all of the company's areas of activity.

We demand responsible behaviour from all our employees, contractors and suppliers and we are committed to achieving sustainable growth through responsible actions, respect for the natural environment and upholding the principles of social justice.

We believe that doing business responsibly builds the trust of customers and other stakeholders, providing a competitive edge in the marketplace.

During 2010 we replaced our "Red Book" entitled, Compliance Behaviour and the Law, with a new, group wide Code of Ethics.

### Our Vision

**"We aspire to be the preferred Global Energy Company because of our commitment to the creation of value, people's quality of life and the protection of the environment."**

The Board of Directors of  
**ScottishPower Generation  
 Holdings Limited**

is as follows:

**Francisco Martínez Córcoles** (Chair)

**John Campbell** (CEO)

**Ángel Chiarri Toscano**

**Oscar Fortis Pita**

**Aitor Moso Raigoso**

**Félix Rojo Sevillano**

**Fernando Tallón Yáñez**

**Raymond Jack**

**Hugh Finlay**

**Heather Chalmers**

**Alistair Orr** has been appointed as  
 Company's Secretary.

The Board of Directors of  
**ScottishPower  
 Energy Networks Limited**

comprises:

**Javier Villalba Sánchez** (Chair)

**Frank Mitchell** (CEO)

**Antonio Espinosa de los Monteros Herrera**

**José Izaguirre Nazar**

**Nicola Connelly**

**Scott Mathieson**

**Suzanne Wilson** has been appointed as  
 Company's Secretary.

In addition, during 2011 **Juan Carlos Rebollo** was appointed as a non-independent, non-executive director of ScottishPower's main Board.

## Our Values

IBERDROLA's vision, which brings together the economic, social and environmental aspects of sustainability, is based on six values, representing the company's commitments to the environment, society and its key stakeholders. These can be seen on the company website: [www.iberdrola.es](http://www.iberdrola.es) under Reputation and Sustainability.

### 1. Corporate Ethics and Responsibility

We are committed to the best corporate governance practices, to principles of business ethics, and to transparency in all of the company's fields of endeavour. Responsible behaviour by everyone who is part of ScottishPower is an ever-present guideline for action and a distinctive feature of our company.

### 2. Economic Results

ScottishPower is committed to achieving the growth and profitability objectives spelled out in IBERDROLA's Strategic Plan while respecting the environment and upholding the principles of social justice.

### 3. Respect for the Environment

We work to ensure that we demonstrate respect for our environment and be recognised as an environmentally responsible company.

### 4. Sense of Belonging & Trust

ScottishPower wants to inspire trust among our employees, our communities and all those who participate in and deal with the company.

### 5. Safety and Reliability

We aim to prevent any harm to people, property and the natural environment and deliver safe and reliable energy to our customers.

### 6. Customer Focus

We aim to achieve customer loyalty through competitiveness, choice and service.

These values are embedded in our day-to-day activities. We believe that responsible conduct in keeping with the vision and values described above is the best assurance of the Group's commitment to creating value for its shareholders and other stakeholders.

### Big Goals

During 2010 the ScottishPower Executive Team led the development and implementation of a 'Big Goals' framework across the company, providing a structured approach to setting targets within each Value area.

A Big Goals Steering Committee was created, with senior managers representing each Goal. The model has been so well received that plans are underway to deploy a matching framework in the US.

Each of our businesses has set internal business targets, allied to the Big Goals.



HEALTH & SAFETY MATTERS



COMPLETE CUSTOMER SATISFACTION



ETHICAL RESPONSIBLE BEHAVIOUR



CONTINUOUS PERFORMANCE IMPROVEMENT



ENGAGED MOTIVATED PEOPLE



RESPECT THE ENVIRONMENT

## How we manage CSR

Corporate Social Responsibility is enshrined in each one of our company values, which guide us in everything we do.

The Executive Team is committed to CSR – doing business responsibly to achieve sustainable growth and to protect and enhance the reputation of ScottishPower and the wider IBERDROLA Group in the UK.

Management of CSR issues advanced at group level during the year when the IBERDROLA Board of Directors approved the establishment of a CSR Committee, which is responsible for driving the company's CSR policies and ensuring the best corporate governance practices are followed. This is a Committee of the main IBERDROLA Board. The UK is represented by Samantha Barber.

Our Head of CSR now represents ScottishPower on the IBERDROLA International Reputation Committee, which act as a focus for discussion and policy development for a range of CSR issues at group level, as well as chairing ScottishPower's CSR Steering Committee. We have now been invited to help IBERDROLA USA establish a similar committee.

The CSR Steering Committee, made up of senior representatives from across all the functions in ScottishPower, provides a link between the Executive Team and business operations.

The Committee, which meets quarterly, is responsible for policy development and review and advising business heads on Corporate Social Responsibility.

Through our CSR Steering Group we ensure that CSR is integrated into the company's strategy for sustainable growth and that social and environmental issues are given full consideration in our business decision making.

A key part of our CSR framework is on-going consultation with stakeholder groups, listening to and considering their feedback and, where appropriate, addressing the issues they raise in the way we do business.

We have a distinct framework for environmental governance, as it involves an increasing number of mandatory demands and legislative compliance. This is described in the Environment section.

### ISO 26000

#### **ISO 26000, the standard for Corporate Social Responsibility was published in November 2010.**

ScottishPower's CSR Steering Group discussed the standard at various stages in its development, produced briefing packs for key personnel on its use and last year invited our businesses and key departments to assess their approaches to all relevant key issues against an advanced draft of the standard before its official launch.

From this initial exercise we confirmed that the vast majority of our processes are in line with the guidelines documented in the standard. However, following publication of the standard in its final form, we have embarked on a more detailed programme of education and scrutiny of our approach against ISO 26000 guidelines, to see if any further improvements can be made.

The standard comprises a set of guidelines, rather than requirements, and is not subject to audit, nor certification. As such, it is not about setting, monitoring and measuring performance against key indicators, but ensuring that we follow sound CSR principles and management approaches. Our businesses already operate robust certified environmental, health & safety and quality management systems (that are subject to external audit) and used as vehicles for continuous improvement.

ISO 26000 will integrate social responsibility, providing an international consensus on what it means, what issues an organisation needs to address in order to operate in a socially responsible manner, and what is best practice in social responsibility.

The standard was developed over five years with input from 91 countries and 42 organisations, including the European Commission, the Organisation for Economic Cooperation and Development (OECD), the International Labour Organization, Consumers International, the World Health Organization, the United Nations Division for Sustainable Development and the Global Reporting Initiative.



## GRI Indicators

### **4.1 Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.**

This is explained in the narrative of the Governance section

### **4.2 Indicate whether the Chair of the highest governance body is also an executive officer.**

This is explained in the narrative of the Governance section

### **4.3 For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.**

This is explained in narrative of Governance section

### **4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.**

As part of the IBERDROLA Group, ScottishPower is no longer a listed company with its own shares. IBERDROLA manages shareholder communication at group level.

### **4.5 Linkage between compensation for members of the highest governance body, senior managers and executives and the organisation's performance (including social and environmental performance).**

Executive Team Directors are assessed based on the performance of their businesses. Our three main businesses each have 'Big Goal' targets, which incorporate the material environmental and social issues in their business. These objectives then flow through to senior managers' and employees' objectives.

Employees and senior managers with direct functional responsibility for environment, community, marketplace, and workplace matters have linked objectives included within their appraisals.

CSR issues are included in our performance management system within which employees and managers are assessed each year. The outcome of the performance management system has a direct impact on both the merit and bonus reward systems.

Business performance incorporates performance in key environmental and social issues, including engagement with communities, the environment and our employees.

For all employees an element of remuneration is linked to their personal objectives and an element linked to business performance.

### **4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided.**

Processes to avoid conflicts of interest are enshrined within the Companies Act under UK law. Conflicts of interest are also covered in the company's Code of Ethics.

### **4.7 Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.**

Responsibility for this rests with IBERDROLA.

### **4.8 Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.**

This is explained in narrative of Governance section

### **4.9 Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles**

The Board of Directors supervises the overall performance of the strategic plan, with guidance from the Audit and Compliance Committee. Economic, environmental and social performance, along with risks and opportunities are considered in the company's risk and control framework. The Code of Ethics includes mechanisms for evaluation and information to the governance decision-making bodies.

### **4.10 Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.**

Responsibility for this rests with IBERDROLA.

economic



# Economic

## Overview

A sustainable business must also be economically successful, generating profit for future investment and growth and creating value for its shareholders.

At ScottishPower, in common with other companies in the IBERDROLA Group, we are committed to achieving strong economic results while observing the highest standards of corporate governance and being mindful of the social and environmental impacts of our activities.

ScottishPower's economic success has a direct bearing on the lives of many of our stakeholders. Although we are now part of the IBERDROLA Group, which is not listed on the London Stock Exchange, many leading UK pension and investment funds hold our shares, so many thousands of British people benefit directly from our strong financial performance through their pensions and investments.

We also support the regional and national economies through the direct and indirect employment of thousands of people, contributing tax revenues to the UK Treasury and through our significant procurement of goods and services.

Once again, energy suppliers in the UK were criticised by consumer organisations during 2010 for the prices they charge customers for electricity and gas. However, energy bills reflect not only the price of fuel – they include the costs of producing and transporting energy, along with mandatory government programmes designed to reduce carbon, improve the energy efficiency of customers' homes and provide help for vulnerable customers.

Over the next 10 years we can expect to see unprecedented change in the electricity industry as we move to lower carbon sources of energy. The regulator, Ofgem, estimates that investment of around £200 billion will be needed in the next 10 years to secure energy supplies and meet climate change targets.

Ofgem also expressed concern about the effect of this unprecedented level of investment on consumer bills, which may mean that more customers are tipped into fuel poverty.

UK energy suppliers face the major challenge of trying to strike the difficult balance between generating profit for investment in energy assets and the significant levels of funding required for Government programmes, while maintaining affordability for customers.

We are investing significantly in developing our networks and adapting them to support low carbon generation and we are investing in the roll-out of Smart Meters and offering advanced energy monitors, which will help customers to reduce their energy bills, through managing their energy consumption in the most efficient way possible.

We are also working to alleviate fuel poverty, through our social spend and energy efficiency programmes, which totalled around £60 million during 2010.

Looking ahead, we await the outcome of the UK Government's Electricity Market Reforms, the aim of which will be to stimulate investment in low carbon technologies by providing a level of certainty for investors, while maintaining security of supply.

Measures proposed in the reforms include introducing a carbon floor price, capacity payments and a new Emissions Performance Standard, along with the creation of a Green Investment Bank to provide finance for green energy projects.

In addition, existing customer carbon reduction and energy efficiency programmes will be discontinued to make way for the introduction of the Government's flagship Green Deal, the aim of which is to encourage energy efficiency improvements in properties, which will be paid for over time by savings in home energy bills.

This will be supported by a new Energy Company Obligation, which from 1st April 2011 replaces energy suppliers' existing voluntary social spend programmes to alleviate fuel poverty with a mandatory spending programme.

During 2010 the margins made by energy supply companies continued to be eroded, and this continued into the first quarter of 2011. A report by NERA Economic Consulting on behalf of Energy UK states that between December 2010 and March 2011, the average margin a company makes on an electricity customer fell from £26 to £21, while margins on gas and dual fuel customers fell substantially to minus £9 and minus £30, respectively.

During the year we welcomed an announcement that regulator Ofgem was to undertake a review of the transmission charges levied on companies for using Britain's high voltage electricity network. We have lobbied on this issue for several years, as we believe the current regime is disadvantageous to generators in Scotland.

## Key Financial Results 2010

Key Financial Results 2010		
	2010 (m)	2009 (m)
Revenues	£7,134	£6,764
Earnings before Interest and Tax	£809	£800.1
Operating profit	£679	£712
Net profits	£527	£604.5
Net financing costs	(£93)	(£104)
Staff costs	£351	£374
Pensions payout	£114	£112

Revenues increased during 2010, mainly due to an increase in energy balancing activity within the wholesale market, although this was partially offset by lower retail tariffs, as lower average wholesale costs were passed back to customers via price reductions early in the year.

Staff costs reduced in 2010 in line with a reduction in employee numbers, as a result of business reorganisations and efficiencies.

### Contribution to Regional and UK Economies

We continued to make a significant contribution to the regional economies where we operate in Scotland, England and Wales through our payroll and to the UK national economy via tax paid to HM Revenue & Customs.

At 31st December 2010, we employed 8,039 people. Our total payroll for 2010 was £276 million and our pension funds paid out a total of £114 million to retired employees.

We collected £273 million in VAT and paid £280 million in corporation tax – up 27% on last year. This was because tax in 2009 was reduced through the tax treatment of certain items by agreement with the tax authority in that year.

## Procurement Spend

The total value of our procurement spend for 2010 was £5,511 million, including fuel and energy purchases. The total value of our non-fuel purchases for the year was £671.95 million, of which the majority were contracts made with UK suppliers in pounds sterling. At the year-end we had placed orders with 3,655 suppliers during the year.

One of our largest, on-going non-fuel contracts, worth in excess of £200 million, was with Eaga (now Carrillion Energy Services) for the delivery of our Carbon Emissions Reduction Target (CERT) obligations.

New contracts were negotiated during 2010 and let in February 2011 for the delivery of the final phase of the Carbon Emission Reduction Target (CERT) and Community Energy Saving Partnership (CESP) programmes, with a combined value of £169m.

The contracts, for the installation of energy saving measures in customers' homes will create and maintain jobs in this sector.

Carrillion Energy Services (formerly Eaga) is the lead partner on both contracts and will work in association with six contractors for CERT and with Direct Local Authority Housing Association/Funding Agreements for CESP.

We also continued significant coal contracts with ATH Resources and Scottish Coal.

Most of the coal supplied by Scottish Coal comes from Scottish surface mines, while ATH supplies come from Muir Dean in Fife, which employs a workforce of 100. Both contracts will help to support the Scottish and regional economies.

The contract with Scottish Coal, for up to 10 million tonnes of coal over five years, was the largest ever coal contract to be placed by a UK generator.

During 2010 we continued to use Scottish-sourced wood pellets supplied by a company in Perth.

## Investment

During the recession and early stages of the recovery, we have continued to invest in everything that is critical to the safe and effective operation of our power stations and electricity networks, and to ensure that we continue to meet all regulatory and legal obligations.

Other investments have been prioritised and we have favoured those that provide the best rates of return, while maintaining tight control of budgets and cash flow. Our capital spend for the year was £585 million during 2010, compared with £539 million in 2009, with £395 million invested in strengthening our networks and providing grid connections for renewable energy projects.

During 2010 we also progressed investment in the early development of several new, efficient Combined Cycle Gas Turbine (CCGT) power stations.

## Community Investment

We continued to support a host of programmes in the communities we serve during 2010, ranging from employability training for young people, to arts and culture, environmental and public safety projects, energy efficiency and charitable giving.

Our total community investment for 2010 was £3.4 million. Examples of the projects we supported during 2010 appear in the Communities section of this review.

## Markets, competition and regulation

Our own customer base was 5.23 million at the end of 2010, with little movement in customer numbers since the end of 2009.

According to Energy UK, the British electricity market remains very competitive, with 100,000 customers switching supplier each week. That equates to about five million customers a year, or roughly 20% of the market.

A review of the sector, conducted by the regulator Ofgem, concluded that customer switching levels in UK energy supply had been on a downward trend since 2006. However, in their Omnibus survey, Ofgem found that around 40% of energy consumers had switched supplier at least once.

### Energy Market Prices

World energy markets continued to remain volatile during 2010. Prices in the early part of the year started lower, then rose during the summer months and continued this upward trend through to end of the year.

Our own standard retail tariffs followed the same pattern. We reduced retail gas tariffs in spring, but along with most of our competitors had to increase them again at the end of 2010.

Volatility in energy prices has continued in the early part of 2011 with adverse rainfall in coal exporting countries (Australia, Columbia and South Africa), political instability in the Middle East and North Africa, as well as the recent natural disaster in Japan creating upward pressure on energy prices.

### Price Regulation

Ofgem protects customers' interests by regulating transmission and distribution network operators through five-year price control periods which include curbs on expenditure, as well incentives for efficiency and technical innovation.

Energy transportation charges make up about one fifth of a household customer's bill, so Ofgem aims to balance the companies' need for adequate resources with protecting customers' interests in relation to prices.

The price controls set the maximum amount of revenue that energy network owners can take through charges they levy on users of their networks to cover their costs and earn them a return in line with agreed expectations.

In April 2010 we entered a new distribution price control period (Distribution Price Control Review 5) which runs until 31st March 2015. This reduced our allowed rate of return, but provides financial incentives for good performance.

In October 2010, Ofgem published its decision into the future format of Price Controls, following a two-year review. The new regulatory framework is called the RIIO Model (Revenue using Incentives, to deliver Innovation and Outputs).

A key change is the move from a five-year price control to an eight-year cycle.

The RIIO Model is intended to build on the RPI-X regulatory framework, retaining some aspects, evolving others and adding new dimensions, where required.

One of the main recommendations is that an outputs-led approach to network regulation should be adopted. This means that regulated companies such as ours will need to define the service levels or outputs they expect to deliver to their customers. The prices they will be allowed to charge for the use of their networks will be based on delivering those service levels or outputs.

Ofgem will be setting output measures for safety, reliability, customer satisfaction and stakeholder engagement with strong incentives for efficient delivery. Emphasis will be placed on sustainability and innovation to encourage network companies to invest in new technologies that will benefit consumers and the environment.

For transmission, we are about to enter a “rollover” year to the existing review period and the new eight-year cycle under the RII model will come into effect in 2012/13.

Network operators will have submitted well justified business plans on how they intend to deliver investments and benefits by July 2011.

A key feature of both the distribution and transmission price reviews is that the business plans for investment have been developed following consultation with a broad range of stakeholders, to ensure network development proposals meet their needs.

### **Energy Efficiency and Help for Vulnerable Customers**

We spend significant sums of money on helping customers to make their homes more energy efficient and reduce fuel bills under the Government’s mandatory Carbon Emissions Reduction Target (CERT) programme.

This involves reducing CO<sub>2</sub> emissions from wasted energy by installing energy saving measures, such as loft and cavity wall insulation in customers’ homes and providing energy efficient light bulbs or appliances. During 2010 we spent around £44 million on customer energy efficiency programmes, helping customers to reduce the amount of energy they use in the long-term.

We also help vulnerable customers who suffer from fuel poverty through our charity, the ScottishPower Energy People Trust. The Trust awards grants to not-for-profit organisations that help people who are suffering from fuel poverty.

Programmes funded cover energy efficiency and income maximisation advice, as well as crisis funding. We spent around £16 million on fuel poverty initiatives during 2010, including through the ScottishPower Energy People Trust, social tariffs and community partnerships.

Our combined spend on energy efficiency and fuel poverty initiatives was around £60 million for 2010.

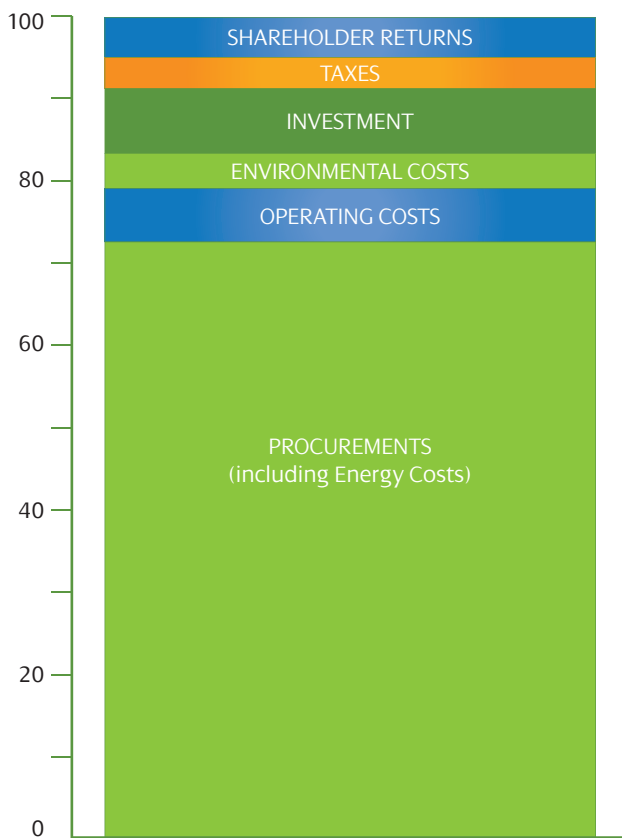
More information on the ScottishPower Energy People Trust appears in the Customer section of this report.



# Customer Bills

Our customers' energy bills are made up of various different costs, from the fuel we use, to mandatory government energy efficiency programmes, investing in the electricity network and lower carbon generation and the cost of transporting energy to customers' homes.

The diagram below shows where the money goes for every £100 that a customer spends with us, across the whole electricity supply chain from electricity generation, through transmission and distribution to supply.



**Revenue Analysis 2010**

- as per Scottish Power UK Holdomgs Limited accounts 2012

## Key Elements of a Domestic Customer's Bill

The section below shows how our Energy Retail business allocates the income from a typical customer bill – the cost of electricity and gas makes up just over half of this bill.

### Wholesale energy costs

This is the basic cost of the energy itself – known as the wholesale energy cost. We purchase energy in advance to make sure we can meet customer demand. Buying in advance also helps us to ensure sufficient supplies of energy and smooth out what customers pay, as wholesale costs can be highly variable from day to day.

### Delivering the energy to homes

This is the cost of transporting energy to customers' homes through the network of wires and pipes that covers the country. For every unit of energy used by a customer, we pay a fee to the company who owns the pipes or wires that connect to customers' homes. These fees, which are effectively a "delivery charge" for energy, are agreed with the industry regulator Ofgem.

### Maintaining energy accounts

This includes the cost of reading meters, printing and posting bills, maintaining call centres to answer customer enquiries and collecting money from our customers. It also includes the normal profit we make as a company.

### VAT & government obligations

As well as the standard VAT charge, which is 5% for domestic energy, the Government has introduced several obligations that all energy suppliers are required to deliver. These are explained in more detail, below.

Government Obligations include the Renewables Obligation and the Carbon Emissions Reduction Target (CERT).

Under the Renewables Obligation all major UK energy suppliers are required to obtain a specific percentage of the electricity they sell to customers from renewable sources, such as wind power. The cost of meeting this obligation is included in the price of electricity.



### Social Initiatives

UK energy suppliers have agreed that they will increase spend to £150 million in 2010/11 on a range of social programmes to assist vulnerable and fuel poor customers.

In addition, the Community Energy Savings Programme (CESP) obliges suppliers and generators to pay for the installation of energy efficiency measures in the homes of people living in areas of social deprivation.

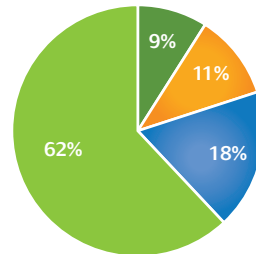
The objective of the programme is to permanently reduce fuel bills for vulnerable customers on low incomes and to reduce CO2 emissions. It is estimated that this programme will cost the energy industry £350 million over three years. We include an allowance for the cost of meeting this objective in our energy prices.

The Carbon Emissions Reduction Target (CERT) is the main government policy aimed at reducing carbon emissions by improving the energy efficiency of UK households. It obliges all of the UK's major energy suppliers to deliver energy efficiency measures like loft and cavity wall insulation to homes across the UK.

Many of these measures are discounted and in some cases are provided free of charge. It is estimated that the cost to the energy industry of delivering this policy will be £5.5 billion from April 2008 to December 2012. Like other energy companies we include an allowance for the cost of meeting this objective in our energy prices.

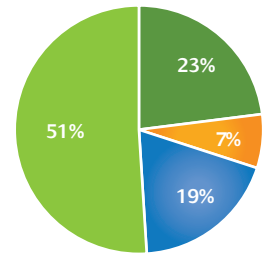
For further information on products and prices, please see our customer website: [www.scottishpower.co.uk](http://www.scottishpower.co.uk)

Electricity



- Wholesale electricity costs
- Looking after your energy account
- VAT and government obligations
- Delivering the energy to your home

Gas



- Wholesale electricity costs
- Looking after your energy account
- VAT and government obligations
- Delivering the energy to your home

# GRI Indicators and Performance

## EC1

**Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.**

This information is reported in the narrative of the Economic section.

## EC2

**Financial implications and other risks and opportunities for the organization's activities due to climate change.**

### Climate Change Economics

Reports by Professor Lord Nicholas Stern (The Stern Review on the Economics of Climate Change 2006, and A Blueprint for a Safer Planet, 2009) estimate that introducing measures to cut greenhouse gas emissions to avoid the worst impacts of climate change could cost between 1-2% of world Gross Domestic Product (GDP) per year by 2050.

Conversely, taking no action on emissions could cause the costs and risks of climate change to increase to an estimated loss of at least 5% of global GDP each year.

Summer floods in 2007 resulted in insured flooding losses of an estimated £4.9bn.

ScottishPower, like other utilities, is required under the Climate Change Act 2008 to provide the Government with a report on the risks and opportunities facing our business as a result of climate change. These may include addressing risks, such as flooding of low-lying substations.

In addition, tackling climate change will provide new opportunities for our business, such as the development of grid charging points for electric vehicles, carbon capture and storage solutions and an expansion of paid for energy services through Smart Grid technologies.

## EC3

**Coverage of the organization's defined benefit plan obligations.**

ScottishPower provides employee retirement benefits that are market competitive and in line with best practice standards. Over 75% of all employees contribute to our pension plans.

We have three pension schemes – two final salary schemes, which are closed to new entrants and the ScottishPower Stakeholder Plan.

Our longer serving employees benefit from our two final salary pension schemes, which have the security of building up valuable pension benefits with flexible, innovative options for topping up their Scheme benefits.

Our schemes are well funded and managed by effective, responsible trustee bodies committed to safeguarding these pension schemes for all members.

This information is reported in greater detail in the People section of this review.

## EC4

**Significant financial assistance received from government**

We received funding of £6.2 million from the UK Government in 2010 towards the development of a front end engineering design study for a Carbon Capture and Storage solution at Longannet Power Station.

We also received £52,167 for the last phase of the Energy Demand Research project into the use of Smart Meters and energy monitors, which concluded in March 2010.

## EC5

**Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.**

In 2010 we paid entry level wages at least equal to 100% of the national minimum wage.

## EC6

**Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.**

The number of registered suppliers with orders in 2010 was 3,655. It is not possible to provide a geographic breakdown between UK and non-UK suppliers, as the SAP system is corporate and a number of suppliers work across parts of the IBERDROLA Group in different countries.

The value of purchases from UK suppliers was £637.62 million and £34.33 million from non-UK suppliers (Conversion factor from Euro 0.858170)

**EC7****Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.**

ScottishPower does not have a specific policy for recruiting local workers and we do not track this information at present. However, it seems reasonable to assume that the majority of our employees live within a reasonable distance of their place of work

We do not track this information with regard to the senior management population for reporting purposes at present.

**EC8****Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.**

In Energy Networks there is an on-going project to make improvements to a community garden that is associated with work to upgrade Dewar Place substation, which serves the main commercial centre of the city of Edinburgh.

The Visitor Centres at Longannet, Cruachan and Tongland Power Stations have recently been refurbished and rebranded. These play a valuable role in educating the public, particularly school children, about energy.

**EC9****Understanding and describing of significant indirect economic impacts, including the extent of impacts.**

Some of these have been described in the narrative of this section. In addition, during the development of new projects, the direct and indirect economic impact of a project is considered during the preparation of the environmental and social impact statement.

For example, Damhead Creek 2 Power Station, consent for which was considered by DECC during 2010 (and given in January 2011) represents an investment of some £600 million. During the peak of construction, the workforce would total approximately 1,000 if developed in one phase. In the event of two phase development, the workforce would total approximately 600. It is hoped that much of the workforce will be recruited locally. During operation, approximately 50 personnel would be required.

In addition, operational and maintenance costs will be of the order of £27 million per annum, a significant proportion of which will benefit the local economy.

It is considered that the development of Damhead Creek 2 would have a positive socio-economic impact on the surrounding area, providing additional jobs and investment.

Another example from 2010 is the reinforcement of the electricity infrastructure on Anglesey. Before the project the electricity system on the island was running at almost full capacity, constraining further major business development.

However, increased capacity in the electricity network through the construction of new reinforcement circuits will allow business sites, such as Parc Cybi to expand and potentially create more jobs.

**EU6****Management approach to ensure short and long-term electricity availability and reliability.**

In the UK there will be significant development and renewal of the electricity generation and networks infrastructure and the Government has put in place policies designed to facilitate this and ensure future demand can be met.

Energy Wholesale has a strategy to become a high reliability organisation and aims to deliver best practice in asset management and process safety in compliance with the findings of the "Baker Report", the Health and Safety Executive's (HSE) guidance on ageing plant (RR509), process safety indicators (HSG254) and industry best practice asset management (PAS55).

Our principal objective is to protect employees and contractors by mitigating health and safety risks, reducing the likelihood and impact of a catastrophic process safety event. The process safety management system is key to protecting our staff and contractors, safeguarding our ability to efficiently generate electricity and ensuring compliance with health and safety and environmental legislation, as well as the expectations of regulators.

ScottishPower's installed generation capacity is just over 6GW, predominantly from coal with approximately 33% from gas and about 10% hydro.

At present we are developing three new efficient CCGT projects – one in Scotland and two in southern England, with a combined capacity of around 3,000MW. This will more than offset generation capacity that will be lost with the closure of Cogenzie Power Station (1200MW) by the end of 2015.

Projects are being developed to extend the life of Longannet Power Station through the installation of emissions reductions technologies such as NOx reduction technology and Carbon Capture & Storage.

Energy Wholesale monitors the electricity generating potential in the UK as well as actual sales. Predictions are made for future demand in order to inform the decision making process with respect to any new developments. Environmental, social and financial aspects are also key considerations in any new developments.

Energy Networks is delivering strategic infrastructure projects to upgrade high voltage power links with Northern Scotland, via the Beaully-Denny line reinforcement, and a further upgrade of the Anglo-Scottish interconnector from 2800MW to 3300MW.

In addition, we are working in partnership with National Grid Electricity Transmission to develop a high voltage, subsea DC power link on the western side of the UK, which will connect Scotland with England and Wales. This will provide additional capacity on the GB transmission system and support the continued growth of renewable energy as the UK works towards becoming a low carbon economy.

Energy Networks revisits business and investment planning activities annually. The plans are determined using a risk prioritisation approach based on asset condition, load growth and fault performance. During 2010 the UK Regulator (Ofgem) finalised the Distribution Price Control Review (DPCR5), which will cover the next 5 years.

The outcome will form the basis of SP Energy Networks' business plans for its two Distribution Licensed entities – SPD (Scotland) and SPM (Merseyside, Cheshire and North Wales) for the period 1st April 2010 to 31st March 2015. The proposals establish a series of obligations on SPD and SPM to deliver a set level of activities covering capital investments, maintenance, and customer service.

Output measures are placed on SPD and SPM to ensure these activities and expenditures are completed efficiently. Performance criteria are also associated to certain measures and some of these can incur financial incentives and penalties, if delivered over or under the set performance level.

## EU8

### Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development

ScottishPower's most significant R & D programme is that of Carbon Capture and Storage at Longannet Power Station.

A prototype carbon capture unit has been in operation at the station since May 2009. Over that time, it has provided significant data that will help to improve the complex science involved in capturing CO<sub>2</sub> from the flue gases of a coal-fired power station, helping to reduce the energy requirement and hence, the cost of the process.

A ScottishPower consortium, which includes Shell and National Grid, has throughout 2010 worked on detailed plans for a commercial scale carbon capture and storage (CCS) project that would be based at Longannet.

The consortium is the last remaining bidder in a competition for UK Government funding to build a commercial scale CCS project.

A detailed Front End Engineering Design study will be submitted to the UK Government during 2011 and a funding decision will be made once the Government has considered the proposals. It is believed that a commercial scale project would be capable of reducing CO<sub>2</sub> emissions to the atmosphere by 90%.

One of the main drivers of Energy Networks' R&D programme is the utilisation of technology to minimise the impact of Customer Interruptions and Customer Minutes Lost on our network. Projects that provide improvements to our system performance, customer restoration and fault location are fundamental to the business and have proved very successful following implementation. It is estimated that around £400k is spent annually on projects related to these areas.

In terms of promoting sustainable development we have an increased focus on R&D in the areas of Smart Grids and the provision of green energy. Currently we are working on several 'Smart Grid' projects, aimed at enhancing the flexibility of the network, enhancing the utilisation of our assets and facilitating the connection of renewable energy. It is anticipated that further projects will be developed in this area in the coming years.

We are also working with Transport Scotland with the aim of providing a network of charging points for electric vehicles across central Scotland.

## EU10

### **Planned capacity against projected electricity demand over the long term, broken down by energy source and regulatory regime.**

ScottishPower has no direct responsibility over long-term electricity planning processes for generation.

The Scottish, UK and Welsh Assembly Governments conduct the necessary studies to anticipate the long-term needs of the electricity system, and ScottishPower acts as a market agent, adopting investment decisions that fit within our business strategy.

Our current plans for generation and network investments are described in the Safety & Reliability section of this Review.

## EU11

### **Average generation efficiency of thermal plants by energy source and regulatory regime.**

Average thermal efficiency is calculated by multiplying the gross production of each power station by its value of thermal efficiency and the sum of these partial values is divided between the total thermal generation of the power stations.

Average thermal efficiency across the thermal portfolio during 2010 was 42.81%, with average thermal efficiency for coal stations being 34.71% and 52.52% for gas power stations.

## EU12

### **Transmission and distribution losses as a percentage of total energy.**

Losses on our distribution systems for 2009/10, as published by Ofgem were 6.15% for ScottishPower distribution and 6.37% for ScottishPower Manweb. A figure for the transmission system is not available.

environmental



# Environmental

At ScottishPower we have been working for some 20 years to improve our environmental performance and meet the needs of our customers by delivering energy that is secure and sustainable.

In common with most energy utilities, the fundamental environmental challenge we face is producing electricity more sustainably, to protect the environment for future generations.

This means reducing the carbon footprint of the energy we produce and sell, minimising emissions to air, land and water and helping customers to use energy more efficiently to reduce consumption, saving money and CO2.

It also means being mindful of the way we use resources through responsible sourcing of goods and services, efficient resource use and minimising the amount of waste we produce.

With significant landholdings, it also involves caring for the natural environment in and around our sites.

ScottishPower is doing all of these things – and is striving to do them in the most cost-effective way to reduce the impact of environmental improvements on customer bills.

## Our environmental vision, policy, approach and governance

We are committed to improving environmental performance, using environmental management systems to monitor our progress and striving for continuous improvement.

We regard environmental sustainability as a business opportunity and this is reflected in our strategy for growth, which includes investment in cleaner generation and low carbon technologies, such as Smart Grids and Carbon Capture and Storage, alongside innovation in the products we provide to our customers.

- Environmental Vision
- Environmental Policy
- Management Approach: Managing Our Impacts
- Big Goal
- Environmental Big Goal Philosophy
- Environmental Governance

### Environmental Vision

Respect for the environment is a value that is shared throughout the IBERDROLA Group and which is enshrined in the Group's vision:

“We aspire to be the preferred company because of our commitment to the creation of value, people's quality of life and the protection of the environment.”



## Environmental Policy

We share an Environmental Policy with other companies in the IBERDROLA Group:

Recognising the importance of the environment in carrying out its corporate mission, the company undertakes to promote innovation in this field and eco-efficiency to gradually reduce the environmental impacts of its activities, facilities, products and services, as well as to use its best efforts to harmonize the conduct of its activities with the legitimate right of future generations to enjoy an adequate environment.

Such commitment is assumed and promoted through this Environmental Policy, in order for the various levels of the organisation to make consideration and respect for the environment a part of the planning and subsequent implementation of all the actions of the company. In addition, all employees of the company will contribute with their daily work to the achievement of the targets set in this field.

### The company's actions shall be guided by the following basic action principles:

**INTEGRATE** fully the environmental dimension and respect for the natural environment into the company's strategy.

**ENSURE** at all times the compatibility of financial profit with environmental protection through innovation and eco-efficiency.

**INCORPORATE** the environmental dimension into investment decision processes and the planning and carrying out of activities, promoting the consideration thereof in cost-benefit analysis.

**ESTABLISH** appropriate management systems that help to reduce environmental risk and that include:

- Strict compliance with the law, the various international commitments executed and internal regulations on environmental matters applicable to the activities, facilities, products and services of the company, bearing in mind as well legislative trends and the latest international practices, and putting procedures in place that will allow the company to know and control compliance with such commitments.
- On-going efforts to identify, assess and reduce the adverse environmental effects of the activities, facilities, products and services of the company.

- Provision of information to and training of employees on the effects of the development of the company's processes and products to minimise the detrimental effects of its activities on their health and on the environment.
- Development of plans and programmes, setting objectives and goals, updating of emergency plans and performance of internal audits that will make it possible to reduce risks, minimise adverse environmental effects and regularly control the progress and effectiveness of the measures applied, fostering the on-going improvement of our processes and practices.

**RESPECT** nature, biodiversity and the historical and artistic heritage in the natural environment where the company's facilities are located.

**FOSTER** research and development of new technologies and processes that help to address climate change and other environmental challenges with a preventive approach, allow for a more efficient use of natural resources and permit progress towards a more sustainable energy model.

**PROMOTE** behaviour in line with the principles of this policy among the principal stakeholders of the company, assigning positive value to alignment therewith, particularly in the selection of contractors and suppliers.

**ESTABLISH** constructive dialogue with Government Agencies, Non-Governmental Organisations, shareholders, customers, local communities and other stakeholders in order to:

- Work jointly in the search for solutions to environmental problems.
- Contribute to the development of a useful public policy from the environmental standpoint that is efficient in economic terms.
- Raise awareness of the importance of taking measures to reduce greenhouse gases.

**REPORT** transparently on environmental results and actions, establishing the appropriate channels to favour communication with the principal stakeholders.

### Management Approach: Managing Our Impacts

As one of the UK's major energy utilities we recognise that our activities – the generation, transmission and distribution of electricity, the operation and maintenance of our plant, and the construction of new projects, can have impacts on the environment.



So for us, respect for the environment means striving to eliminate, minimise or control our environmental impacts, in particular:

- Minimising the carbon footprint of our business
- Reducing emissions to air, land and water
- Ensuring full regulatory compliance
- Minimising our use of natural and man-made resources
- Sourcing material resources responsibly
- Cutting waste and encouraging re-use and recycling
- Protecting natural habitats and biological diversity.

**Big Goal**

In the UK we have translated our vision and values into a series of Big Goals, one of which is: Respect the Environment. This was rolled out to all employees during 2010 via a communication programme, which included presentations, posters, leaflets and information on the company intranet.



**RESPECT THE ENVIRONMENT**



**We consider and respect the environment in everything we do**



**Improve our CO<sub>2</sub> emissions performance by 20% by 2020**

**Environmental Big Goal Philosophy**

“Our commitment to developing sustainable energy sources will help maintain our world leading status in the energy market. We will continue work to reduce waste and minimise our environmental impact, exploring and harnessing new and sustainable technologies, where possible.”

**Environmental Governance**

ScottishPower links directly into the IBERDROLA Group’s Environmental Model, which was developed in 2008 to create a common and homogeneous environmental framework for the entire Group that would allow for co-ordination and alignment of certain minimum common elements, while respecting the autonomy and individualities at the regional level.

Further development has taken place with respect to agreed policies and strategic lines, the adoption of criteria and standards for compliance reports, and the determination of a common set of monitoring indicators. This model is managed at global level by a Global Coordination Group to provide links between corporate and regional levels.

Within ScottishPower we have a distinct framework for environmental governance, to deal with the increasing number of mandatory demands and legislative compliance that are specific to the UK.

Responsibility for environmental issues at Board level rests with the CEO. However, ScottishPower has not had a CEO since October 2010 and, as an interim measure, responsibility rests with Energy Wholesale Director John Campbell, who is CEO of ScottishPower Generation Holdings and Chair of the ScottishPower Environment Forum.

Going forward, responsibility for environmental issues at Board level will rest with the Chief Corporate Officer, Keith Anderson, appointed in July 2011.

Environmental policy, strategy and leadership is decided at Executive Team level and implemented by the business level directors and their teams.

Reporting to the Executive Team, the cross-company Environmental Coordination Group (UK) is the key vehicle for environmental governance and policy development.

The Group, which is chaired by the Energy and Environment Director, also monitors compliance and performance issues.

Environmental issues are incorporated into the company's risk and control management framework, to apply the "precautionary principle" and ensure any risks to the business are addressed. Material environmental issues are central to strategy development and these are formally included in the company's business planning process.

The precautionary principle is also applied through the universal use of environmental management systems and environmental impact assessments for major projects.

The Environmental Management Systems operated by the majority of our sites are certified to ISO 14001 and Longannet and Damhead Creek Power Stations maintain systems that are certified under the European Eco-Management and Audit Scheme (EMAS).

Environmental performance is measured through targets and associated KPIs and reported to external stakeholders annually, through the CSR Annual Review and other documents, such as EMAS Statements.

Managers are assessed on environmental objectives as part of a balanced scorecard that also includes economic, health, safety and other objectives.

To provide an external view on environmental strategy and policies, we have an Environmental Forum, which provides a balanced stakeholder perspective and constructive feedback on our policies and proposals. Internal membership of the Forum includes our most senior executives, while the external members are individuals who are eminent in the fields of energy and environmental issues.

The Environmental Forum meets at least twice each year to discuss key topical and emerging issues related to energy and the environment.

Additional aspects of our approach to key issues and environmental indicators are outlined in other sections of this report, which deal with our most material issues in more detail.

## Climate and carbon reduction

### Moving Towards a Low Carbon Economy

The past year has seen significant policy developments aimed at reducing greenhouse gas emissions and tackling climate change, many of which will have a direct impact on ScottishPower's operations.

### International

At the United Nations Climate Conference in Cancun, Mexico, in December 2010 there was an international commitment to make deep cuts in greenhouse gas emissions to hold increases in global average temperatures to below 2o Celsius and to develop processes for setting targets to achieve that.

The conference agreed to develop systems to measure, report and verify reductions in emissions and to establish a Green Climate Fund and other mechanisms to help developing countries access low carbon technologies and adapt to climate change.

### Europe

There was no change during the year to the European target of achieving a 20% cut in CO2 emissions by 2020, despite calls, from the UK and Scottish Governments amongst others, to raise this target to 30%.

### United Kingdom

The Coalition Government announced wide-ranging reforms during 2010, including its Green Deal, which will allow customers to install energy efficiency measures and pay for them gradually through their energy bill.

In December 2010 the Government launched consultations on Electricity Market Reform, the aim of which will be to stimulate investment in low carbon technologies by providing a level of certainty for investors, while maintaining security of supply.

Measures proposed in the reforms include introducing a carbon floor price, capacity payments and a new Emissions Performance Standard.

Proposals were also developed for a Green Investment Bank, to provide capital for low carbon projects and consultations were launched on Feed In Tariffs (whereby generators of small scale renewables are paid

for energy they supply to the grid) and a replacement mechanism for the existing Renewables Obligation after 2012.

### Scotland

The Scottish Government's Climate Change Act came into force in June, with ambitious targets to reduce CO<sub>2</sub> emissions by 80% by 2050.

During 2010 the Scottish Government published an Energy Efficiency Action Plan, which will deliver £10 million in grants for energy efficiency improvements via local authorities. They are targeting reductions of 12% in Scotland's energy demand by 2020.

The Scottish Government also published a draft Electricity Generation Policy Statement, which aims to deliver 80% of Scotland's energy needs from renewables by 2020 and to demonstrate Carbon Capture and Storage on a commercial scale by 2020, with full roll out across coal and gas stations by 2025-30.

### Our Approach to Climate and Carbon Reduction

We are working to reduce CO<sub>2</sub> emissions across our businesses, as part of the IBERDROLA Group's commitment to keep its emissions per unit of electricity (kWh) at least 20% below the European electricity sector average by 2020, which equates to a 30% reduction on 2007 levels.

IBERDROLA's UK operations as a whole will contribute to reducing emissions per kWh by 20% by 2020, including our sister company ScottishPower Renewables, which is currently the UK's largest windfarm developer and operator, and an IBERDROLA consortium, which has ambitions to develop a new nuclear power station at a site near Sellafield in Cumbria.

Although this report does not cover ScottishPower Renewables' operations, we purchase all their renewable energy output to sell to our customers. At 31st December 2010, ScottishPower Renewables had 932 MW of capacity and generation output for the year was 1,438 million megawatt hours (MWh).

### Key features of our approach across our businesses include:

#### Energy Wholesale

- We are leading a consortium which aims to develop the UK's first commercial scale Carbon Capture and Storage project at Longannet Power Station by 2014
- We plan investment in new, efficient combined cycle gas turbine (CCGT) power stations in Scotland and England
- We co-fired biomass materials along with coal at Longannet and Cockerzie Power Stations
- We made on-going investments aimed at improving the efficiency of our thermal power stations.

#### Energy Networks

- We are investing heavily in our networks to support new renewable energy developments
- We are developing a Smart Grid in Glasgow, trialling technologies that will make it easier to connect small scale renewables and electric vehicles
- We are developing innovative concepts such as dynamic thermal rating of powerlines
- We are partners in various research and development initiatives, such as the Power Network Demonstration Centre with the University of Strathclyde to trial new technologies on a virtual network.

#### Energy Retail

- We sell green energy to domestic, commercial and industrial customers
- We offer customers assistance with energy efficiency by various means, from publishing information on our website to visiting customers' premises
- We regularly outperform our targets for the Government's mandatory Carbon Emissions Reduction Target, which involves installing energy saving measures in customers' homes
- We are offering an increasing number of products designed to help customers reduce their carbon footprint, ranging from energy monitors to automatic standby shutdown devices. We have introduced a new product designed to enable the remote control of household appliances.

#### As a Company

- Work to reduce consumption of energy and fuel across our businesses
- Participate in the Carbon Reduction Commitment Energy Efficiency Scheme
- Participate in the EU Emissions Trading Scheme (EUETS) and fulfil our Renewables Obligation
- Participate in national groups and forums which promote carbon reduction.

## Adaptation

ScottishPower, like other utilities, is required under the Climate Change Act 2008 to provide the Government with a report on the risks and opportunities facing our business as a result of climate change.

This will form part of a UK-wide climate change risk assessment from which an adaptation action plan for climate change will be developed. The Adaptation Sub Committee of the Government's Committee on Climate Change published its first assessment of UK preparedness in October 2010.

It identified five key priorities for early action including ensuring that national infrastructure (energy, water, transport, waste and communications) can cope with rising temperatures, is resilient to extreme weather events, such as storms, floods and droughts; and takes account of changing patterns of consumer demand.

## Energy Wholesale - what we did in 2010

### Carbon Capture and Storage

We continued to work towards our ambitions to create a global centre of excellence for Carbon Capture and Storage (CCS) at Longannet Power Station in Fife.

Along with the significant renewable energy produced by our sister company, ScottishPower Renewables, CCS is part of IBERDROLA's commitment to reduce CO<sub>2</sub> levels per unit of electricity to at least 20% below the European electricity sector average by 2020.

Longannet is at the forefront of demonstrating carbon capture technology that could potentially help to control greenhouse gas emissions from coal-fired power stations world wide.

A consortium led by ScottishPower is the sole remaining bidder in the UK Government's competition to develop a £1 billion commercial Carbon Capture and Storage (CCS) scheme. The consortium aims to build the UK's first commercial sized CCS plant (over 300MW) by 2014.

Throughout 2010 we worked with our consortium partners to finalise our submission to the Department of Energy and Climate Change.

A mobile carbon capture unit has operated 24 hours a day, since May 2009, capturing around 90% of the carbon from 1,000 cubic metres of Longannet's flue gases every hour. The hot flue gases pass through an absorber tower where amines scrub out the CO<sub>2</sub>.

In the commercial scale project the amines would be heated to release the CO<sub>2</sub>, which would then be liquefied, ready for transportation and storage in rock formations under the North Sea.

The mobile test unit at Longannet is allowing the CCS project team to test the complex chemistry involved in the capture process and develop amines that are more sustainable and durable, and use less energy in the capture process.

Project teams have also been working on a detailed Front End Engineering Design (FEED) study for a retrofit of the capture technology at Longannet. Consultations began in autumn 2010 to inform stakeholders, including people in local communities about our proposals.

As part of our commitment to CCS we are funding a Chair in Carbon Capture and Storage at Edinburgh University and supporting various academic studies into CCS.

In autumn 2010 we formed an academic alliance, involving Imperial College and Edinburgh University. It will focus specifically on technical innovation around the capture and offshore storage of CO<sub>2</sub>, the policy and regulatory aspects of CCS and examine what the UK needs to do to capitalise on the commercial potential of CCS – especially in developing a national skills capacity.

### Cleaner Generation

During 2010 we progressed investment in several new, efficient Combined Cycle Gas Turbine (CCGT) power stations.

These include a 1,200MW plant to replace our existing coal-fired station at Cockenzie, East Lothian, which will close by 31st December 2015. An application for Section 36 Consent is under consideration by the Scottish Government and in 2010 we submitted a separate application for consent in respect of the associated gas pipeline.

Just outside the reporting period in January 2011, we received Section 36 Consent from the Department for Energy and Climate Change for a 1,000MW CCGT on a site adjacent to our Damhead Creek Power Station, on the Hoo Peninsula, Kent.

As part of the project, a plot of land has been set aside for potential development as a Carbon Capture facility. This would facilitate Carbon Capture and Storage for both Damhead Creek CCGTs if this was required by future legislation.

Following the purchase of a site at Avonmouth, near Bristol, we have been developing plans for a 950MW CCGT and expect to submit an application for Section 36 consent during 2011.

These highly efficient thermal stations will become part of a balanced portfolio that includes hydro and pumped storage generation, coal (with CCS), combined heat and power plants and possibly nuclear, if Nu Generation, the consortium of IBERDROLA GdFSuez and SSE, proceeds with its planned investment at Sellafeld, following a series of studies.

The UK generation portfolio is complemented by onshore windfarms operated by ScottishPower Renewables, who are also progressing offshore wind, tidal and wave projects. ScottishPower Renewables ended 2010 with 932MW of installed capacity, an increase of 130MW on the previous year.

#### **Biomass**

During 2010 we continued to co-fire biomass, such as wood chips, along with coal at Longannet and Cockenzie power stations. Biomass production was constrained during 2010 following a fire at a supplier's premises. Due to this decrease in the volume of wood pellets available we utilised less biomass during 2010.

Changes to the way Renewable Obligation Certificates are distributed since April 2009 has reduced the value to coal stations of co-firing biomass.

#### **Thermal Efficiency Improvements**

Longannet Power Station operates several process based steering groups, which work to achieve continual improvements in efficiency. During 2010 the station's combustion group established a database that enables potential areas of air ingress to the furnace – which would reduce efficiency – to be prioritised for repair.

#### **Examples of Energy Savings**

A simple but effective solution to reduce the amount of energy used to keep Shoreham's Gas Turbine compressor blades free from ice is expected to achieve significant savings.

In freezing winter weather, cold air drawn into the GT is pre-heated using steam from the turbine to ensure ice does not form on the blades – a process that results in a significant drop in plant efficiency.

In December 2010, the Shoreham team fitted a video camera at the inlet plenum of the compressor to monitor the edge of the blades where ice can form.

When conditions permit, operators are able to "turn down" the anti-icing system so that less process steam is redirected from the GT. In a two-month period at the start of 2011, the ingenious project saved an estimated 2GW of energy.

Thermostatic controls were fitted to 12 central heating radiators in the administration block at Damhead Creek Power Station in 2010.

The radiators are programmed to operate eight hours per day, instead of around the clock, and will only switch on if the office temperature drops below a set point.

As a result of the modifications, the thermostats now maintain the set point for only 40 hours per week instead of 168, resulting in energy savings.

Staff at Damhead Creek Power Station completed a project in 2010 to fit inverters on the six roof exhausters fans at the Heat Recovery Steam Generators.

The improvements have achieved electricity savings of up to 25% by reducing the fans' operational speed. The inverters have also helped reduce process noise.

### **Energy Networks - what we did in 2010**

#### **Connecting Renewables**

Energy Networks is investing hundreds of millions of pounds in upgrading the electricity system to support the development of new renewable energy projects and from April 2009 to March 2010 (the Ofgem reporting period) completed connections for 457MW of renewables, including Arecleoch and Mark Hill windfarms, as well as the southern part of SSE's flagship Clyde windfarm.

Over the same time scale we connected 483MW of small scale renewables to our distribution systems across our two home territories, including small scale wind projects, solar, biomass, landfill gas and ground source heat pumps.

We also refurbished Clyde's Mill 275kV Substation, which is an essential part of the Boundary B5 works identified in the Transmission Investment for Renewable Generation (TIRG) programme to allow for upwards of 200MW of renewable generation to be connected to the transmission system in Scotland. This three-year project is scheduled for completion in 2011.



### Developing Smart Grids

We are developing a smart Grid Project in Glasgow and during 2010 we continued to progress a localised Smart Grid in the East End of Glasgow, in association with the Clyde Gateway regeneration project, in readiness for the Glasgow 2014 Commonwealth Games.

The communities in the East end of Glasgow were once an integral part of the shipbuilding, textile and heavy engineering industries that made Glasgow and the Clyde famous the world over.

However, over the past 50 years, almost all of those industries have disappeared and the population living in the area has fallen. The Clyde Gateway regeneration programme will bring new infrastructure, new offices and workspaces, new jobs, new houses and, over time, reverse the decline in population.

We have worked closely with the various stakeholders to establish long-term energy requirements and develop and deploy innovative solutions to meet this requirement, part of which is to ensure that the necessary electricity infrastructure is in place for Glasgow hosting the 2014 Commonwealth Games.

SP Energy Networks has established a Smart Grid trial at a new Industrial and Commercial development site located in the Clyde Gateway regeneration area at London Road. The Smart Grid trial will demonstrate the latest smart grid technology as part of an extension to an established distribution electrical network in Glasgow.

The fully integrated solution will be applied to a distribution system supplying factory units, offices and commercial buildings to cater for a demand of around 2MW and will have the capability to accommodate various sources of generation and energy storage. The site will be a showcase of what can be achieved using the very latest technology for real-time supervision and control, automation and intelligent reconfiguration of the high voltage and low voltage distribution system, accommodation of multiple generation sources and interaction with customer electricity demand.

### Electric Vehicles

We are the energy partner with Transport Scotland in the Plugged in Places project, which will deliver a corridor of 375 charging points for electric vehicles across the central belt of Scotland. We are also working on the Technology Strategy Board's Ultra Low Carbon Vehicle Demonstration project in Glasgow, in which ScottishPower has leased four electric vehicles to utilise across the businesses.

For more information visit:

[http://www.scottishpower.com/PressReleases\\_2107.htm](http://www.scottishpower.com/PressReleases_2107.htm)

### Dynamic Thermal Rating of Powerlines

We have developed and field trialled a technique which exploits the cooling effect of wind on overhead lines to increase the capacity of electricity networks to accept low carbon windfarm generation.

Since 2006 we have been working as part of a research partnership with Parsons Brinckerhoff, AREVA, Durham University and Infoterra (previously known as Imass) on active management of distributed generators using real time thermal ratings.

Powerlines have a static rating based on a set of static thermal conditions to ensure the design temperature of the conductor is not exceeded.

However, in the case of windfarms, the wind used to generate electricity can have a cooling effect on the powerline, allowing an increase in the power that can be transferred before the thermal limit of the line is reached.

This effectively "unlocks" extra capacity in the powerline, which is a significant step forward, as windfarms are often located in rural areas where the distribution infrastructure is limited.

A prototype real-time rating-based controller was installed on part of our 132kV network in north Wales and has operated since January 2010, to control a 60MW offshore windfarm.

The next stage will be rolling out the use of this technology across a larger area of the network.

This project was developed with the assistance of a grant from the Technology Strategy Board and received an award from the Institution of Engineering and Technology in November 2010.

The research consortium was awarded the 2010 Power/Energy Innovation award by the IET (Institution of Engineering and Technology). The judging panel said: "This submission is innovative, timely and well supported by the evidence of its success."

### Commitment to Research and Development

We are supporting academic research as part of our commitment to low carbon networks and have close links with the University of Strathclyde, where IBERDROLA Group Chairman, Ignacio Galan was appointed visiting professor in 2010.

For several years we have sponsored the ScottishPower Advanced Research Centre at the University of Strathclyde and in 2010 we agreed to establish a Chair in Smart Grid technology.

In addition, we are supporting a world class £12.5 million Power Network Demonstration Centre – the first of its kind in Europe, which will test out new smart technologies on a mock distribution network.

The centre, based in Cumbernauld, will support the development and accelerated deployment of new electrical power distribution technologies that will be required to develop low carbon networks.

The aim of these technologies is to make the grid more efficient and capable of integrating the widespread use of small-scale renewables and electric vehicles, as we move towards a low carbon economy.

The Power Network Demonstration Centre also has support from Scottish and Southern Energy, Scottish Enterprise and the Scottish Funding Council.

## Energy Retail - what we did in 2011

### Green Energy

We continue to offer a range of green energy options in both the domestic sector and for businesses and organisations.

For domestic customers we have offered a Green Energy product, which supports small-scale renewable energy projects in UK communities, since 1998.

In early 2010 we launched a domestic green energy product called Simply Green, which allows customers to support renewable electricity generation and make a positive contribution to the environment. The tariff meets Ofgem's Green Supply Guidelines and has been certified under the new, independent Green Energy Certification Scheme.

Simply Green matches every unit of electricity used by a customer with an equivalent amount of energy generated from renewable wind sources.

Customers on the tariff will also be supporting community based renewable energy projects with the dual fuel discount of £10.50 per year being donated to the Green Energy Trust. Simply Green is only available online.

The Green Energy Trust is administered by an independent Board of Trustees which awards grants to small-scale renewable energy projects, including microrenewables such as mini wind turbines and solar panels in schools, biomass fuelled Combined Heat and Power schemes and ground source heat pumps.

The Board of Trustees met twice during 2010 and awarded a further £137,872 to 10 small renewable energy projects. At December 2010 the Trust had awarded a total of £1,1364, 398 to 133 community projects.

For more information on the ScottishPower Green Energy Trust, visit:

[www.scottishpowergreentrust.co.uk](http://www.scottishpowergreentrust.co.uk)

### Business Green Energy

During 2010 we supplied 2.97 TWh of renewable energy and 26GWh of Combined Heat and Power (CHP) energy to businesses and organisations, covering approximately 12,100 sites across the UK.

We supplied energy to 119 green energy customers and nine CHP customers. One of those customers – Procurement Scotland – includes 160 organisations.

Through this contract, ScottishPower is supplying 100% green energy to major public buildings from the Scottish Parliament to Edinburgh Castle, as well as all schools, hospitals and street lighting requirements in Scotland.

Sales of green energy increased by 48% on the previous year. New green energy contracts ranged from football clubs to shopping centres, theatres and broadband companies.

### Energy Efficiency

We offer energy efficiency advice to domestic and business customers via our website, in customer mailings, via a free Energy Efficiency Advice line and through home visits to vulnerable customers.

We also offer free energy efficiency surveys, a carbon calculator and customer offers on energy savings measures such as insulation and energy efficient lighting.

For business customers we offer advice on energy efficiency, support with the Carbon Reduction Commitment and a range of technical solutions to improve energy management.

### Carbon Emissions Reduction Target (CERT)

We have a strong track record of exceeding targets in statutory energy efficiency programmes. The majority of our energy saving measures are delivered through strategic alliances with social housing providers, including local authorities and housing associations, helping to target energy efficiency improvements and reducing energy bills amongst the households that need help the most.

At the end of 2010 we had approximately 70 partnerships across the UK and the home energy efficiency improvements we fund are delivered through our partnership with the quality provider, Eaga, now Carillion Energy Services.

In addition, we are the energy partners in four Warm Zones – in Newcastle, Gateshead, Kirklees and North Stafford in England – and in Community Energy Partnerships in North and South Lanarkshire.

The Carbon Emissions Reduction Target (CERT) puts an obligation on energy suppliers to deliver CO<sub>2</sub> savings of 185 million tonnes in the period from 2008-2011, at a cost of around £3.2 billion. This scheme is to be extended until 2012 when the Government's new Green Deal is expected to be launched. Including the CERT extension, suppliers will deliver CO<sub>2</sub> savings of 293 million tonnes at a cost of around £5.5 billion.

In CERT, 40% of the programme must be targeted at priority group customers, such as people on low incomes and anyone over the age of 70, regardless of income.

Each measure installed under CERT has a predetermined CO<sub>2</sub> saving and is aligned to the DECC target setting model. This is the difference between the energy used before and after the installation of the measure, multiplied by the carbon dioxide coefficient of the fuel used and the lifetime of the measure.

CERT can be used as a vehicle to deploy microgeneration in the home, for example, solar hot water systems, or air source heat pumps. It can also be used to support trials of new initiatives, such as encouraging behavioural change, where carbon savings cannot yet be quantified.

CESP is an obligation on energy suppliers and large generators to install energy saving measures in partnership with local authorities. It is designed to lift communities out of fuel poverty by providing energy saving measures that reduce CO<sub>2</sub> and permanently reduce bills. ScottishPower has spent the majority of the first year identifying suitable delivery partners and securing their supply chain. Projects have commenced and homes are being surveyed but installation of measures did not start until 2011.

### Innovative Products

#### *Unifi Capped*

One of the most exciting product breakthroughs during 2010 was the launch of Unifi, which combines capped price energy with an advanced home energy monitoring and control system.

The Unifi device provides customers with an instant picture of the energy they are using – not just in

Energy saving measures installed 2010				
	Measures installed	Carbon savings (tonnes CO <sub>2</sub> )		
		Priority Group	Non Priority Group	Total
Insulation		1,000,049	2,292,811	3,292,860
Hot water tank jackets	1,173			
Cavity wall insulation	78,886			
Solid Wall insulation	1,159			
Air source heat pumps	84	2,582	1,105	3,687
Heating systems	1,159	44,945	21,411	66,356
Water saving devices	758,043	204,624	734,284	938,908



kilowatt hours, but in pounds and pence – and it can track up to six individual appliances to see how much energy they use.

What makes Unifi so special, is that as well as the ability to control appliances from the in-home display, customers can control household electricals from their iPhone or the website.

For example, customers can check remotely whether they have left the TV on – and switch it off, or they can switch on a light remotely before coming home in the dark.

Unifi is aimed at helping customers take control of their energy use and, through improved awareness, encourage changes in behaviour that will save energy, reduce energy bills and cut CO2 emissions.

ScottishPower is the first energy supplier in the UK to offer an innovative product of this type. Just outside the reporting period, our Energy Retail business won the Best Innovation Project Award at the 2011 IQPC Process Excellence Conference.

#### **Feed In Tariffs**

We have been operating a Clean Energy Cashback scheme since April 2010, when Feed In Tariffs were launched. Customers who generate renewable energy from small scale accredited sources can receive payment for the electricity they generate and payment for any unused energy they export to the grid.

#### **Smart Meters**

We were one of a number of suppliers involved in conducting trials of Smart Meters over the last few years and expect to install 100,000 Smart Meters between 2010 and 2012 before full roll-out of the technology begins.

By 2012 all suppliers will be mandated by Ofgem to begin a Smart metering roll out. In order to understand how this would impact ScottishPower, we established the Smart Go Early project.

From July 2010 and February 2011 we installed over 30,000 Smart meters. These installations have allowed us to test the new smart meters, our systems and also our process in preparation for the full roll out.

#### **Energy Saving Devices**

Our customer website offers a range of energy saving and safety devices, such as energy monitors, standby shutdown devices, as well as draught excluders and energy efficient lightbulbs.

## **As a Company - what we did in 2010**

### **Carbon Trust Standard**

In 2010 we became the first energy supplier in the UK electricity sector to achieve the Carbon Trust Standard, following a rigorous assessment.

The Carbon Trust Standard is awarded to organisations for their sustained commitment to tackling climate change by measuring, managing and actively reducing their carbon emissions.

To achieve the Standard, organisations must first measure their direct carbon emissions before demonstrating genuine reductions in emissions over a three-year period.

The Carbon Trust Standard should improve our ranking under the Carbon Reduction Commitment Energy Efficiency Scheme, which is designed to encourage energy efficiency in large organisations.

During the year we participated in the Carbon Reduction Commitment Energy Efficiency Scheme and we are quantifying all our CO2 emissions for 2010/11, which will be the base year, on which we will report future emission reductions.

### **Initiatives introduced by Estates and Facilities Management include:**

- Introducing new combined copier/printer/fax machines with sleep mode, which should reduce power requirements and decrease paper usage
- Adopting Accenture smart buildings solutions – energy savings achieved exceeded 20%
- Improving lighting systems to reduce energy consumption

### **Market Mechanisms**

#### **EU Emissions Trading Scheme**

The EU Emissions Trading Scheme (EU ETS) is the primary mechanism for reducing CO2 emissions across power generation and heavy industry throughout Europe. By placing a price on carbon, it aims to encourage companies to reduce their operational emissions and invest in lower carbon technologies.

Under the scheme, an overall CO2 cap is set and carbon allowances are distributed through a National Allocation Plan (NAP). These may be used in respect of any plant, or traded.

Participants must ensure emissions equal allowances. They can buy additional allowances to accommodate

increased emissions, or reduce emissions and sell their excess allowances.

“ScottishPower submitted 17,742,159 CO<sub>2</sub> allowances for 2010. Free allowances for 2010 of 10,184,934 and net trades of 7,365,000 for the year left a net deficit of 192,225. This was covered by a combined surplus over 2008 and 2009 of 84,514 and 107,711 of 2011 free allowances.”

European Union Allowances traded within the €12.41 - €16.19/te price range during 2010, closing the year at €14.24.

### Renewables Obligation

The Renewables Obligation requires suppliers to source a set proportion of electricity from eligible renewable sources and suppliers comply by redeeming Renewable Obligation Certificates (ROCs), paying a buy-out fee or a combination of the two.

For the 2009/10 compliance period the Renewables Obligation was set at 9.7% of electricity supplied. ScottishPower were 89% compliant with the obligation compared to an average market compliance of around 71%. The obligation level for 2010/11 has been set at 11.1% of electricity supplied.

### Participation in National Carbon Reduction Groups

#### 2020 Delivery Group

We continued our membership of the 2020 Delivery Group that is aiming to ensure that all sectors of Scotland's economy and civic society contribute fully to achieving the Scottish Government's Climate Change Delivery Plan, which includes the target of a 42% reduction in emissions over the next decade.

We also maintained our membership of the May Day Network, a collaboration of businesses taking action on climate change, which is administered by Business in the Community; and we continued our sponsorship of the Scottish European Green Energy Centre, which aims to help Scotland exploit the substantial opportunities offered by the green energy sector.

### Greenhouse Gas Footprint

GHG Footprint (CO <sub>2</sub> )		
	2010	2009
Power stations, thermal energy generated (tonnes) Verified EUETS figures	17,742,159	15,137,420
Renewable energy	80,367	116,548
Transport (tonnes)	243,562	283,463
Internal energy and process use (tonnes)	486,985	622,517
SF <sub>6</sub> , CO <sub>2</sub> equivalent (tonnes)	20,020	23,619
Methane, CO <sub>2</sub> equivalent (tonnes)	799	9,815.4
<b>Total CO<sub>2</sub> emissions</b>	<b>18,573,892</b>	<b>16,193,382</b>

\* 2009 CO<sub>2</sub> from generation figures were re-stated to exclude the Daldowie sludge drying plant. The 2009 internal energy and process use figure was restated to include 100% of imported electricity. The GHG figures include CH<sub>4</sub> emissions from our Hatfield gas storage facility. SF<sub>6</sub> figures come mainly from energy Networks, but include a small SF<sub>6</sub> leak of 17 tonnes that occurred at Cruachan Power Station.

Our overall greenhouse gas footprint rose during 2010, mainly due to a significant increase in coal generation at Longannet Power Station, output from which had been constrained in previous years due to extended outages to fit clean coal technologies.

Our CO<sub>2</sub> emissions per GWh for 2010 across our thermal mix was 658.38 tonnes, based on EUETS verified emissions of 17,742,159 tonnes and thermal generation of 26,948.13.

The 2010 value for CO<sub>2</sub> emissions per GWh across the energy portfolio was 612.77 tonnes, based on total CO<sub>2</sub> emissions from energy production of 17,822,526 and generation of 27,646.71 GWh from our power stations and 1,438 GWh of generation from ScottishPower Renewables.

## Reducing emissions

### Industrial Emissions Directive

The key development in terms of emissions to air during 2010 was the agreement of the Industrial Emissions Directive (IED) by the European Parliament in July.

The IED recasts seven existing directives, including the Large Combustion Plants Directive, the Integrated Pollution Prevention and Control (IPPC) Directive and the Waste Incineration Directive into one cohesive piece of legislation.

The directive tightens minimum emission limit values in certain industrial sectors across the EU – particularly for large combustion plants – with the aim of reducing air pollution that can cause environmental damage from acidification and exacerbate respiratory conditions such as asthma.

For power stations this will mean a tightening of emission limit values beyond the requirements of the Large Combustion Plant Directive. Under the IED, emissions of oxides of nitrogen (NOx) for coal-fired power stations will be 200 mg/Nm<sup>3</sup>, compared with a current limit of 500 mg/Nm<sup>3</sup>, while limits for CCGTs will be reduced to 50mg/Nm<sup>3</sup>, compared with 200 or 300 mg/Nm<sup>3</sup> currently, depending on the size of the station.

Generators must comply with the new limits from 2016 onwards. Coal stations will almost certainly need to install Selective Catalytic Reduction (SCR), or another

technology that can achieve similar reductions in NOx emissions. Emission limits for particulates are also reduced.

New, tighter limits on emissions of sulphur dioxide (SO<sub>2</sub>) should be met by the installation of Flue Gas Desulphurisation (FGD), which was a requirement for all coal-fired stations that opted in to the Large Combustion Plant Directive.

Stations that have opted out (including ScottishPower's Cockerzie Power Station) must close by the end of 2015. Plants can also choose to opt out of the IED and will be allowed to run for 17,500 hours between 2016 and 2023 without complying with the new emission limit values.

Operators who opt in to the IED can participate in a Transitional National Plan (TNP) which will define a cap on emissions of SO<sub>2</sub> and NOx for each year between 2016 and 2020. During the transitional period, participants in the TNP can exceed emission limit values, provided they do not exceed an annual limit.

The IED also clarifies and strengthens the concept of Best Available Techniques in controlling emissions and introduces new requirements for monitoring, plant inspections and compliance reporting.

### Our Approach to Reducing Emissions

We use a range of technologies across our sites to reduce atmospheric pollution. These are summarised in the table below.

Technologies that reduce atmospheric pollution across our sites					
	Low NOx Burners	Boosted Overfire Air	Flue Gas Desulphurisation	Electrostatic Precipitators	Selective Catalytic Reduction
Longannet	✓	✓	Commissioned on two out of three units	✓	Consented*
Cockerzie	✓	✓	X	✓	n/a
Rye House	✓	n/a	n/a	n/a	n/a
Damhead Creek	✓	n/a	n/a	n/a	n/a
Shoreham	X	n/a	n/a	n/a	n/a

### Low NOx Burners

Low NOx burners reduce emissions of oxides of nitrogen (NOx) from coal or gas-fired power stations by staging the mixing of fuel and air in the burner to reduce the formation of thermal NOx.

### Boosted Overfire Air (BOFA)

BOFA reduces the formation of oxides of nitrogen (thermal NOx) during combustion and is an emissions reduction measure over and above Low NOx burners. BOFA will typically reduce NOx levels by between 20 and 25%.

### Electrostatic Precipitators

Dust emissions at Longannet and Cogenzie power stations are controlled through the use of high-efficiency electrostatic precipitators that collect up to 99% of particulates before they reach the chimney.

### Flue Gas Desulphurisation

We utilise Seawater Scrubbing Flue Gas Desulphurisation (FGD) at Longannet Power Station, which works by using seawater's inherent alkaline properties to absorb and neutralise acidic SO<sub>2</sub>.

Longannet uses large quantities of water from the Forth Estuary as cooling water for its condensers.

This condenser cooling water is reused by bringing it into close contact with the station's flue gases in purpose-built absorber towers to absorb the SO<sub>2</sub>, resulting in a harmless, soluble sulphate (SO<sub>4</sub>) that can be discharged back to the estuary.

The process does not require chemicals – only seawater and air are used – and the discharged seawater complies fully with environmental regulations.

### Selective Catalytic Reduction

To prepare for meeting tighter emission limits for NOx from the end of 2015, ScottishPower is examining options for fitting further NOx abatement at Longannet.

A feasibility study has been conducted into fitting Units 1, 2 and 3 with Selective Catalytic Reduction (SCR) technology, along with front-end engineering design studies to examine the complex technical challenge of retrofitting SCR in the limited physical space available.

Consent for the project was granted by the Scottish Government in March 2010.

SCR could cut NOx emissions by up to 90%, ensuring Longannet can meet the future LCPD NOx limit of

200mg/Nm<sup>3</sup>, and potentially extend the station's working life until around 2030.

SCR is a post-combustion method of NOx abatement. It involves passing hot exhaust gases, of up to 400oC, over a vanadium pentoxide catalyst and injecting ammonia. A chemical reaction between the ammonia and NOx occurs to create harmless atmospheric nitrogen and water vapour.

### What we did in 2010

Seawater scrubbing Flue Gas Desulphurisation came into operation on two units at Longannet towards the end of 2010. FGD on Unit 1 was brought into service in November 2010 with Unit 2's system following in December.

Initial testing indicates that the abatement technology is delivering in excess of a 94% reduction in SO<sub>2</sub> emissions – ensuring the station can comply with emission limits set by both the LCPD and the forthcoming IED.

The demolition of Unit 3's FGD absorber, which suffered fire damage in 2009, was completed during the year and plans are in place for construction of its new absorber.

Longannet's four units are now equipped with Boosted Over Fire Air (BOFA) technology that is designed to reduce NOx emissions by up to 25%.

In the first full year of BOFA operation, the station's NOx emissions reduced to 1.5 Te/GWh – the lowest figure since the start of Longannet's EMAS reporting and 32% lower than the 2008 figure of 2.2 Te/GWh.

BOFA will help to ensure that Longannet remains within its NOx bubble set by the LCPD until the end of 2015 by ensuring equivalent average NOx emissions are less than 500mg/Nm<sup>3</sup>.

Station teams are also helping to reduce the creation of NOx by working to minimise tramp air ingress and improving combustion in the furnaces.

In March 2010, Scottish Ministers granted Section 36 consent for Longannet's Selective Catalytic Reduction (SCR) scheme, including the station's revised strategy for ash storage.

Station teams are continuing to appraise the SCR solution, as well as looking at alternative methods of achieving the future tighter limits for NOx. These include a smaller-scale optimised form of SCR, a

Rotating Opposed Fire Air (ROFA) system, and a Selective Non-Catalytic Reduction (SNCR) system that would inject ammonia into specific points in the furnace but without using the vanadium pentoxide catalyst.

In advance of the new, tighter limits for NOx to be introduced from the end of 2015, Damhead Creek Power Station is intending to upgrade its abatement by retrofitting Ultra Low-NOx burners to ensure continued compliance and to demonstrate the use of BAT to eliminate polluting emissions.

In addition, a study has been carried out, looking at ways of retrofitting abatement equipment on each of the station's stacks to minimise emissions of Volatile Organic Compounds (VOCs). External UKAS/MCERTS qualified contractors monitor for VOCs four times a year – although this may cease when VOCs filters and a maintenance regime are put in place to the satisfaction of the Environment Agency.

## Resource use and wastes

### Towards Zero Waste

The Scottish Government published its first Zero Waste Plan in June, setting out key actions, including new targets, to reduce the volume of waste produced and landfilled in Scotland every year.

The long-term plan aims to reduce the amount of waste produced and maximise the value of resources through recycling, as well as cutting dramatically the volume of waste that goes to landfill.

Energy from waste will have an important role to play. The Scottish Government believes it could contribute up to 31% of Scotland's renewable heat target and 4.3% of the nation's renewable electricity target.

The Scottish Government is to develop a new regulatory approach to energy from waste, setting out the categories of waste that may be used. These are likely to be resources that cannot offer greater environmental and economic benefits through reuse or recycling.

The plan contains two key targets – that 70% of all waste should be recycled and a maximum of 5% sent to landfill, both by 2025.

A key policy development contained in the plan is proposed landfill bans for specific types of waste, which are aimed at creating value from resources and reducing greenhouse gas emissions.

Improved sorting and segregation of waste is also proposed to increase the quality of recyclable materials and increase re-use and recycling opportunities.

Other key measures in the plan include:

- Development of a Waste Prevention Programme for all wastes, making prevention and re-use central to actions and policies
- Improved information on different waste sources and types highlighting further economic and environmental opportunities
- Measure the carbon impacts of waste to prioritise the recycling of resources that offer the greatest environmental and climate change outcomes.

The UK Government also announced plans to conduct a full review of waste policy in England, to move to a zero waste economy.



### How we manage resources

Resource use and waste are material issues for ScottishPower. As an operator of thermal generation plants we use significant volumes of fuel, including coal and gas and natural resources, such as water, for cooling.

We also use large quantities of wood and steel in powerline construction and repair and metals, such as copper in electrical equipment.

Our offices use significant volumes of IT and telephony equipment and large volumes of paper are used in billing, despite a growing trend towards online, paperless billing.

We have many waste streams, ranging from debris collected at power station water intakes, to scrap metal and used mobile phones.

The actions we take to ensure efficient and environmentally responsible resource use include:

#### Responsible Procurement

- Seeking products that are more sustainable than conventional materials, such as timber distribution poles from sustainable forests and biomass fuel sourced in Scotland, to reduce transport CO2
- Sourcing requirements from environmentally responsible suppliers, such as members of Achilles' Verify Scheme – suppliers that have been assessed for safety, health, environmental and quality management systems and performance.

#### Management and Monitoring

- Managing our use of resources through Environmental Management Systems – knowing how much of everything we use helps us to identify areas for improvement and set targets in our annual environmental plans, or integrated health, safety, environment and quality plans
- Monitoring energy and water use across our businesses to identify ways of reducing consumption through process improvements and measures such as the use of borehole water and rainwater harvesting

#### Actions on Resources & Waste

The actions we take to minimise waste and deal with it in a responsible manner include:

- Waste minimisation and waste data systems to help identify areas for improvement

- Re-using resources, wherever possible – this includes re-using plant, such as transformers. It also includes the use of biomass materials for electricity generation
- Recycling – power station ash is a key by-product of the coal combustion process and a high proportion of this is processed by our award-winning ScotAsh business into sustainable products for the construction industry
- We have waste segregation schemes in place for recycling numerous materials such as wood, metals, SF6 gas, transformer oils, paper and other office consumables from toner cartridges and light bulbs, to batteries and mobile phones
- Where we cannot re-use or recycle wastes, disposal is carried out by certified contractors, in line with all relevant regulations and our Duty of Care obligations
- We audit staff and contractors to ensure compliance with waste legislation

#### What we did in 2010

At company level we started discussions about developing a Big Goal to move towards being a Zero Waste company. This visionary objective will be discussed further across our businesses in 2011 and we will publish an action plan in due course.

#### Cathcart

At our Cathcart office, programmes developed and promoted by our voluntary Environmental Champions included annual recycling of Christmas cards – an estimated 250kg were collected last year.

The introduction of Dyson hand dryers – another Environmental Champions project – has saved around 7.8 million paper towels annually.

In addition, the number of office machines has been reduced by utilising equipment that combines scanner, printer and fax functions.

#### Longannet

At Longannet Power Station, our largest site, a project to provide satellite recycling points throughout the station continued and a publicity campaign was launched in early 2011 to promote their use.

Project teams working on site are required to produce a waste plan, which is audited, to identify opportunities for reuse and recycling. For example, more than 3km of conveyor belt removed during renovations at the coal plant was sent to be fitted at Cockenzie Power Station.

Longannet also recovered 394 tonnes of marine debris in 2010 from the CW drum screen trash baskets. This material was sent to be recycled by TEG, Glenfarg, as garden compost.

Longannet's Environmental Plan sets out targets to measure and record in 2011 the five biggest waste streams produced during routine station operations: oil, oil contaminated waste, paper, cardboard and cooling water waste. The station is currently decanting water from waste oil, the main cause of its contamination, to be disposed of separately.

In 2010, Longannet Power Station recycled 37% of its total waste produced (excluding ash).

Although this percentage is considerably lower than 58.5% in 2009 – station teams in 2010 had to send for disposal offsite 2,559 tonnes of slurry, soil and stones that were removed as part of a clearance project at the coal plant.

At Longannet, one of the power station's four CW pump gearboxes was dismantled, overhauled and rebuilt in a three-month project that has successfully reduced oil leakage and provided increased reliability and efficiency.

The pump gearbox renewal has saved approximately 1,500 litres lost to the oil sump and interceptor per annum. The renovated pump will improve condenser performance, increasing turbine efficiency, and will prevent the station potentially dropping load if a pump failure occurs.

Two more gearboxes will be renovated in 2011 with the last in 2012. It is hoped that after the project's completion in 2012, oil consumption will be reduced by around 80% and leakage retained at such a level that no oil is released to the interceptor but maintained in the bilge of the pump and removed manually.

#### **Hatfield Moor**

A key waste stream identified by staff at Hatfield Moor Gas Storage Facility was reduced by almost 75% in 2010.

Uncontaminated wastewater from the Lindholme's drainage system is now passed to a local watercourse via the oil interceptor pit – ending the need for wastewater being taken off site by tanker for disposal.

Rigorous checks are carried out to ensure the drainage water is not contaminated by oil, hydrocarbons or glycol.

In the first full year of the new system, the amount of drainage water being taken off site for disposal has reduced by 74% from 131.5m<sup>3</sup> in 2009 to 34m<sup>3</sup> in 2010.

At Hatfield Moor, gas is now injected into the storage reservoir at a lower temperature, reducing the amount of fuel gas used.

The changes came into effect at the end of 2009 and were adopted throughout 2010, resulting in a 41% saving in fuel gas (down to 6,255m<sup>3</sup> from 10,696m<sup>3</sup> in 2009).

The facility is also using less distilled water, after a move to decrease the frequency that the gas turbine axial compressor blades are cleaned from six to four times a year in 2010.

Improvements to the facility's glycol heat exchanger have also reduced the amount of triethylene glycol used for replenishing the dehydration system.

#### **Shoreham**

Shoreham has delivered significant savings in the use of sodium hypochlorite, which is added to seawater used for cooling purposes to prevent the growth of mussels and other marine organisms.

In 2009, the station installed a chlorine monitoring system to more accurately measure the dosage of sodium hypochlorite. In 2010, further improvements were made, by installing a water carrier stream that dilutes the chemical to improve the reliability of the dosing regime. This is expected to reduce the amount of sodium hypochlorite used to below 50% of the amount used in 2008.

#### **Power Station Ash**

Around half a million tonnes of coal ash is produced each year at Longannet and Cockerhill power stations.

In recent years, a significant proportion of this ash has been usefully recycled into products such as cements and grouts by ScotAsh Ltd, our joint venture with Lafarge Cement UK.

During 2010 ScotAsh continued to supply products to a range of construction projects including the M74 extension and the Aquatics Centre for the Glasgow 2014 Commonwealth Games. ScotAsh also exported 500 tonnes of specialist cements to the oil industry in Oman, Egypt, Dubai and Malaysia.

Ash production in 2010 was significantly higher than in 2009 due to Longannet Power Station running on all

four units. Lower volumes of ash were recovered for sale due to a downturn in the construction industry. ScotAsh sold 276,908 tonnes of products during 2010.

<b>Ash Data</b>		
	2010 (tonnes)	2009 (tonnes)
Furnace Bottom Ash produced	66,175	50,055
Pulverised Fuel Ash produced	610,811	468,375
<b>Ash recovered for sales</b>		
FBA	23,768	68,989
PFA	172,330	394,105
<b>Net Disposal of Ash</b>		
FBA	42,407	-18,934
PFA	438,481	74,274

There can be a time lapse between production of ash and its eventual processing by ScotAsh. Ash quantified as "disposal" goes to lagoons for temporary storage and from where it can subsequently be recovered and sold/re-used. This explains why more Furnace Bottom Ash was sold than produced in the 2009 column.

## Water

### Water: A critical natural resource

Water is essential for every aspect of life from our food and drink, to the clothes we wear and the natural environment we enjoy – and it is also the lifeblood of business.

The essential role that water plays in national life – in energy supply, infrastructure, agriculture, the manufacture of products and the provision of services – makes it an issue of critical national and international importance.

The management of water resources, the effects of pollution on water quality and the link between water and climate change are among the cornerstones for environmental and economic sustainability.

A report on global water security by the Royal Academy of Engineering, published in April 2010 states that water security is under severe pressure from world population growth, the movement of people from rural to urban areas and dietary changes as countries develop, as well as increasing pollution of water sources, the over abstraction of groundwater and the effects of climate change.

In many parts of the world the demand for water is already much greater than the available supply. This includes not only developing countries, where water infrastructure is poor and there is no universal access to safe drinking water, but also in economically strong countries where rising demand cannot be met.

Consumption of water in the UK is around 150 litres per day, for personal use, such as drinking, washing and household use. However, according to water conservation NGO, Waterwise, this rises to 3,400 litres after taking into account the water embedded in the goods and services we buy.

Globally, agriculture accounts for the greatest water use – it takes about 1,000 litres to grow a kilo of wheat and three times as much for a kilo of beef. In the UK, about 45% of our fresh water is used in industry, including electricity generation.

To date, there have been no firm policies at European or UK level to address water efficiency, however, a Policy Review for water scarcity and droughts is envisaged for 2012. This will be part of the "Blue Print for Safeguarding European Waters" announced by



Environment Commissioner Potolnik at the hearings in the European Parliament in January 2010.

The role of businesses in influencing and implementing future water policy was outlined in the Guide to Responsible Business Engagement with Water Policy by The CEO Water Mandate, an initiative between the UN Secretary General and the Global Compact, in November 2010.

In addition, in 2010 the Carbon Disclosure Project, which collects information from companies worldwide on their greenhouse gas emissions launched a system to collect companies' water related information and policies.

### Effects of Climate Change

Climate forecasts for the UK indicate a pattern of hotter, drier summers and more frequent and intense rainfall in winter, suggesting that floods and drought will be more common in future.

By 2050, 80% of UK rivers are predicted to have half their current flow volume during the summer, which could create water shortages and affect water quality.

Floods and droughts can affect the operation of power stations, including the hydro capacity available, while flooding can put electricity substations at risk.

Following floods in summer 2007, the Government initiated a review into the resilience of electricity substations to flood risk, led by the Electricity Networks Association (ENA) and including representatives from DECC, the electricity network owners, SEPA, the Environment Agency, the Met Office and Ofgem.

This review enabled all UK sites that may be at risk from fluvial or tidal flooding to be identified.

ScottishPower and other electricity distribution companies included proposals to improve the flood resilience of major electricity substations in investment plans submitted to Ofgem, as part of their five year price reviews.

Since then the Energy Networks Association has led the development of a Technical Report that sets out industry best practice for network owners in managing flood risk at substations.

### Water Framework Directive

The Water Framework Directive is the most substantial piece of water legislation to be produced by the European Commission. Fundamentally, it is a set of guidelines for managing large bodies of water, improving water quality and reducing potential hazards such as flooding.

It aims to protect, improve and ensure the sustainable management of water resources to a common standard across the EU.

The directive requires all inland and coastal waters to reach 'good chemical and ecological status' for surface waters and 'good status' for groundwater in terms of quality and quantity by 2015.

### How we manage water

There is a strong co-dependency between water and energy. Our thermal power stations use water to create steam for electricity generation. Three power stations also use large quantities of water for cooling, though the vast majority of this is returned to the river or estuary, virtually unchanged.

Water is used to generate electricity at our hydro-electric power stations and even to "store" electricity in the case of Cruachan, our hydro/pumped storage station.

Over the last few years we have sought progressively to improve water efficiency and reduce the water footprint of our business. We measure and monitor our water consumption at key generation sites, offices and buildings, to help us identify potential areas for improvement.

At Longannet Power Station, water extracted from underground aquifers on station land is used in the fire hydrant system, for dust suppression and to supply our ash processing joint venture, ScotAsh. As this water is untreated, this helps to save energy. The water industry is energy intensive and, according to Water UK, consumes about 3% of total energy used in the UK for pumping water and wastewater and operating treatment plants to ensure environmental and quality standards are met. Extracting water from aquifers therefore contributes to saving energy and CO<sub>2</sub> emissions.

During 2010 Damhead Creek Power Station in Kent extracted 39,727 m<sup>3</sup> of water from a borehole, which taps into an aquifer 200m below the site, offsetting the use of treated townswater.

The supply is treated in a new water recovery plant and used for making process steam along with recycled process water from a blowdown blast cooler.

A rainwater harvesting scheme is in place at Rye House Power Station and an effluent re-conditioning and re-use scheme was implemented at our Daldowie sludge drying facility several years ago.

The Visitor Centre at Cruachan Power Station, near Oban, uses untreated water from Loch Awe to supply the toilets, which also have "hippo bags" installed.

Water saving devices, such as low flow and sensor operated taps and toilet flush savers are in place at most of our offices and depots.

### **Flood Management**

Our Galloway Hydro Scheme plays an important role in flood management. The large storage capacity of its two main reservoirs, Loch Doon and Clatteringshaws, allows water to be stored in times of heavy rainfall and released later in a controlled fashion.

We also monitor river levels in the northerly end of the scheme and can react to the threat of flooding by lowering reservoir levels and alerting stakeholders by telephone to flood warnings, giving individuals time to take precautions, such as moving livestock to a safer location. For further information on flood management, please visit Energy Wholesale's environmental website: [www.spenergywholesale.com](http://www.spenergywholesale.com)

### **What we did in 2010**

#### **WFD Preparations in Galloway**

The European Water Framework Directive aims to protect, improve and ensure the sustainable management of water resources across the European Union. It will be implemented through River Basin Management Plans in three phases, with targets for 2015, 2021 and 2027.

ScottishPower is required by this legislation to make changes to the way we operate the Galloway Hydro-electric Scheme. Over the last few years we have examined the operation of the Galloway Hydros to determine how we can achieve the target ecological outcome for all water bodies associated with the scheme.

Following our detailed ecological and hydrological studies and stakeholder consultation, during 2010 we submitted proposals to the Scottish Environment Protection Agency (SEPA), who are responsible for implementing the Directive, in October 2010.

Our hydrology consultants have investigated optimal conditions for compensation flows across the whole of the scheme. This is an issue that has not been examined in depth since the scheme began operation in the 1930s. During our evaluation of the options to secure the best ecological outcome for the scheme as a whole, we have sought to develop solutions that do not result in a net loss or gain of renewable energy output.

Further information is available on Energy Wholesale's environmental website: [www.spenergywholesale.com](http://www.spenergywholesale.com)

Note: ScottishPower has taken on board feedback from all stakeholders and balanced this against legal requirements and conservation of renewable energy. As a result, we announced on 9th June 2011 that we have decided not to seek to alter compensation flows in the River Doon, but seek to increase the flows serving the River Dee between 2015 and 2021, as per the current licence application. For further information on this update, see our news release at:

[http://www.scottishpower.com/PressReleases\\_2186.htm](http://www.scottishpower.com/PressReleases_2186.htm)

# Biodiversity

## Overview

ScottishPower is a major landowner. Our power stations and substations – from southern England to the Scottish Highlands – occupy a significant area.

These landholdings contain the apparatus for generating and supplying electricity to our customers. But many of our sites also contain wild spaces – coastal marshes in Kent, reservoirs and rivers in Galloway and freshwater lagoons next to the Forth Estuary.

Some of our sites are also located on, or near, areas that are recognised as important for wildlife and have been afforded statutory protection for their habitats and species.

ScottishPower is committed to the environmental stewardship of the land within our boundaries. We also seek to promote the biological diversity – or biodiversity – of life that is found on our landholdings.

## What is biodiversity?

Our planet is rich in biological diversity. Around 10 million species of animal and plant occupy their own special place in the world ecosystem, the product of billions of years of evolution.

It's this richness of biodiversity that provides the support systems that sustain human existence and quality of life – clear water, fresh air, productive soil, food, medicine and clothing.

However, the world is witnessing the greatest extinction crisis since dinosaurs disappeared from the planet 65 million years ago, according to the International Union for Conservation of Nature (IUCN).

Biodiversity is being lost up to 1,000 times faster than the natural rate as a result of human activity, including habitat destruction and climate change. It is estimated that 34,000 plant and 5,200 animal species may be on the brink of extinction. Furthermore, 45% of the Earth's original forests and 10% of its coral reefs have been destroyed.

## International and national action

International action to sustain the variety of life on Earth is based on the Convention on Biological Diversity, signed by more than 150 countries following the Rio Earth Summit in 1992. Each signatory country

committed to developing a national strategy for the conservation and sustainable use of biological diversity.

In response, the UK Government has implemented the UK Biodiversity Action Plan (UK BAP) that has published action plans for 65 vulnerable habitats and 1149 of our most threatened species – some rare but others very familiar, such as House Sparrows and Bluebells, which have undergone severe declines in population.

While lead partners and agencies are implementing these action plans, a network of country wide and regional BAPs is delivering biodiversity conservation at a local level, raising public awareness and promoting environmental education.

As part of the 2010 International Year of Biodiversity, the world community adopted a new strategic plan for implementing the Convention on Biological Diversity at the Nagoya Summit in October 2010. The new plan – known as the Aichi targets – sets in place a new tranche of biodiversity targets to be achieved by 2020.

These include reducing by at least half the loss of natural habitats, expanding the area of land designated as nature reserves to 17% of the world's total land area and widening of marine protected zones to protect 10% of the world's seas.

The Aichi targets also include a commitment to prevent the extinction of known threatened species and improve their conservation status.

In March 2010, the European Union's Environment Council agreed on a fresh set of aims and ambitions for managing biodiversity loss across Europe, including a target of halting the loss of biodiversity and the degradation of ecosystems in the EU by 2020 and restoring them, as far is feasible.

## ScottishPower's approach

ScottishPower recognises that present and future generations should be able to enjoy the benefits that biodiversity bestows. As a key indicator of sustainable development, biodiversity has been an integral part of our environmental policy for many years.

We seek not only to minimise the effects of our operations on biodiversity but also to promote wildlife and habitats through implementing positive conservation management and research at our sites and in the wider countryside.

IBERDROLA published its first group-wide Biodiversity Policy in December 2007. ScottishPower's Biodiversity Policy, which aligns to the IBERDROLA group policy, is available for download.

ScottishPower's approach has evolved over many years and goes beyond regulatory requirements.

ScottishPower's Environment Forum meets regularly and brings together senior executives with representatives from stakeholder groups including environmental regulators, WWF and the Royal Society for the Protection of Birds (RSPB).

It provides a forum to discuss the company's policy with external experts, improve two-way communication and ensure our approach is in line with best practice.

We work closely with statutory agencies such as Scottish Natural Heritage, English Nature and Fisheries Boards, as well as non-governmental organisations, including the RSPB, WWF and Wildlife Trusts, in respect of our present sites and planned developments.

ScottishPower was a founder member of the Scottish Biodiversity Forum, the organisation that liaises with partner groups preparing species action plans for Scotland and reports on progress to the UK Biodiversity Group.

The company is a member of two biodiversity steering groups that lead biodiversity action plans in their areas – East Lothian Biodiversity and Argyll and Bute Biodiversity Partnership – and attends their regular meetings.

## What we did in 2010

### Energy Wholesale

#### **BAPs**

Energy Wholesale operates nine Biodiversity Action Plans (BAPs) that cover 10 generating sites in Scotland and England. The BAPs were all launched between 2004 and 2007 and aim to entrench existing good practice and set out ecological enhancement objectives and a timescale for their implementation.

Site BAPs for Cruachan Power Station and Hatfield Moor Gas Storage Facility were reviewed and updated in 2010 as part of their five-year implementation. Details about key species and biodiversity action plans at Energy Wholesale sites are available in downloadable electronic documents on the [www.spenergywholesale.com](http://www.spenergywholesale.com) website.

### **Countryside Rangers**

Energy Wholesale continued in 2010 to sponsor or part-fund the roles of five countryside rangers. We work with local authorities to support the role of rangers at Torry Bay LNR, which includes Valleyfield Lagoons, and at Levenhall Links at Musselburgh Lagoons. Our hydro schemes also sponsor a Scottish Wildlife Trust ranger at the Falls of Clyde, Lanark, and support the role of ranger at Loch Ken and Loch Doon.

#### **Monitoring at Cruachan**

Invertebrate recording at Cruachan Power Station in 2010 resulted in several new species for Argyll, including the UK BAP carabid beetle, the Lesser-searcher – only the fourth time it has been recorded in Scotland – and the spectacular Lunar Hornet Moth. Our ongoing survey also resulted in the number of hoverfly species recorded in the area being doubled and the UK BAP Pearl-bordered Fritillary was seen for the first time at Cruachan Visitor Centre.

#### **Peregrine Falcons**

A pair of Peregrine Falcons bred successfully for the first time at Longannet Power Station and fledged two chicks. Four falcon chicks were fledged by the resident pair of Peregrines at the Falls of Clyde, part of the Lanark Hydros. At Shoreham, the peregrine nestbox was removed in 2010 due to essential maintenance on the chimney stack but a new, improved nestbox was re-sited at the end of the summer.

#### **Wildflower meadow at Valleyfield**

The ScottishPower sponsored ranger at Longannet's Valleyfield Lagoons engaged with children from four local primary schools to grow wildflowers and build nestboxes. The flowers were planted out at a disused ash lagoon at Valleyfield to create a wildflower meadow and the bird boxes have been erected in public parts of the site.

#### **Invasive species guidelines at Galloway**

The Galloway Hydros developed a set of guidelines for staff and contractors to raise awareness about the potential risk of inadvertently spreading the invasive species, the American Signal Crayfish. The information was delivered at a Toolbox Talk in 2010 and aims to ensure that precautions are taken to ensure the non-native species is not introduced to unaffected areas of the scheme through contaminated materials or machinery. During 2010, staff at the Galloway Hydros have also continued efforts to remove invasive Japanese Knotweed from their landholdings.

### ***Breeding bird surveys***

Surveys were carried out at Cruachan and Longannet/Valleyfield in 2010 to determine which birds nest at the sites. At Cruachan, 31 out of 56 species recorded were proven to have nested, including seven that are priority listed on the UK BAP – Skylark, Tree Pipit, Dunnock, Song Thrush, Ring Ouzel, Spotted Flycatcher and Twite. At the Fife sites, 81 species were recorded and at least 40 nested – seven of which were UK BAP birds – Skylark, Song Thrush, Grasshopper Warbler, House Sparrow, Linnet, Bullfinch and Reed Bunting.

### ***Areas of High Biodiversity Value at Cruachan***

Five areas deemed to be 'Areas of High Biodiversity Value Outside of Protected Areas' have been identified at Cruachan Power Station to help meet reporting requirements of GRI Indicator EN11. A report, Biodiversity at Cruachan and the GRI Index, by Blue Leaf Natural Resources, states the reasons for the sites' selection and the key species the areas support. Cruachan's site BAP has been reviewed to include measures to improve conditions in the selected areas. These will be implemented during 2011.

### ***Dee Eel Restoration Project***

Galloway Hydros is supporting efforts to restore a population of European Eels in the River Dee, upstream from Tongland Power Station. European Eels are categorised as Critically Endangered in the IUCN Red List due to a sharp decline in population of more than 80% in the past three generations. Led by the Galloway Fisheries Trust, the project will commence in 2011, with a financial contribution from the Galloway Hydros to help purchase eel traps. The Trust will install two traps at the foot of Tongland's fish ladder from May until October. The captured eels will then be released above the dam, helping their journey upstream towards Loch Ken.

### ***Kendoon tree felling***

An ecologist carried out an assessment for wildlife prior to essential work at Kendoon Power Station in the Galloway Hydros to remove a number of trees for health and safety reasons. No priority species were discovered, allowing the tree-felling operation to be completed outwith the bird nesting season.

### ***Damhead Creek 2***

Planning consent for the construction of a new CCGT at Damhead Creek was granted in January 2011. It will be built on approximately 24 hectares of land outwith the

area's protected sites, and which consists mostly of unmanaged grassland, hardstanding and an area formerly used to dispose of fly ash from Kingsnorth Power Station.

However, to mitigate for the loss of habitats, new ponds and other ecological improvements are planned on the eastern edge of the construction site. This will help to form a buffer zone between the station and the Medway Estuary protected area.

### ***Hatfield West***

Planning consent for the construction of an extension to our existing gas storage facility at Hatfield Moor was received in 2010. Mitigation measures include the reinstatement of hedgerows and scrub that must be removed during work to construct a gas pipeline and above-ground facilities, planting of a new hedgerow on a track bordering the new wellhead and the erection of bat boxes. Measures will be put in place to minimise potential disturbance to breeding Nightjars from the effects of temporary noise and increased light associated with the construction phase.

### ***Energy Networks***

#### ***Rhyl Flats***

Energy Networks helped fulfill a major biodiversity project in Conwy, Wales, as part of environmental enhancements in respect of work to install an overhead grid connection to Rhyl Flats offshore windfarm.

One kilometre of hedgerows and almost 1,000 trees were planted by Conwy Council close to the overhead line, with funding provided by Energy Networks and NPower. Black Poplars, a native Welsh species that is in decline, were among the trees planted. Other enhancements will improve one kilometre of Water Vole habitat near Abergele.

#### ***East Cheshire***

A two-year environmental improvement scheme in East Cheshire got underway in 2010, with funding from Energy Networks.

Delivery partners, the Cheshire Wildlife Trust, have appointed a project manager to deliver the habitat creation work, in respect of the Carrington to Lostock 132kV overhead line reinforcement.

The measures include the creation of meadows (34ha), woodland (9ha), hedgerows, ponds and a reedbed. The improvements go beyond mitigation for the line reinforcement that will result in the loss of some hedgerows and ponds.



**Western HVDC Link**

Partners ScottishPower Transmission and National Grid are carrying out a comprehensive environmental appraisal of proposals to develop an undersea high voltage direct current (HVDC) cable on the western side of the UK to connect Scotland with England and Wales.

The partners are consulting with local councils, SEPA, SNH, CCW and Natural England, as well as local environmental groups and land owners, in an effort to minimise potential impact on the environment or disturbance to wildlife during the planning of a preferred route.

**RSPB Capercaillie Project**

During the year ScottishPower continued its support for an RSPB project to expand the native forests of Abernethy, near Aviemore, in a bid to boost populations of Capercaillie, which is now one of the UK's most endangered birds, with less than 2,000 individuals remaining in the pine forests of northern Scotland.

Capercaillie are similarly threatened across Europe and appear on the International Union for Nature Conservation's Red List of endangered species. In the UK their decline has been rapid, dropping from a population of around 20,000 in the 1970s to approximately 1,000 in 1999.

Intense conservation efforts over the past few years has stabilised their numbers, but we have yet to witness their recovery. They remain extremely vulnerable and a UK Biodiversity Action Plan priority species.

After considerable research and study, scientists agree that one of the key factors to explain Capercaillie decline in Scotland is loss, fragmentation and degradation of their preferred habitat – Caledonian pine forest. As a result of this research, RSPB are working to expand the important Caledonian forest at their 53 square mile (130 sq km) reserve at Abernethy, as well as linking it to the neighbouring forest of Glenmore, creating a much larger, more robust forest, better able to withstand the pressures of our changing climate, wind throw, fire and disease.

They aim to restore holly, rowan, aspen, birch and other native species commonly found within Caledonian pine forest, but 'missing' from areas of Scots pine regeneration within the forest. Abernethy is known to be an important Capercaillie stronghold, supporting approximately 15% of the total Capercaillie population in the UK.

As well as maintaining membership of the RSPB's dedicated 'Friends of Capercaillie' conservation group, since 2008, we have been involved in this project to enable the RSPB to purchase seedlings to be cultivated and planted within a designated area covering roughly 96 hectares at the Abernethy Reserve.

In order to recreate native forests, it is imperative that only trees of local provenance are planted and early stages of the project involved gathering seeds from Abernethy and neighbouring forests. Initially the seedlings were planted at the nursery at Forest Lodge (RSPB's base within the Reserve) or at local nurseries. Once these saplings were strong enough, the RSPB started ground preparation work to give the young trees the best possible chance. As the aim of the project is to recreate a natural forest, the ground was prepared by hand.

Once the ground preparation work was completed, planting commenced and, by the end of 2010, a total of 2,475 young trees had been planted out, with a further 4,375 scheduled to be planted out during 2011. This planting is taking place in pockets on the most suitable areas and will cover approximately 96 hectares within an overall regeneration area of 500 hectares, helping to create the mosaic of different habitats required by the Capercaillie, and enriching biodiversity in the area. This work parallels IBERDROLA-funded habitat work in Spain to support the Spanish Capercaillie, which similarly depend upon a diverse habitat.

## Environmental compliance

Our Energy Networks business and all of our main power stations operate Environmental Management Systems that are compliant with ISO 14001, the international standard for Environmental Management Systems (EMSs).

In addition, two of our power stations, Longannet and Damhead Creek have EMSs that meet the requirements of the EU's Eco-Management and Audit Scheme (EMAS).

Energy Wholesale adopted ISO 14063, the international standard for environmental communication, in 2009 and continues to utilise its guidelines in stakeholder communications.

During the year Energy Networks began the process of moving towards an integrated management system, incorporating environmental and asset management (PAS55) standards.

### Pollution Prevention & Control

All of our thermal power stations, our gas storage facility at Hatfield Moor and the ash lagoons at Longannet and Cockerzie power stations are operated under strict conditions set out in a Pollution Prevention and Control (PPC) Permit (in Scotland) or Environmental Permit (England).

These permits are issued and monitored by the Scottish Environment Protection Agency (SEPA) in Scotland and the Environment Agency in England, under the Pollution Prevention and Control Regulations 2000 and Environmental Permitting Regulations 2010.

The Regulations are driven by the EU's Integrated Pollution Prevention and Control (IPPC) Directive and require the use of Best Available Techniques (BAT) to eliminate or minimise all polluting emissions.

The permits cover emissions to air, land and water, as well as noise, vibration and heat loss. They also cover the use of energy and raw materials, waste reduction and the management of potential environmental risks.

The Scottish Environment Protection Agency (SEPA) introduced a new Compliance Assessment Scheme in 2009 to assess an operator's level of compliance with its licence. The compliance levels are; excellent, good, broadly compliant, at risk, poor and very poor. Results from the 2009 assessment were published in 2010. Both Longannet and Cockerzie power stations achieved "good" status.

### Compliance Performance 2010

During 2010 there were no environmental prosecutions or fines. In Energy Wholesale Cockerzie Power Station received a letter from SEPA, following two leakages of ash slurry from a pipeline that transports the material from the power station to Musselburgh Ash Lagoons, leading to the temporary closure of a local road. This did not constitute a breach of environmental laws, but SEPA asked that we take all practicable steps to prevent a recurrence.

For further information, please see the Environmental Indicators and Performance section.

### Contaminated Land

ScottishPower's Contaminated Land Policy includes measures to help identify, assess, control and mitigate the risks of land or property contamination. Each business has ongoing programmes of investigation, including desktop and invasive surveys, the outcomes of which are fed into contaminated land registers.

# GRI Indicators and Performance

## Materials: Paper, Oil and Chemicals

### EN1

#### Materials used by weight or volume

	2010	2009
<b>Paper</b>		
Paper purchased (kg)	54,580	65,217.5
Paper consumption /employee (kg)*	9.26	10.83
<b>Oil</b>		
Oil consumption (litres)	1,543,535	1,356,060
<b>Chemicals</b>		
Ammonia (te)	24.73	25.62
Sodium Hydroxide (te)	1,145.05	5,391.48
Sodium Hypochlorite (te)	4,901.29	4,183.14
Sulfuric Acid (te)	718.54	12,895.62

\* Employee numbers include office-based staff only

### EN2

#### Percentage of materials used that are recycled input materials

Our principal input materials are fuels, for which no suitable substitute exists, however, we do co-fire small quantities of biomass materials at our coal power stations, such as wood pellets manufactured from waste woods.

Since 2002, ScottishPower has co-fired Waste Derived Fuel (WDF) alongside coal at Longannet. The Daldowie Fuel Plant operated by ScottishPower subsidiary SMW Ltd, is one of the largest sludge drying centres in Europe. It processes sludge from wastewater treatment plants in the West of Scotland into processed sludge pellets (PSP).

Every year SMW Ltd turns more than 2 million cubic metres of liquid sludge into 45,000 tonnes of PSP, which is burned to produce electricity. PSP has a similar calorific value to "brown coal" and its use conserves around 40,000 tonnes of coal annually.

We are unable to quantify our use of other recycled materials as a percentage of overall use at present.

## Energy

### EN3

#### Direct energy consumption by primary energy source

<b>Fuel used in power generation</b>		
Fuel	2010	2009
Coal (ktonnes)	5,768.78	4,462
Oil (ktonnes)	11.96	17.9
Gas (ktonnes)	1,846.43	2,096
Biomass	10.14	33.06
WDF	45.63	45.34
Diesel Oil (ktonnes)	0	0

Coal burn increased significantly during 2010, due to Longannet Power Station operating four units for the first time in several years, following major outages to fit emission abatement technologies, such as Flue Gas Desulphurisation and Boosted Over Fire Air.

The commissioning of FGD on two units enabled Longannet to burn a greater proportion of Scottish coal – more than a third of the coal consumed came from Scotland – although low sulphur coals from Colombia and Russia were used in the remaining two units.

Co-firing of biomass during the year was constrained following a fire at the Perthshire premises of wood pellet supplier.

Gas use was down by almost 12% on 2009, mainly due to an increase in coal generation with the return of Longannet Power Station to full service.



**EN4****Indirect energy consumption by primary source**

<b>Indirect energy use in power generation</b>		
	2010	2009
Indirect energy consumption in generation (GJ)	6021848	6,406273
Imported power (GJ)	3,103,257	3,996,406
Self-generated power use (GJ)	2,918,591	2,409,867

Indirect energy use was lower in 2010, demonstrating the success of investments made in improving the energy efficiency of our site operations.

<b>Energy consumption in office and buildings</b>		
	2010	2009
Electricity (GJ)	33.19	247.5
Gas (GJ)	5.01	127.3

*Note: 2009 figures included auxiliary power use. 2010 figures relate to energy use in offices and buildings only.*

**EN5****Energy Saved due to conservation and efficiency improvements**

A number of smart buildings solutions were implemented at our main business centre at Cathcart in Glasgow, achieving energy savings of 20%.

<b>Energy saving measures installed 2010</b>				
	Measures installed	Carbon savings (tonnes CO2)		
		Priority Group	Non Priority Group	Total
Insulation		1,000,049	2,292,811	3,292,860
Hot water tank jackets	1,173			
Cavity wall insulation	78,886			
Solid Wall insulation	1,159			
Air source heat pumps	84	2,582	1,105	3,687
Heating systems	1,159	44,945	21,411	66,356
Water saving devices	758,043	204,624	734,284	938,908

The roll-out of a new multi-functional devices contract (combined copier/printer and faxes) began in the third quarter of 2010. Benefits will include reduced power requirements through "sleep mode" and reduced paper usage.

Office lighting systems at Cathcart have also been improved, to reduce energy use and maintenance costs.

**EN6****Initiatives to provide energy efficient or renewable based energy products and services and reductions in energy requirements as a result of these initiatives**

We continued to participate effectively in the Carbon Emissions Reduction Target (CERT) customer energy efficiency programme, installing energy saving measures in customers' homes. Further details on CERT can be found in the Climate and Carbon Reduction Section, What We Did in 2010, Energy Retail, Energy Efficiency.

We also continued to offer green energy products to domestic and business customers. A description of these products can be found in the Climate and Carbon Reduction Section, What We Did in 2010, Energy Retail, Green Energy.

Each measure installed under CERT has a predetermined CO2 saving and is aligned to the DECC target setting model. This is the difference between the energy used before and after the installation of the measure, multiplied by the carbon dioxide coefficient of the fuel used and the lifetime of the measure.

**EN7**
**Initiatives to reduce indirect energy consumption and reductions achieved**

In April 2010 a group-wide campaign was launched to encourage suppliers to reduce their greenhouse gas emissions. Major suppliers received a greenhouse gas emission survey, including a request to prepare an inventory of their greenhouse gas footprint.

Also at group level, video conferencing was promoted to reduce emissions from travel, particularly between Spain and the UK.

**EU5**
**Allocation of CO2 emissions allowances or equivalent, broken down by carbon trading framework.**

This is covered under Climate & Carbon Reduction, Market Mechanisms in this section.

**EU7**
**Demand-side management programs including residential, commercial, institutional and industrial programs.**

The principal demand side programmes relate to the residential sector and include the mandatory Carbon Emissions Reduction Target (CERT), the Community Energy Saving Programme (CESP) and the remote control of electricity load to fuel electric storage heaters during off peak times.

Smart metering, the Unifi energy monitor and Smart Grid projects, covered under Climate & Carbon Reduction (What We Did in 2010, Energy Networks and Energy Retail) will contribute to demand management in future years.

For larger industrial and commercial customers we offer a dedicated energy management service, which includes an automatic monitoring and targeting system and help with optimising lighting, heating, ventilation and air conditioning.

See our customer website for details:

<http://www.scottishpower.co.uk/your-business/large-business/crc-energy-efficiency-scheme/energy-solutions.aspx>

**Water**
**EN8**
**Total water withdrawal by source (See also chapter on Water)**

<b>Water use: Operational sites</b>		
	2010 (million m <sup>3</sup> )	2009
Tidal/estuarine	2,216	2,023
Potable mains water	4.062	3.6
Groundwater /borehole	0.495	0.54
River water	0.313	0.335

Water use for electricity generation increased in 2010, as a result of Longannet Power Station returning to four unit operation. Note: In 2009 we reported Longannet's cooling water use as River Water. For 2010 this has been categorised as estuarine and we have restated the 2009 figures here accordingly.

<b>Water use: Offices and buildings</b>		
	2010	2009
Water use, offices and buildings (m <sup>3</sup> )	69,658	51,389

Water use for some sites has been estimated for 2010.

**EN9**
**Water sources significantly affected by the withdrawal of water**

See also section on Water.

ScottishPower's activities in relation to the abstraction of water for hydro-electric power generation and thermal generation cooling are subject to strict controls under devolved environmental legislation. Licences under The Water Environment (Controlled Activities) (Scotland) Regulations 2005 state the limits within which we can operate, which are issued and monitored in Scotland by the Scottish Environment Protection Agency.

In England and Wales licences for the abstraction or impoundment of water are controlled by the Environment Agency under the Water Act 2003. These Acts and subsequent licensed activities aim to prevent any significant environmental impacts on the environment as a result of water abstraction.

**EN10****Percentage of total water volume re-used and recycled.**

See also section on Water

We have water recycling facilities in place at several sites, but accurate data on the volumes recycled is not available for some sites. Water recycling arrangements include:

- An effluent cleaning facility at the Daldowie sludge drying plant
- A rainwater harvesting scheme at Rye House Power Station
- A water recycling system at Damhead Creek Power Station

**Biodiversity****EN11****Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas**

Many of Energy Wholesale's sites are located on or adjacent to areas that are recognised as being important for biodiversity and afforded statutory protection for their habitats and species.

These include three Ramsar designations, five Special Protection Areas, three Special Areas of Conservation and 13 Sites of Special Scientific Interest. Of particular importance is the Galloway Hydro scheme that is exposed to 11 protected sites, a reflection of the substantial area it covers in South West Scotland.

It is estimated that 41% of Energy Wholesale's landholdings (an estimated 3,264 hectares) fall within protected areas, largely due to the extent of protected sites at Galloway Hydros.

In 2010, there were no changes to the boundaries of protected areas, and no new protected area designations, that change the relationship between Energy Wholesale sites and existing protected sites. The situation will be reviewed when Damhead Creek 2 and Hatfield West Gas Storage Facility commence construction.

Biodiversity survey work at Cruachan Power Station has enabled five sites to be determined as "Areas of High Biodiversity Value" outwith protected areas.

ScottishPower Energy Networks estimate that 6.9% of powerlines and 7% of substations fall within protected areas. These figures are based on GIS overlay between the datasets for protected areas and cable and

overhead lines. The datasets include those for NSA, SPA, SAC, Ramsar, NNR and SSSI designations, but not Ancient Woodland. Some error correction and widening of scope has taken place.

**EN12****Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas**

ScottishPower Energy Wholesale's sites operate in compliance with permits granted by the UK environmental regulators and under restrictions to ensure the local environment is protected. The hydro power sites operate in line with the requirements of the Water Framework Directive while other operational sites are prescribed under the Integrated Pollution Prevention and Control Directive.

**EU13****Biodiversity of offset habitats compared to the biodiversity of the affected areas**

ScottishPower Energy Wholesale operates two sites of interest under this indicator:

Damhead Creek manages a 32-hectare mitigation area for its biodiversity communities. This land includes wetlands, coastal grassland and areas of woodland and scrub. The scheme also targets pro-active measures to improve conditions for key species, such as water vole. Practical conservation work is supported by hydrological surveys and fieldwork to assess the condition of flora and fauna.

At the Galloway Hydro scheme, the provision of fish passes at Tongland, Earlstoun and Carsfad dams, and a pass for the descent of salmon smolts at Kendoon, enables fish, such as Atlantic salmon, to overcome the potential barriers to their migrations presented by the scheme's dams; a fish pass was also provided at Loch Doon. Over the years, the passes have been improved following studies into fish movements and the Hydros continue to maintain the passes on an ongoing basis.

**EN14****Strategies, current actions, and future plans for managing impacts on biodiversity**

ScottishPower Energy Wholesale maintains a biodiversity policy (downloadable from its website), while Energy Wholesale's approach to managing environmental issues in general, is underpinned by IBERDROLA's Environmental Policy.

In 2009, Energy Wholesale launched a website that includes downloadable factsheets on biodiversity and biodiversity management. Sites operate Environmental Management Systems (EMSs) that are compliant with the international standard ISO 14001 and Longannet and Damhead Creek also meet the requirements of the EU's Eco-Management and Audit Scheme (EMAS).

Each Energy Wholesale site, with the exception of Daldowie Sludge Drying Facility, also has a biodiversity action plan (BAP) that sets out targets to maintain and improve habitats for wildlife on its landholdings and a timescale for their implementation.

Sites often work closely with statutory organisations, NGOs and voluntary groups to advance BAP targets and develop specific projects to manage potential impacts on protected sites, improve knowledge of conditions on protected sites or improve conditions for UK Biodiversity Action Plan (UK BAP) species.

In line with industry legislative requirements, Energy Networks' commitment to environmental protection is set out within their 'Statement on Preservation of Amenity in accordance with Schedule 9 of the Electricity Act 1989'. This is a basic legal requirement for all distribution and transmission operators in the UK. There are three statements available, one for each of ScottishPower's networks, and which are publicly available from the Energy Networks' website. The statements set out the framework for delivery of environmental protection through the system asset lifespan.

<http://www.scottishpower.com/uploads/Sched9SPTver9.pdf>

<http://www.scottishpower.com/uploads/Sched9SPDver9.pdf>

<http://www.scottishpower.com/uploads/Sched9SPMver9.pdf>

National requirements are identified within our Register of Legal and Other Requirements document and addressed within project scoping and planning arrangements. Consultation is made with national and regional wildlife and planning regulatory authorities at the project planning stage and appropriate licenses and permits are obtained and complied with.

Where scoping studies and consultations indicate significant biodiversity impacts, detailed visual impact, species and habitat studies are required. These are delivered by specialist contractors during the project planning stage to determine species or habitats present, and possible risks during construction or operation of the development.

Subject to further consultation with regulatory bodies and other specialist interest groups, controls to manage identified risks and sensitivities are developed and set out within planning applications and project environmental management plans. The required controls are communicated to staff and contractors pre-start and delivered by site managers. Controls may include;

- Working outside of breeding periods
- Providing intrusion barriers.
- Temporary re-location.
- Provision of alternate and or additional habitat mitigation.
- Approved and agreed site access and exit points.
- Provision of exclusion zones in proximity to sensitive species.
- Use of trenchless cable installation techniques.

As a standard measure our works are required to comply with a "Grantors Charter" detailing conduct on third party owned work sites. This sets out basic commitments and is publicly available at: [http://www.spenergynetworks.com/PublicInformation/pdf/English\\_Grantors.pdf](http://www.spenergynetworks.com/PublicInformation/pdf/English_Grantors.pdf)

Additionally, during 2009/10 we developed detailed species/issue specific guides to wildlife and habitat protection. These will be published via an updated employee Health, Safety and Environment Handbook in 2011. They may also be available to contractors.

During project delivery, each project is subject to Health, Safety and Environment monitoring programmes during the project lifecycle. This will be delivered by on-site teams, SPEN staff external to project delivery, or licensed species/habitat specialists. This will ensure that the identified risk controls and permission conditions are being complied with. This may extend to post-completion monitoring to establish that species /habitat development is continuing as intended.

During the delivery phase, consultation is maintained with regulatory authorities. This includes monitoring of compliance with planning and wildlife protection licence conditions and may extend beyond the life of the project, ensuring mitigation.

**EN15****Number of IUCN Red List Species and national conservation list species with habitats in areas affected by operations, by level or extinction.**

Six species recorded at Energy Wholesale sites feature on the International Union for Conservation of Nature Red Lists:

**Critically Endangered** – European Eel (*Anguilla anguilla*). The familiar fish species has suffered a decline of up to 95% since 1980 but is found at Cruachan and Longannet. ScottishPower is supporting efforts to reintroduce the eel to the River Dee at the Galloway Hydro-electric Scheme.

**Endangered** – *Bembidion humerale*, a ground beetle, and *Curimopsis nigrita*, the Mire Pill-beetle, both recorded from Lindholme Compression Site, Hatfield Moor Gas Storage Facility.

**Vulnerable** – *Phaonia jaroschewskii*, the Hairy Canary Fly, recorded from Lindholme; Oxbow Diving Beetle (*Hydroporus rufifrons*) recorded from Kenmure Holms, Galloway Hydros; and River Jelly Lichen (*Collema dichotomum*) recorded from the Falls of Clyde SSSI, at the Lanark Hydro-electric Scheme.

The IUCN has not yet published a Red List for carabid beetles so Energy Wholesale is keeping a watching brief of the status of the Lesser-Searcher (*Calosoma inquisitor*), a UK BAP species that was found at Cruachan in 2010. The beetle appears on the Red Lists of other several European countries, from Denmark to Serbia.

Energy Wholesale sites also play an important role in the conservation of UK BAP species. From the available information, a total of 36 UK BAP birds – more than half of the 56 distinct species on the priority list – have been recorded as wintering or breeding species at EW sites. Our landholdings also support nine mammals; seven fish; five reptiles; two amphibians; eight butterflies and moths; five other species of invertebrates; one lichen and seven plant species, which are listed on the UK BAP.

**Emissions, Effluents and Waste****EN16****Total direct and indirect greenhouse gas emissions by weight**

(See also section on Climate and Carbon Reduction)

<b>GHG footprint (CO<sub>2</sub>)</b>		
	2010	2009
Power stations, thermal energy generated, (tonnes) Verified EUETS figures	17,742,159	15,137,420
Renewable energy	80,367	116,548
Transport (tonnes)	243,562	283,463
Internal energy and process use (tonnes)	486,985	622,517
SF <sub>6</sub> , CO <sub>2</sub> equivalent (tonnes)	20,020	23,619
Methane, CO <sub>2</sub> equivalent (tonnes)	799 (Hatfield)	9,815.4
<b>Total CO<sub>2</sub> emissions (tonnes)</b>	<b>18,573,892</b>	<b>16,193,382</b>

*Note: 2009 CO<sub>2</sub> from generation figures were re-stated to exclude the Daldowie sludge drying plant. The 2009 internal energy and process use figure was restated to include 100% of imported electricity. SF<sub>6</sub> is mainly from Energy Networks, but includes a small leak at Cruachan.*

**EN17 Other relevant indirect greenhouse gas emissions by weight**

<b>Emissions associated with transport</b>		
	2010 (CO <sub>2</sub> tonnes)	2009 (CO <sub>2</sub> tonnes)
Air, train and shipping	229,358	268,845
Vehicles by road	8,952	9,183
Car use (where distance available)	5,251	5,434

<b>Energy saving measures installed 2010</b>				
	Measures installed	Carbon savings (tonnes CO2)		
		Priority Group	Non Priority Group	Total
Insulation		1,000,049	2,292,811	3,292,860
Hot water tank jackets	1,173			
Cavity wall insulation	78,886			
Solid Wall insulation	1,159			
Air source heat pumps	84	2,582	1,105	3,687
Heating systems	1,159	44,945	21,411	66,356
Water saving devices	758,043	204,624	734,284	938,908

**EN18**
**Initiatives to reduce greenhouse gas emissions and reductions achieved**

During 2010 we implemented various initiatives to reduce CO2 emissions. These are described in more detail in the Climate and Carbon Reduction section.

In Energy Wholesale our key carbon reduction initiative was continuing the Carbon Capture pilot project, which was launched in May 2009, to provide data that will enable the construction of a commercial scale Carbon Capture and Storage project.

We also continued ongoing work to improve the thermal efficiency of our power stations and reduce controllable losses at Longannet.

We also progressed Smart Metering and Smart Grid projects and we are involved in a project to provide charging points for electric vehicles in Glasgow.

Each of these projects is at a relatively early stage, so we are not yet able to quantify CO2 savings.

Lifetime CO2 savings for home energy efficiency measures installed under the mandatory Carbon Emissions Reduction Target (CERT) programme, are shown in the table above.

In our offices, Carbon Trust Audits have been carried out to identify further energy efficiency improvement projects that we could implement as part of our Carbon Reduction Commitment.

**EN19**
**Emissions of ozone depleting substances by weight**

There were no emissions of ozone depleting substances, such as chlorofluorocarbons or halons in ScottishPower's businesses during 2010. These substances have been gradually phased out from air conditioning systems and fire fighting equipment across the company over a number of years.



**EN20****NO<sub>x</sub>, SO<sub>x</sub> and other significant air emissions**

<b>Emissions</b>	2010	2009
Total NO <sub>x</sub> from power generation (tonnes)	28,819	26,681
NO <sub>x</sub> emissions, thermal mix (te/GWh)	1.07	1.08
NO <sub>x</sub> emissions, portfolio, te/GWh	0.99	0.97
Total SO <sub>x</sub> from power generation	58,493	42,646
SO <sub>x</sub> emissions, thermal mix (te/GWh)	2.17	1.72
SO <sub>x</sub> emissions, portfolio, te/GWh	2.01	1.55
Total particulates from power generation (te)	1,435	1,000
Particulates, thermal mix (te/GWh)	0.05	0.04
Particulates, portfolio (te/GWh)	0.05	0.04
Mercury	0.2	0.14

*Calculations based on 26,948 GWh thermal generation for thermal mix and 29,084 GWh total generation. This includes 27,646.7 GWh of own generation and 1,438 GWh from ScottishPower Renewables, which is controlled by ScottishPower. SO<sub>x</sub> emissions were higher than in 2009 due to the higher proportion of coal generation and FGD not being in operation until the end of the year.*

**EN21****Total water discharge by quality and destination**

Not reported, as additional metering is required at some sites to provide accurate data.

**EN22 total weight of waste by type and disposal method**

	2010	2009
Total hazardous waste arising (litres)	948,727	490,578
Total hazardous waste arising (tonnes)	5241	29,335
Total hazardous waste recovered (litres)	867,665	364,887
Total hazardous waste recovered (tonnes)	3,921	2,582
Total non-hazardous waste arising (litres)	632,654	740,153
Total non-hazardous waste arising (tonnes)	439,549	248,440
Total non-hazardous waste recovered (litres)	140,580	132,349
Total non-hazardous waste recovered (tonnes)	365,732	207,252

**EN23****Total number and volume of significant spills**

There were no spills that caused significant damage in the surrounding environment of our facilities during 2010. However, two spills of ash slurry from a pipeline running between Cockenzie Power Station and Musselburgh Ash lagoons occurred in November and December 2010, which resulted in the closure of a B

road for a short period. While SEPA did not consider these incidents to be breaches of any permit conditions, it sent a letter regarding our 'duty of care' and stated that all possible steps should be taken to avoid a repetition of the incidents.

**EN24**

**Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.**

We do not transport waste deemed hazardous under the terms of the Basel Convention.

**EN25**

**Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.**

All process discharges and surface run offs to water bodies from power stations must comply with their Pollution Prevention and Control permits, or Environmental Permits, which are issued and monitored by SEPA in Scotland and the Environment Agency in England. No receiving water bodies were significantly affected by our operations during 2010.

We are aware, however, that fluctuating water levels at the Galloway Hydro-electric Scheme has the potential to affect breeding birds and we have worked voluntarily with the Royal Society for the Protection of Birds to minimise fluctuations in water levels, during the nesting season with positive results.

**Products and Services****EN26**

**Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.**

We provide a range of products and services to mitigate negative environmental impacts. These are described under indicator EN6 and more fully in the Climate and Carbon Reduction section of this report.

**EN27**

**Percentage of products sold and their packaging materials that are reclaimed, by category.**

Our primary products, gas and electricity, do not generate any packaging.



## Compliance

### EN28

#### Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.

There were no fines or sanctions imposed for non-compliance with environmental laws and regulations.

Environmental compliance 2010	Energy Networks	Energy Wholesale
Formal enforcement notices	0	0
Formal warnings for breaches of laws or regulations	0	0
Formal notices for breaches of environmental laws or regulations	0	0
Prosecutions	0	0
Prosecutions appealed	0	0
Prosecutions overturned	0	0
Prosecutions upheld	0	0
Level of fine	0	0
Breaches and incidents	34	6
Incidents reported to regulator	12	17
Complaints/enquiries (Community, Environmental)	1,231	27
% facilities operated under an EMS	100	100

Energy Networks received 337 complaints relating to damage to property, 173 relating to graffiti, 100 relating to litter and 583 relating to weeds at company assets. In addition to incidents reported to the regulator, the company wrote to the Environment Agency in relation to three other incidents, including metal thefts.

Breaches and Incidents notified to the regulator for Energy Wholesale include breach of water discharge temperature, stack dust and an ash pipeline burst. Community complaints were made in relation to dust, noise and odour.

## Transport

### EN29

#### Significant environmental impacts of transporting products and other goods and material used for the organization's operations, and transporting members of the workforce.

The main environmental impact of transport is CO<sub>2</sub> emissions. We have reported figures under EN16 and provided commentary in the Climate and Carbon Reduction section of this report.

### EN30

#### Total environmental protection expenditures and investments by type

	£000
Various projects, including FGD	34,375
CERT costs	43,202
Asbestos removal	20,595
<b>Total</b>	<b>98,172</b>

social



# Social

The Social section of our CSR Annual Review this year includes information on all our key social performance indicators and programmes.

We have provided information on a host of issues from how we manage new developments and existing sites, to our community investment programme, how we treat our employees and the steps we take to ensure electricity and gas is delivered safely and reliably to customers' homes.

We also explain our approach to customer service, product development and pricing and key Government policy changes that will influence the way we operate in the years ahead.

## Our People

The on-going success of our company depends on a professional, highly skilled and motivated workforce, as our markets and the technologies deployed continue to evolve in the transition towards a low carbon economy.

At the end of 2010 we employed 8,039 people across a wide range of disciplines from engineering and project management, to trading, commercial development, operations and sales to support services such as finance, human resources, IT and marketing.

Recognising that our sector as a whole could face skills shortages in the future, it is important that we attract the best young talent for development and retain the high levels of knowledge and skill contributed by employees with long experience.

We achieve this by encouraging and rewarding success, and providing an environment where employee safety and wellbeing, personal development, effective leadership and work-life balance are valued.

Our employees enjoy a range of benefits, including market competitive salaries and holidays, sick pay, pension, family friendly policies, childcare vouchers, occupational health, leisure facilities at larger sites and discount schemes.

We have a suite of Human Resources policies, covering a range of issues from Equal Pay and Opportunities to Alcohol and Drugs and Whistleblowing.

All of our policies and actions towards employees are aimed at achieving leading edge employment practices and comply fully with EU employment laws. This prohibits the use of child labour and forced labour.

## Employee profile and diversity

At the end of December 2010 we employed 8,039 people, of which 66% were men and 34% were women. The number of people we employed decreased by 631 during 2010, mainly due to restructuring – for example, 96 employees from Energy Networks moved to Iberdrola Engineering and Construction. However, the proportion of men to women remained roughly the same.

Our employee turnover rate for the year was 12.8% and our total payroll was £276 million.

We encourage diversity in our employee population and promote equal opportunities in the workplace for people from all walks of life, however, it is a feature of our industry that engineering continues to be the career of choice for greater numbers of men than women.

### Workforce profile summary

<b>By gender</b>	<b>2010</b>
Men	5,303
Women	2,736
<b>By professional category</b>	
Managers	466
Advanced degree holders	1,347
Basic degree holders	1,603
Skilled workers	4,623
<b>By age group</b>	
Up to 30 years old	1,372
Between 31 and 50 years old	4,662
Over 50 years old	2,005

## Health, safety and wellbeing

We continue to offer a comprehensive range of health services for employees at all levels, ranging from health surveillance of all employees on the occupational risk register, to voluntary Fit for Life health checks, physiotherapy and confidential counselling.

During the last two years various measures have been introduced to support employee attendance, including “attendance academies” and rehabilitation programmes, often involving interventions such as physiotherapy, to help employees return to work after illness or injury.

Our sickness absence performance is published in the Health, Safety and Reliability section.

During 2010 Occupational Health commenced a Wellbeing pilot at two sites Warrington and Kirkintilloch. Each had a wellbeing kiosk on site for 2 months to allow employees to check their blood pressure, height, weight and body mass index. This enabled employees to access wellbeing tests outside office hours allowing flexibility and access to all on site.

A new employee Wellbeing programme was launched in 2010, following a company-wide analysis of health needs.

Our Wellbeing programme is managed by our Wellbeing Steering Group, which is led by Occupational Health & Safety and includes representatives from each of our businesses.

Key elements of the long-term programme include: healthy eating, fitness and weight loss, supporting staff attendance, mental wellbeing, avoiding accidents in the workplace and health and the environment. We have also implemented a number of innovative staff challenges including walking and weight loss challenges aimed at improving health and staff engagement.

During the year we continued to promote specific health initiatives to coincide with national health campaigns such as Stop Smoking Day and Breast Cancer Awareness Week. The objective of these events is to inform and educate employees using internal and external expertise.

To support each health theme, we publish information in the Group magazine, Connection, company Intranet sites, our quarterly Wellbeing Matters magazine and distribute posters and leaflets. In addition, we hold special clinics to support men and women’s health weeks.

If an employee has any health concerns, they can refer themselves to a member of the Occupational Health team for advice. In addition, a confidential telephone helpline is available to all staff for counselling and information on personal, family and legal matters.

Employees can also request voluntary “Fit for Life” assessments, which include checks on body mass index, blood pressure, body fat, cholesterol, and urinalysis.

Health surveillance is routinely undertaken for employees who may be exposed to potential health hazards in the workplace, including noise, hand-arm vibration, substances which can cause skin or respiratory sensitivity, or where there are specific vocational fitness requirements such as driving or working at height. During the consultation employees have the opportunity to discuss any health concerns they may have.

During the first few months of 2010 the Occupational Health team worked closely with the businesses to prevent the spread of swine flu among employees, visitors and field staff, during the pandemic. This involved advising employees, excluding staff who had caught the virus from the workplace, as well as improving general education and awareness of the disease.

Once again during 2010, we retained our Gold Award in Scotland’s Healthy Working Lives programme. The awards are given at Bronze, Silver and Gold levels to organisations that demonstrate a long-term commitment to improving health and safety in the workplace by supporting healthy eating, staff attendance, mental wellbeing, avoiding accidents at work and other health related matters.

# Employee Benefits

## Pensions and Retirement

ScottishPower provides employee retirement benefits that are market competitive and in line with best practice standards. Over 75% of all employees contribute to our pension plans.

We have three pension schemes – two final salary schemes, which are closed to new entrants and the ScottishPower Stakeholder Plan.

Our longer serving employees benefit from our two final salary pension schemes which have the security of building up valuable pension benefits with flexible, innovative options for topping up their Scheme benefits.

Our schemes are well funded and managed by effective, responsible trustee bodies committed to safeguarding these pension schemes for all members.

A summary of the features of our pension schemes is shown in the table below.

	Stakeholder Pension (defined contribution)	SP Pension Scheme (final salary)	ESPS Manweb Group Scheme (final salary)
Percentage of pensionable salary contributed by employer	Bronze 6% Silver 8% Gold 10%	21.8%	23.9%
Percentage of pensionable salary contributed by employee	Bronze 3% Silver 4% Gold 5%	5%*	5.5% 4.5% 0%

\* Or 0% for those participating in the Pension Salary Sacrifice Agreement (Pension Plus)

ScottishPower pays twice the employee's chosen contribution level into the Stakeholder Pension Plan.

Our Stakeholder Plan provides employees with an incentive to save for retirement with the company's support in an easy, flexible and tax efficient way. It also includes life assurance cover. As at 31 December 2010 there were 753 contributing members, and the total value of the Plan was £14.2 million.

ScottishPower supports employees preparing for retirement in many ways such as:

- Helping them understand the financial benefits payable from our pension schemes to enable them to make better Informed financial choices
- Clearly articulating the process from our administrators, issuing the first quotation six months in advance of the Member's Normal Pension Age, to requesting a quotation of retirement benefits from our administrator, through to final benefit settlement
- Assistance with practical issues they may face in retirement by facilitating attendance at pre-retirement courses sponsored by third party providers.

## Pensions Communication

We use a range of different approaches and media to communicate our pension arrangements, targeting support appropriately throughout the employment lifecycle – pre-employment, induction programmes, mid-career, lifestyle changes, leaving service, pre-retirement and post retirement.

We also offer a dedicated pensions helpline, one-to-one on-site pension surgeries, annual pension scheme newsletters and a pensions website that all members can access.

This allows employees and scheme members to view information on the financing and management of the schemes and enables employees to calculate estimates of pension benefits and access their benefit statements online.

All pension plan members are provided with annual Benefit Statements, incorporating State benefit forecasts, Plain English guides to all pension arrangements and access to Individual Financial Advice providers.

We also provide our retired Employee Associations with bi-annual pension scheme updates.

During 2010 we held a number of road shows and surgeries for staff, including presentations at employee team meetings, one-to-one surgeries and setting up stalls in canteens and staff breakout rooms. This involved providing employees with information on the key benefits and the financing and management of the company's pension schemes, while independent financial advisers were available to offer more general advice.

We also held pensions forums in June and November at which retired staff associations could meet the pensions management team for an update on the schemes' funding and management.

### Pension Scheme Management

2010 saw a greater level of stability in stock markets than 2009. The schemes currently have less than 50% of the assets invested in equities, the remainder being invested in Government and corporate bonds, cash, property and infrastructure funds.

#### ScottishPower Pension Scheme

Asset and liabilities values of the fund at 31st December 2010 were £2.336 billion and £2.412 billion respectively, giving a funding level of 97%. The scheme has completed its 2009 Actuarial Valuation. With effect from 1st July 2010, employer contributions increased from 15% to 21.8% of pensionable salaries. Additionally, ScottishPower agreed to contribute deficit repair contributions of £11.7m for seven years. The first payment was made in July 2010. Future payments will be made in April 2011 and annually in April thereafter. The £11.7m contribution will be increased each year in line with increases in the Retail Prices Index from April to April.

#### Manweb Group Pension Scheme

Asset and liabilities values of the fund at 31st December 2010 were £825million and £1.017 billion respectively, giving a funding level of 81.1%. The scheme has completed its 2009 Actuarial Valuation. With effect from 1 July 2010, employer contributions increased from 20.3% to 23.9% of pensionable salaries. Additionally, ScottishPower agreed to contribute deficit repair contributions of £23m for seven years. The first payment was made in July 2010. Future payments will be made in April 2011 and annually in April thereafter. The £23m contribution will be increased each year in line with increases in the Retail Prices Index from September to September.

### Employee Share Plans

We offer two employee share plans to enable employees to benefit from the successful performance of the IBERDROLA Group.

#### Share Incentive Plan

The company deducts money from employees' pre-tax salary and uses it to purchase shares, which are held in trust on the employee's behalf. This scheme also includes the bonus of free matching shares for every partnership share acquired, up to a monthly maximum. Dividends are paid on these shares twice a year.

#### Sharesave Scheme

The company also operates a Sharesave Scheme (Save As You Earn), whereby employees pay into a savings scheme from their after tax pay for a period of three or five years. They receive a guaranteed tax-free bonus at the end of the savings contract and the option to buy shares at a set price, or cash in their savings.

A total of 71% of employees are paying into the Share Incentive Plan and 44% of employees are paying into Sharesave. Based on the December 2010 payroll, the average monthly contribution for the Share Incentive Plan was £89 per employee, while the average monthly saving under Sharesave in 2010 was £118 per employee.

During 2010 a revised Share Incentive Plan was made available to all employees. The new plan was structured in a similar way to previous Share Incentive Plans, but had an enhanced matching facility for the first 12 months. This enhanced matching facility saw the company matching shares purchased by employees on a 2 for 1 basis, up to the first £50 invested. With effect from March 2011, the matching offer reverted to the 1:1 basis as agreed originally.

This new plan delivers on a commitment made by IBERDROLA to ensure that all ScottishPower employees would continue to have access to employee Share Incentive Plans comparable to those that were available before the integration with IBERDROLA.



## Other Employee Benefits

### Your Choices

The “Your Choices” employee benefits scheme allows employees and their families to access an extensive range of discounts and offers on products and services including leisure, family days out, retail vouchers, shopping, health and holidays.

### Gym Facilities

“Powerclubs” – well equipped fitness centres, staffed by professional instructors, are available at several of the company’s larger work sites and are open to all employees for a nominal monthly fee.

In addition, through “the Your Choices” benefits scheme employees can get discounted gym membership at a range of external health and fitness clubs, nationwide.

### Vauxhall Partners Programme

Through our partnership with Vauxhall Motors, employees and their immediate families can save money on the list price of a wide range of new Vauxhall cars, as well as access generous discounts on factory fitted options, delivery charges plus better than market deals on car insurance and car financing.

### Give As You Earn

The company operates a Give As You Earn scheme, enabling employees to make tax efficient charitable donations via the company payroll. In 2010, an average of 578 employees contributed £50,373 to good causes via the Give As You Earn scheme.

### Childcare Vouchers

In partnership with Computershare Voucher Services the company’s Childcare Voucher Scheme allows employees to save money on their childcare costs by exchanging a portion of their pre-tax monthly salary to receive the same amount (free of tax and national insurance) in childcare vouchers.

### Social & Recreational Societies

Social and Recreational Societies operate at a number of the company’s main work locations allowing employees to participate, with their colleagues, in a range of social, recreational, cultural and sporting activities.

Typical events range from theatre outings to dances, karaoke nights, shopping trips, or employees can join one of the many sporting clubs such as hill walking, skiing, golf and football.

## Learning and Development

We are committed to the development of our people at all levels within the organisation, to ensure strong leadership and succession planning, senior management and team leader competency and the highest standards of skills across all disciplines.

Our key focus is to ensure employees are equipped to carry out their roles effectively. We have a company-wide employee development review (EDR) process, which assesses talent and development needs and helps to support succession planning. Individual employee requirements in all aspects of training are incorporated in the annual business training plans. Some requirements are fulfilled in company-wide programmes, other development needs for specific roles are addressed through individual development and training interventions.

### Global Energy MBA (Warwick Business School)

Building on the success of 2009 when we sponsored five managers to participate in the Global Energy MBA at Warwick Business School, we sponsored another two managers to take the MBA. The three-year, part-time programme is based on Warwick’s MBA, but with a specific focus on the needs of the energy sector.

### People Leader Programme

Our People Leader Programme is designed to support our people as they begin their management careers. The programme consists of four separate modules, totalling seven days’ development:

- 1. Your Role As A Leader** – covering leadership models, coaching, feedback and personal awareness
- 2. Leading Health & Safety** – covering management responsibilities with regard to health and safety
- 3. Performance Management** – covering the Performance Management policy and process and the soft skills needed to conduct face-to-face interventions
- 4. Dealing With People Situations** – covering the interpretation and application of ScottishPower’s HR policies and procedures, such as the grievance, disciplinary and absenteeism policies.

- Develop high quality Graduates, instilling them with the skills and confidence to take on key responsibilities and achieve business results
- Enable graduates to take responsibility for their actions and their own development with the guidance and support of others
- Increase their self-awareness and develop an understanding of how they are perceived by others. As a result, the graduates will be better positioned to both influence and lead others in their roles as managers in the future
- Develop the key skills and behaviours associated with the IBRDROLA and ScottishPower Leadership model and our competency framework

### Leadership Development Review (LDR)

During 2010 we evaluated a further eight Senior Managers against our new Group Leadership Model, “Energising Leaders”, which was developed in partnership with an external consultancy, YSC Group.

The evaluation was undertaken to help us improve understanding of our current capabilities, strengths and areas for improvement, both at an individual and organisational level. Participants now have personal development plans in place, based on the feedback provided.

### Visionaries – Benchmark for Business

Visionaries: Benchmark for Business is a leading developer of management conferences which take the world’s finest management thinkers through a programme of world-class business events where top executives and corporate leaders can share inspirational insights on the future of business success.

Considering the purpose of this development, Visionaries became an extension of our development offerings, enabling our senior executives and high potential people to learn face-to-face from the world’s finest management thinkers and business brains. To date, six senior leaders have participated in these events.

### Graduate Development

We continue to recruit young, graduate talent and aim to provide a learning environment in which our graduates can develop personal and business skills that will enable them to become effective managers and leaders in the future.

The modular Graduate Development Programme is designed to:

- Develop high quality Graduates, instilling them with the skills and confidence to take on key responsibilities and achieve business results
- Enable graduates to take responsibility for their actions and their own development with the guidance and support of others
- Increase their self-awareness and develop an understanding of how they are perceived by others. As a result, the graduates will be better positioned to both influence and lead others in their roles as managers in the future
- Develop the key skills and behaviours associated with the IBRDROLA and ScottishPower Leadership model and our competency framework.

In 2010, 19 international and 5 UK graduates were recruited onto the programme.

### Apprentice Programme

We have an on-going Apprentice Programme across the company. Recruitment into the programme was more limited in 2010 than in previous years, with an intake of five Apprentices into our Energy Wholesale business. Apprentices from previous years’ intakes continued their development.

### National Skills Academy

ScottishPower is a founder and contributing board member of The Power Academy, which was established in 2004, as part of the Government’s National Skills Academy programme. It brings together power companies and universities, to address the shortfall in engineering expertise in the electrical power industry.

The Power Academy benefits the company by ensuring we have access to fresh talent from the top engineering universities in the UK and enhanced opportunities to promote sector attractiveness.

### Addressing the Skills Gap

ScottishPower’s engineering and technical skills requirements will increase in the years ahead as the company delivers major investments in the electricity infrastructure.

This increased requirement comes at a time when 18% of the existing workforce will be eligible to retire within the next 10 years.

To address a potential skills gap, we have been working to promote sector attractiveness in schools and universities and we can expect to see graduate and apprentice recruitment increase in the years ahead.

In addition, Iberdrola Engineering and Construction UK expanded its Scottish operations in 2010. The company has established an office in Bellshill to support major infrastructure investments being made by ScottishPower and ScottishPower Renewables, as well as future energy projects, including Carbon Capture and Storage and new-build nuclear.

During 2010, the company expanded from 30 employees to around 150 by incorporating 96 Energy Networks employees and through external recruitment. It plans further expansion in the years ahead.

### Ongoing Development

We have a large requirement for technical training to ensure our employees have the highest levels of competency required for the safe operation and maintenance of the electricity infrastructure.

Our two purpose built training centres at Dealain House in Cumbernauld and Hoylake, near Liverpool, deliver dozens of courses both to ScottishPower employees and to the external marketplace.

These centres of excellence cover training in areas such as high voltage operations, low voltage operations, cable jointing, roads and streetworks, wiring, live line working and public lighting. The syllabus is revised continually in response to emerging regulations to ensure the appropriate training can be delivered before changes in regulations come into force.

The training centres provide skills training for staff, our external contractors and also offer a range of courses for the external marketplace.

We remain committed to employee development across the business to ensure high standards of quality and safety and in 2010 provided a total of 800 training courses with over 21,500 delegates taking part, in subjects ranging from risk assessment to customer service. Employees also had access to 221 online courses through our e-learning service.

Our 8,039 employees clocked up 169,612 hours of training during 2010.

Training	2010
Average no of training days per employee	2.9
Number who attended "classroom" events	13,225
Number who took e-learning courses	8,343
Number of online courses	221
Number of training days	22,921
Number of classroom training events	800

### Community Based Development

During 2010, 190 employees participated in Community Based Development – participating in community programmes that support employee development.

Community Based Development provides opportunities for employees to engage with a cross-section of the communities we serve, helping the company understand the diverse needs of its customers.

Examples include gaining Board experience and enhancing leadership skills as a volunteer on the Arts and Business Board Bank, or team leadership in a community project. For further information on Community Based Development, see the Our Communities section of this Review.

# Other Key Employee Issues

## International Mobility Plan

Following the development of a Global Mobility Policy in 2008, we have seen an increase in employee exchanges between companies across the group, particularly between the UK, Spain and Energy East in the US. The Policy provides a framework for the identification and placement of professional development opportunities across the wider IBERDROLA group.

## Discrimination

We are committed to equal opportunities for all, irrespective of age, colour, disability, ethnic or national origin, marital status, nationality, race, religion, belief, sex, sexual orientation, or other considerations not justified in law, which are irrelevant to the performance of the job.

We operate an Equal Opportunities policy, which covers all employees and the treatment of agency staff, contractors, consultants, or any other person working for, or on behalf of, ScottishPower.

We view discrimination as serious misconduct, which is subject to action under the Disciplinary Procedure. Employment Tribunal proceedings for discrimination can be taken against both employers and employees and in some cases, an individual employee may be found personally liable to compensate the person bringing the claim of unlawful discrimination.

The number of Employment Tribunal cases relating to alleged discrimination during 2010 was six.

## Employee engagement and communication

We continued our commitment to employee communication through a number of channels including senior management site visits and presentations, an employee intranet – in which each business director has an e-zine channel – email updates, webcasts, team briefings and the Group magazine, Connection.

We also continued to publish our Wellbeing magazine during the year, which covers occupational and personal health issues and is available in both hard copy and e-zine formats.

## Employee satisfaction

During the last quarter of 2010, we reviewed our approach to employee engagement. In line with our newly implemented ScottishPower Big Goals, and specifically the “Engaged Motivated People” Goal, our recommendation is to implement an engagement programme that will allow us to measure levels of employee engagement within ScottishPower. We aim to implement the programme by the end of 2011 and envisage this really taking effect from 2012 onwards, when we will have improvement action plans in place.

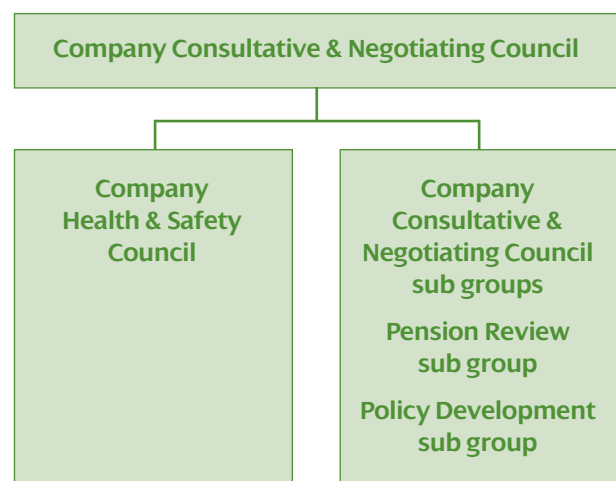
## Freedom of Association and employee consultation

We continue to recognise four Trade Unions (Unison, Unite, GMB, and Prospect). 57% of employees are Trade Union members.

We have a company consultation and negotiation framework and agreement, which acts as a vehicle for discussion, consultation, and negotiation on a range of topics including business performance, strategy, proposals for organisational change and matters of concern or interest to the company, the Trade Unions and employees.

The framework was revised in 2008 to include representation for employees on personal contracts, who previously had not been represented in formal consultation arrangements.

The structure of the revised framework is detailed below.



The Company Consultative & Negotiating Council (CCNC) is the main formal consultation body in ScottishPower.

Its membership includes:

- Senior management representatives from each business
- Trade Union full time officers and lay representatives
- Non collective employee representatives

Meeting twice a year, subjects discussed by the CCNC include:

- Company and business performance
- Company strategy
- Challenges and opportunities facing the company
- Proposals for, and implementation of, organisational change
- Health and safety, pensions or any other relevant company policies and practices and the process for communicating these policies and practices
- Learning and development including training, employee development frameworks
- Matters where consultation of employee representatives is required by law

Two sub groups of the CCNC have been established specifically to deal with matters relating to pensions and employment policy.

The Company Health & Safety Council (CHSC) has similar membership to the CCNC but includes Health and Safety Managers from each of the businesses. It meets twice yearly in May and November and covers a range of health and safety issues, including:

- Developing safe systems of work and safety procedures
- Analysing accidents and causes of notifiable occupational diseases
- Reviewing risk assessments
- Examining safety audit reports
- Considering reports submitted by Safety Reps
- Monitoring the effectiveness of health and safety training
- Considering reports and factual information provided by HSE inspectors and Environmental Health Officers
- Monitoring and reviewing the adequacy of health and safety communication and publicity within the workplace

- Monitoring health and safety arrangements and revising them when necessary

There were no incidents or disputes during 2010 relating to the rights of employees to union representation.

## GRI Indicators and Performance

### EU15

#### Percentage of employees eligible to retire in the next five and 10 years, broken down by job category.

Of the workforce at the end of 2010, 6.5% of employees will be eligible to retire within the next five years, as follows:

Gender	Grade	Head count
Male	Managers	16
Male	Advanced degree holders	68
Male	Basic degree holders	105
Male	Rest of professionals	253
Female	Managers	1
Female	Advanced degree holders	5
Female	Basic degree holders	17
Female	Rest of professionals	60

Of the workforce at the end of 2010, 18% will be eligible to retire within the next 10 years, as follows:

Gender	Grade	Head count
Male	Managers	54
Male	Advanced degree holders	227
Male	Basic degree holders	272
Male	Rest of professionals	591
Female	Managers	5
Female	Advanced degree holders	16
Female	Basic degree holders	54
Female	Rest of professionals	225

### LA1

#### Total workforce by employment type and contract

Gender	Grade	Head count
Male	Managers	347
	Advanced degree holders	998
	Basic degree holders	1180
	Rest of professionals	277
<b>Male total</b>		<b>5303</b>
Female	Managers	119
	Advanced degree holders	349
	Basic degree holders	423
	Rest of professionals	1845
<b>Female total</b>		<b>2736</b>
<b>Workforce total</b>		<b>8039</b>

#### Workforce by employment type

Gender	Employment type	Head count
Male	Managers	347
Male	Full time	5086
	Part time	217
<b>Male total</b>		<b>5303</b>
Female	Full time	1827
	Part time	909
<b>Female total</b>		<b>2736</b>
<b>Workforce total</b>		<b>8039</b>



**Workforce by employment contract type**

Gender	Contract type	Head count
Male	Indefinite contract	5238
Male	Temporary contract	65
Female	Indefinite contract	2717
Female	Temporary contract	19

**LA2**
**Total number and rate of employee turnover by age group and gender**

Leaving employment by gender	Number (Percentage)
Male	802 (9.6%)
Female	265 (3.17%)
<b>Total</b>	<b>1,067</b>
Leaving employment by age	
Age 30 or below	328 (3.92%)
Age 31-50	318 (3.81%)
Age 50 or over	421 (5.04%)
<b>Total</b>	<b>1,067 (12.77%)</b>
Leaving by gender and length of service	
Male up to 10 years	457
Male 11-20 years	31
Male over 20 years	314
Female up to 10 years	201
Female 11-20 years	24
Female over 20 years	40
<b>Total</b>	<b>1,067</b>

**LA3**
**Benefits that are provided to full-time employees that are not provided to part time employees.**

There is no difference between the benefits provided to full-time employees and those provided to part-time employees.

**Employee Relations**
**LA4**
**Percentage of employees covered by collective bargaining agreements**

A total of 6,511 employees are covered by collective bargaining agreements, equivalent to 81.2% of the workforce.

**LA5**
**Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.**

The Company Consultative & Negotiating Constitution (CCNC) was established from 1 January 2008 and replaces the former Company Council Agreement. The CCNC has scope for both consultation and negotiation:

- For purposes of consultation, it covers all employees employed within the company
- For purposes of negotiation, it covers all employees employed under the terms of the Company Agreement (1 January 2008).

The CCNC discusses and consults on a range of topics, including proposals for, and implementation of, organisational change.

The CCNC does not stipulate minimum periods of notification, however, Part IV of the Trade Union and Labour Relations (Consolidation Act 1992 (TULR© A 1992) and the Information & Consultation of Employees Regulations 2004 contain information detailing the statutory redundancy consultation and notification provisions, and we would adhere to these timescales.

The employer must begin the process of consultation in good time and complete the process before any redundancy notices are issued.

In addition, consultation must begin at least:

- 30 days before the first of the dismissals takes effect, in a case where between 20 and 99 redundancy dismissals are proposed at one establishment, within a period of 90 days or less
- 90 days before the first of the dismissals takes effect, in a case where 100 or more redundancy dismissals are proposed at one establishment, within

a period of 90 days or less.

- Helping them understand the financial benefits payable from our pension schemes to enable them to make better Informed financial choices
- Clearly articulating the process from our administrators issuing the first quotation six months in advance of the Member's Normal Pension Age, to requesting a quotation of retirement benefits from our administrator through to final benefit settlement.
- Assistance with practical issues they may face in retirement by facilitating attendance at pre-retirement courses sponsored by third party providers.

At business level Energy Networks have within their Business Agreement a Management of Change Procedure that states: "Where the need for change is identified, the parties to the relevant consultation will seek to agree a reasonable and realistic timetable for consultation. The timescales will recognise the urgency of the proposals and the required implementation date."

**Occupational Health and Safety**

**LA6, LA7, LA8 and LA9**

These indicators are reported in our Health and Safety section.

**Training and Education**

**LA10**

**Average hours of training per year per employee, by employee category**

See the Ongoing Development section for general training statistics.

**Average hours of training per employee group**

Employee group	2010	2009
Managers	9,454	12,551
Advanced degree holders	27,328	38,319
Basic degree holders	32,522	44,394
Skilled workers	93,797	136,740
Total	163, 101	232,004
<b>Training hours men</b>	<b>107,591</b>	
<b>Training hours women</b>	<b>55,510</b>	

**LA11**

**Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.**

Our main programmes are described in the Training and Development section of this report.

ScottishPower supports employees preparing for retirement in many ways such as:

We use a range of different approaches and media to communicate our pension arrangements targeting support appropriately throughout the employment lifecycle – pre-employment, induction programmes, mid-career, lifestyle changes, leaving service, pre-retirement and post retirement.

We have a dedicated pensions helpline, offer 1:1 on-site pension surgeries, annual pension scheme newsletters and have a pensions website for all members to access.

We also publish Annual Benefit Statements incorporating State benefit forecasts, accessible plain English guides to all pension arrangements, retired employee associations with bi-annual pension scheme updates and access to Individual Financial Advice providers.

**LA12**

**Percentage of employees receiving regular performance and career development reviews.**

Managers and employees are provided with tools to carry out regular performance and development reviews. This is a key part of each manager's role in ScottishPower.

**LA13**

**Composition of Governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity.**

**Employees**

<b>By gender</b>	<b>2010</b>
Men	5,303
Women	2,736
<b>By professional category</b>	
Managers	466
Advanced degree holders	1,347
Basic degree holders	1,603
Skilled workers	4,623
<b>By age group</b>	
Up to 30 years old	1,372
Between 31 and 50 years old	4,662
Over 50 years old	2,005

**Executive Team**

<b>By gender</b>	<b>2010</b>
Men	5
Women	3

**LA14**
**Ratio of salary men to women**

The salary ratio of men to women is 118%.

**EU14**
**Programmes and processes to ensure the availability of a skilled workforce**

These are described in the Training and Development section of this report.

## Human Rights

Human rights issues for workers and contractors in the United Kingdom are assured by UK and European legislation. The rights of individuals and communities are taken into consideration through the planning procedures for transmission lines and power stations, which involve detailed environmental impact assessment and extensive consultation.

Human rights in the supply chain is an issue that we consider in proportion to risk. The majority of our procurement takes place within the Euro Zone where workers' human rights are protected by law.

We select most of our suppliers through the Achilles procurement portal where significant suppliers are required to subscribe to the Verify Scheme and provide policy and performance information on corporate responsibility issues, including the assurances they demand from their suppliers in terms of human rights.

Fuel procurement is handled by a separate specialist team in Energy Wholesale who, as part of coal supply contracts with non-EU countries, review a number of factors such as management of local operations, social and welfare arrangements for local employees, living standards, health and education provisions and comparisons of local salaries against both industry and national average wages.

We are members of the Association of UK Coal Importers (Coallmp), which has produced a CSR Policy and Guidelines detailing Coallmp members' expectations of suppliers in respect of a number of CSR related areas.

In addition, we have produced draft clauses for use by members in their coal supply contracts, which require the suppliers to give an undertaking that they will comply with the principles of the CSR policy. Breach of any of the clauses could result in termination of the contract. Inclusion of such clauses in ScottishPower contracts is under consideration by ScottishPower and IBERDROLA's legal teams.

We have successfully included the policy, the supplier representation and termination events in a recent contract.

We are actively trying to engage more European players in adopting the principles and to work with Coallmp to build a critical mass behind the drive to establish the CSR policy in the wider coal industry.

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# GRI Indicators and Performance

## HR1

### Percentage and total numbers of significant investment agreements that include human rights clauses or that have undergone human rights screening.

There were no significant investment agreements signed by ScottishPower during 2010. Significant capital projects are dealt with under the suppliers' indicators.

## HR2

### Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.

In 2008, IBERDROLA included a specific provision establishing the corporate social responsibility of suppliers in the Group's Contracting Conditions for works and services and for the supply of equipment and materials.

Such contractual conditions apply to the orders made by the company, and it may therefore be stated that the component of respect for human rights, rejection of child labor, and the elimination of all kinds of discrimination and forced labor, among others, is associated with every purchase made by the company through the corporate procurement systems (such conditions may be viewed in the "Suppliers" area of IBERDROLA's website).

<http://www.iberdrola.es/webibd/corporativa/iberdrola?IDPAG=ENWEBPROVEEBASCOND&codCache=13021849013562203>

In 2010 the company did not have to take any disciplinary action against any supplier for human rights violations during the fiscal year, nor has any claim been received from third parties in connection with such issues.

ScottishPower implements the Group policy through a Total Supplier Management System. To register, suppliers must complete a questionnaire, which includes information on their corporate social responsibility practices. This is then assessed by procurement specialists Achilles, who allocate a risk rating for each supplier.

Depending on the risk rating, suppliers may then be asked to register with Achilles' Verify Scheme. Depending on a supplier's score, this may involve a desk-top assessment or a site visit by assessors to examine a supplier's policies, systems and certifications.

The majority of ScottishPower's procurement takes place in the UK and Eurozone where human rights of workers, contractors, individuals and communities are protected by law.

Procurement of coal takes place outside EU countries. Human rights and other corporate responsibility clauses are incorporated as conditions of contract.

## HR3

### Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.

No new training on human rights was conducted in 2010.

## HR4

### Total number of incidents of discrimination and actions taken.

The total number of incidents of alleged discrimination during 2010 was six tribunal cases, with four settled and two on-going.

HR5 Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.

Legislation recognises the right to freedom of association and collective bargaining and the ScottishPower respects these rights. Every member of the workforce has the right to be a member of a Trade Union. The company recognises four Trade Unions:

- Unite
- Unison
- GMB
- Prospect

We comply with all legislative requirements relating to industrial relations and have in place internal agreements procedures in order to avoid/mitigate effects of such. Namely - Management of Change Procedure within Energy Networks, the Dispute Resolution Process in the CCNC Constitution, and various Business Continuity Procedures.

**HR6**

**Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.**

None. Child labour is prohibited by law in the UK.

**HR7**

**Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.**

None. Compulsory or forced labour is prohibited by law in the UK.

**HR8**

**Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.**

In 2010 ScottishPower had three full-time security managers and one full-time Operational Fraud Prevention Officer. The Security Managers were aware of the aspects of Human rights relevant to Security Operations. No formal training was provided during 2010.

During the year we had 104 subcontracted security guards employed at our most critical sites within the UK, all of whom have received training from their company on Human Rights.

**HR9**

**Total number of incidents of violations involving rights of indigenous people and actions taken.**

Not applicable in the UK.



## Health, Safety and Reliability

Our Health and Safety Policy is approved by the Chief Corporate Executive and complemented by local policies at site level. We measure our performance annually against our company Health and Safety Standards that are designed to promote world-class performance.

An executive Health and Safety Governance Committee provides executive level focus and drive, and we have a Health and Safety Council, comprising union appointed safety representatives, trade union officials, employee representatives and managers.

Most sites and key departments have health, safety and environment committees, which meet regularly.

Health and safety is integrated into our management processes, including business planning. It is embedded in our business risk and control framework and is one of the key criteria used to measure managers' performance.

### Health and Safety Management

A central safety department and occupational health team provide specialist support to the businesses on matters ranging from occupational hygiene to public safety.

Since 2009 all health and safety management systems in the company have been certified to the Occupational Health and Safety Assurance Standard – OHSAS 18001.

During 2010 we installed a new Health and Safety Management IT System, Cintellate, which will improve the sharing of data across the business.

We continually review our working practices and processes to ensure they remain in line with best practice and to assess new risks that may arise from new areas of business.

### Equipment and Training

Specific equipment requirements are defined within a raft of appropriate policies and procedures, all of which are supported by a suitable and sufficient assessment of risk and from the measures required for the control of such risks.

Contractors and subcontractors are expected to comply with ScottishPower requirements and in doing so, carry out risk assessments to identify any control measures required.

Safety training is given high priority, especially for staff requiring 'authorisation' for technical, safety-critical roles. Our two technical training centres offer a wide range of safety training, including NEBOSH (The National Examination Board in Occupational Safety and Health) and IOSH (Institution of Safety and Health) courses. These courses are provided by specialist external suppliers.

Our training centres also provide training in leadership, behavioural safety, First Aid and refresher courses on risk assessment.

Site-level courses cover a wide range of subjects from working at height and working in confined spaces to electrical safety and defensive driving.

Training records are maintained by HR Development and refresher training for safety critical requirements is carried out to defined frequencies.

### Employee Involvement

We have a network of health and safety committees throughout the company and operate a safety suggestion scheme in several of our businesses to encourage employee contribution and feedback.

We have union appointed safety representatives in all businesses, as well as workplace safety co-ordinators.

In March 2010 a new Health and Safety Representatives' Charter was formally signed off by senior full time officers of the four main trade unions. Copies of the charter have been presented to all Health & Safety Reps and a pdf is available on the company Intranet.

We communicate on health and safety via a range of channels, from conferences and magazines, to team talks, posters, plasma screens, email and the intranet. Our safety brand "Health & Safety Matters" makes our communications instantly recognisable.

Our branded health and safety campaigns, developed by Glasgow-based Good Creative design agency won a Gold Award in the Design Business Association's Design Effectiveness Awards, just outside the reporting period in February 2011.

### Contractor Safety

The Flue Gas Desulphurisation (FGD) Project Alliance of ScottishPower, Alstom and Amec, based at Longannet Power Station, has achieved significant safety milestones. The first, on 16th June 2010, was achieving three years since the last Lost Time Incident.

In reaching this milestone, almost 3 million site man-hours had been devoted to the project. As at December 2010, the project had also recorded a Total Recordable Injury Rate (TRIR) of zero.

Energy Wholesale's long-term contractor, Cape Industrial Services, was selected as the winner of the 2010 IBERDROLA's suppliers' awards in the category of "Operational safety and health". Representatives from Cape, along with Longannet Station Manager, Ewan McMillan, attended the awards ceremony in Murcia during November.

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## External Engagement

We have good working relationships with the national health and safety authorities and many of our health and safety practitioners participate in professional bodies including the Electricity Industry Occupational Health Advisory Group, British Occupational Hygiene Society, Institution of Occupational Safety and Health, Royal Society for the Prevention of Accidents and the Society of Occupational Medicine.

In March 2010 our General Services Director and Group Health Service Delivery Manager attended the official launch of the Arthritis and Musculoskeletal Alliance's (ARMA) 'Charter for Work for people affected by Musculoskeletal Disorders in the UK' at the Scottish Parliament.

The Charter calls on policymakers, employers, healthcare providers, employee representatives - people whose lives are affected by MSDs - to take positive steps to prevent work-related MSDs, provide prompt diagnosis, effective treatment and improve the services and support that enable affected people to work.

During the year Doug Wilson, UK General Services Director, was asked by the industry to Chair of the two of the most influential Health & Safety Committees in the UK Power Sector.

He was confirmed as an Ex-Officio Board Member of the UK Energy Networks Association (ENA) and Chairs the ENA Safety Health & Environmental Committee from January 2011.

This Committee includes senior representatives from all key UK power companies and regularly meets with the Health & Safety Executive. In addition, Doug will Co-Chair the UK National Health, Safety & Environmental Committee with Mike Clancy, who is Deputy General Secretary of the Prospect Union.

Both of these positions give us direct access to key politicians and the most senior members of the UK Health & Safety Executive.

Judith Hackett, Chair of the HSE Board, visited Longannet Power Station in July 2010 to discuss process safety and clean coal generation. Afterwards, Ms Hackett commented:

"I was very pleased to visit Longannet and impressed by ScottishPower's commitment to clean coal technologies. HSE will work closely with the generation sector in support of the safe development and operation of this technology, which offers great potential to address carbon dioxide emissions and combat climate change. Turning to the subject of process safety, there is no doubt that delivering best-practice in asset management will bring many operational benefits whilst also reducing the risk of a major incident."

# Occupational Health

Our employees have access to a range of occupational health services, delivered by medical advisers, occupational hygienists and occupational health nurses.

Our occupational health department provides a comprehensive service, including health surveillance, treatment, preventative medicine through health campaigns, voluntary Fit for Life health checks, and measures such as counselling, and the promotion of wellbeing. We also offer physiotherapy, rehabilitation and support for employees returning to work after illness or injury.

Larger sites have well-equipped fitness centres and health and wellbeing are promoted through a Wellbeing Programme, with campaigns on a wide range of issues.

In December 2010 and January 2011 the Occupational Health team piloted "Wellpoint Kiosks" at Warrington and Kirkintilloch. The kiosks provide staff with an opportunity to obtain some basic health measurements, such as blood pressure, body fat and Body Mass Index, to influence and support a change to healthy behaviours.

Early indications on take up are very encouraging with more than 300 sessions being registered on the equipment. Following a review of the initial pilot, the intention is to lease one or two kiosks to reach the satellite sites not regularly served by Occupational Health provision, supporting our work on general employee wellbeing.

Also in 2010, the Eurest restaurant at Cathcart, won the Best Healthy Workplace Restaurant Award at the annual Daily Record Scottish Restaurant Awards, in Edinburgh.

## Health Monitoring

### Occupational Health monitoring

Number of Employees	2009	2010
	1708	1715

Work related ill-health can emerge over many years, so we maintain an occupational health risk register, which holds details of all employees who may be exposed to work-related health hazards such as noise, vibration and chemical substances. We monitor all employees on the register, to enable us to detect any signs of ill health at a very early stage.

In recent years the incidence of diseases such as noise-induced deafness and Hand Arm Vibration Syndrome has reduced considerably due to health and safety control measures.

In 2010 we conducted health monitoring of 1,715 employees on the occupational health risk register. Following a comprehensive review of the register, we have decided to move to biennial health surveillance.

During the year, on the advice of our Occupational Hygiene section, we also agreed to set in-house limits for exposure to lead. This follows the HSE's decision to withdraw its advice on the dangers of working with lead after concerns were raised over the current UK lead in air exposure limit.

In recognition of international best practice our in-house limits will be set at 0.05mg.m-3, following those currently being used in Denmark, Australia and the US. The current UK limit is 0.15mg.m-3.

This change is expected to affect mainly contractor refurbishment projects where high-lead content paint is removed by shot blasting methods. Although the proposal is for a three-fold reduction, it is considered that it should be easily achievable utilising current control measures.

## First Aid Arrangements

We have more than 500 trained First Aiders in the company and each year we hold an internal First Aid conference and competition. The 2010 event was held in September at our Dealain House Training Centre and included a presentation from our Lead Occupational Health Physician on casualty management.

In 2010 the winners of our internal First Aid competition, Energy Retail's Christine Milroy, Linda Marshall and Angela Munro, won the team, prize at the Electricity Supply National First Aid Competition. The team members also won their individual categories.

The team went on to represent the Electricity Supply Industry in the UK Grand Prior First Aid Competition, competing against national finalists from other organisations including St. Johns Ambulance, Police and Fire Services in November 2010, finishing 3rd overall.

## Health & Safety Standards

### Sickness Absence

Sickness absence levels have improved by around 25% over the last five years.

However, during 2010 the sickness absence rate rose slightly to an average of 9.9 days per employee, compared with 9.6 in 2009.

Our programme to tackle sickness absence includes supporting employees in returning to work after illness and running targeted wellbeing campaigns.

	Measure	2009	2010
Number of sickness days per person	Days per person	9.6	9.9
Days lost due to sickness	%	3.5	4.0

In 2010 we completed the roll-out of a programme of to replace our existing company health and safety standards with DNV’s International Safety Rating System, 8th edition (ISRS 8). DNV is a global, independent foundation that specialises in services for managing risks to people, property and the environment.

ISRS 8 involves a detailed assessment of a business unit’s performance against 15 key processes, as follows:

- Leadership
- Planning and administration
- Risk evaluation
- Human resources
- Compliance assurance
- Project management
- Training and competence
- Communication and promotion
- Risk control
- Asset management
- Contractor management and purchasing
- Emergency preparedness
- Learning from events
- Risk monitoring
- Results and review.

The ISRS 8th edition includes specific controls needed for managing process related events and can also be used to assess other elements of sustainability and social responsibility, such as quality and environmental performance.

Also included are updates to reflect changes in international standards including OHSAS 18001:2007, ISO 9001:2008 and Global Reporting Initiative 2006.

We completed the roll-out of ISRS 8 across our businesses during the year, along with the first round of external assessments. However, the baseline results were not available in time to publish them in the 2010 CSR Annual Review.

We intend to publish these results in our 2011 CSR Annual Review. The next round of assessments against ISRS 8 will be carried out in Autumn 2012.



ISRS 8 is a completely different system to our previous 12 Group Health & Safety Standards and so we will be unable to provide comparative data from previous years. However, as the system is widely used, it offers us the possibility of benchmarking our performance against similar organisations in the future.

Our baseline results will be used to drive management plans and objectives within the businesses and provide a strong impetus for continuous improvement in health and safety performance.

Specific health and safety auditing and inspections are undertaken regularly by the businesses, as part of their health and safety management systems.

## Accidents and injuries

During 2010 the number of Lost Time Accidents remained at 12 – the same as in 2009. The number of reportable injuries also remained at 9, the same as in 2009.

There were no fatalities among our workforce during 2010, however, unfortunately there was one fatality in February 2010 involving a tree contractor working on behalf of Energy Networks. The man was fatally injured after being struck on the head by a falling length of timber.

A panel of inquiry investigated the incident and has reported back with a number of recommendations and action points relating to tree felling. Restrictions were placed on all Energy Networks tree contractors while the panel of inquiry conducted its investigations.

In November 2010 we were fined £130,000, for a conviction under the Electricity at Work Regulations 1989 with a causal link to a fatal accident. The company was formally acquitted of breach of the Health and Safety at Work Act 1974.

The conviction related to death of a member of the public in Prees, Shropshire, in January 2007. A live electricity cable had become dislodged following high winds. The victim had been trying to warn people about the fallen cable when a passing vehicle ran over it, causing it to fly into the air and strike the victim, fatally injuring him.

A wooden block that had been used to fix the cable had become partially decayed and failed. Although the entire set of circumstances, such as the cable whipping up into the air was not foreseeable, the failed fixing was a contributory factor in the victim's death. We have now eradicated this method of fixing cables from our networks to prevent any recurrence.

The judge commented that ScottishPower did have a fundamentally sound system in place and that it was a responsible company with no other incidents of this type.

## Safety Programmes

We run several safety programmes across our Energy Wholesale and Energy Networks businesses that focus on people, processes and plant, to provide a complete approach to health and safety.

### Behavioural Safety

Behavioural safety programmes have played a significant role in helping to reduce the number of accidents and injuries within the business and maintaining high levels of safety awareness among employees and contractors.

These programmes involve trained staff conducting safety tours, or behavioural safety audits, where they engage with employees in a positive way about the safety aspects of the job they are doing.

Larger sites use STOP risk assessments (the Safety Training Observation Program) using a pro forma checklist, while smaller locations use similar behavioural auditing techniques, but in a less formal way.

### Process Safety

We have placed a strong emphasis on process safety over the last few years, as high profile incidents globally in the oil, gas and power industries has shown that concurrent failures in the areas of people, plant and processes can cause catastrophic plant safety failures.

Process safety involves a strong focus on asset management to ensure plant safety and to protect its operational integrity.

Correct installation, operation and maintenance of plant is essential to ensure high standards of safety. Our Energy Networks and Energy Wholesale businesses have achieved PAS55 accreditation for asset management.

To ensure effective process safety, the business has adopted a set of principles, endorsed by senior management, which will also apply to contractors and suppliers.

These govern the identification of safety critical assets and the installation, operation, maintenance and decommissioning of plant in accordance with specific standards, specifications, practices and procedures.

The principles also include employee authorisation, decision-making, competency, and responsibility and outline processes for the investigation of incidents and near misses, the sharing of information, as well as the operation of risk control, change control and performance measurement frameworks.

Process safety is now fully embedded in our Energy Wholesale business and roll-out in Energy Networks is well under way.

Our integrated, comprehensive process safety management system is based on HSE's guidance HSG254 and addresses process safety at every level in the organisation.

In Energy Wholesale we identified 20 projects that were crucial to delivering the Operational Transformation Programme and established seven work groups to deliver them, covering the following areas:

1. Governance & Audit
2. Integrated Operations & Maintenance
3. Leadership & Staff Competency
4. Emergency Arrangements, Critical Systems Management
5. Engineering Governance
6. Alarm & Instrumentation Management
7. Capital Investment

To achieve best practice process safety we:

- Adopted a consistent approach to process safety across the business, based on sharing best practice
- Established strong process safety leadership across the business
- Established common processes and systems across our 11 power stations. These are now covered by Operational Standards, which outline the steps that must be taken when starting up and shutting down a generator, for example, or during a shift handover. They are also linked to Staff Competency Standards
- Identified all of our leading and lagging indicators in line with HSG254

### Innovations in technology

At the heart of our Process Safety Management System is an innovative KPI Dashboard that enables near-time tracking and visibility for key risk control systems at all power stations.

The Process Safety KPI Dashboard allows staff across the business to see an “at a glance” picture of the leading and lagging indicators. System users can then “drill down” from a KPI on the dashboard to see underlying business processes, enabling them to quickly identify any areas that need improvement before they become a threat to safety or commercial performance.

The KPI Dashboard shows trends, tracks performance improvements and enables the proactive management of risk. Using weighted KPIs, it will generate a Top 10 Risks report, for example. A governance framework ensures that performance and actions are reviewed by the management team each month.

### Reliability engineering

We have adopted leading edge, handheld technology to enable operators to capture information that will drive proactive condition-based maintenance.

We have introduced Cintellate, a web based system, to provide a standard approach to capturing information on safety, environmental and technical incidents. This feeds into the lagging indicators on our Process Safety KPI Dashboard.

We have introduced an electronic logging system at each location with automatic shift handover, start-up and shut down, and other features to support our Operational Standards and ensure compliance with the findings of the Baker Report into the Texas City fire.

### Process safety recognition

The Institute of Chemical Engineers recognised our achievements in December 2010 by awarding ScottishPower first prize in the 2010 IChemE category of innovation in process safety.

In addition, a case study on our approach to process safety has been published on the Health and Safety Executive website: [www.hse.gov.uk/comah/case-studies/case-study-scottish-power.pdf](http://www.hse.gov.uk/comah/case-studies/case-study-scottish-power.pdf)

### Public Safety

We continued to conduct public safety campaigns during the year with a particular focus on children, through our award winning PowerWise programme. This consists of health and safety education in schools, supported by visits to safety centres in Flintshire, North Wales and The Risk Factory in Edinburgh.

Our Public Safety Team attended an agricultural health and safety awareness day in Lanark, co-ordinated by the HSE to raise awareness of the dangers of operating machinery in the vicinity of overhead lines. Approximately 300 local farmers attended and feedback was very positive.

Plans are being developed to support other HSE awareness events through 2011, particularly those within the high-risk industries of agriculture and construction.

In addition, our Galloway Hydro-electric scheme hosts safety based visits for schools at its visitor centre at Tongland Power Station in Kirkcudbright (by appointment only). They have a safety DVD, focusing on water safety and publish a factsheet on water and electrical safety.

At Galloway and Lanark Hydro-electric Schemes countryside rangers sponsored by ScottishPower play an important role in both nature conservation and public safety.

Although children are our main focus, we also run safety campaigns aimed at others, such as construction and agricultural workers and sporting groups, such as anglers.

Copper theft from electricity substations is a continuing issue for Energy Networks, as it not only endangers those involved in the act of theft, but also compromises public safety and can result in power cuts.

The company has been working with police to minimise these incidents, including the use of SmartWater forensic coding and a media information campaign in areas that thieves have targeted.

For further information on Public Safety, please see the Communities section of this report.

# Plant Reliability and Energy Security

The security and integrity of electricity supplies depends on the reliable operation of power stations and the transmission and distribution networks.

Our Energy Wholesale and Energy Networks businesses operate asset management systems, to ensure plant is operated and maintained properly and that the necessary investments are made to maintain the reliability and integrity of equipment and optimise its lifespan.

During 2010 we achieved an average plant availability of 88% for our power stations, an increase of 10% on 2009, due to the return to service of units at Longannet Power Station following outages to fit emissions abatement technologies.

Plant availability by generation type is shown in the table below.

United Kingdom	2009	2010
Combined cycle	87.74	85.24
Thermal	88.13	72.28
Cogeneration	92.10	60.85
Hydroelectric	86.26	81.78

The reliability of our networks is measured by recording customer interruptions (CI) and Customer Minutes Lost (CML). These figures are compiled from April to March and submitted to Ofgem to include in its annual Electricity Distribution Quality of Service Report.

Our most recent performance figures are published in the Customer section of this report.

ScottishPower operates two distribution systems – Energy Networks North, covering south and central Scotland and Energy Networks South, covering Merseyside, Cheshire and north Wales

## Emergencies and Business Continuity

Our power stations, networks and retail businesses all have clearly defined emergency response plans to ensure the safety of staff and members of the public and provide continuity of service.

These plans cover weather-related, technical and environmental emergencies and are tested on a regular

basis through exercises. From time to time these exercises include members of the emergency services.

## Energy Security

The long-term security of energy supplies is included in our strategy, with the aim of providing secure, diverse, sustainable and affordable energy for our customers.

Our approach includes investing in lower-carbon generation, investing in networks and working with customers to improve the energy efficiency of their homes.

## Investing in Generation

Our investment strategy is geared towards replacing and refurbishing generation plant and reducing our emissions footprint, to build a diverse portfolio that meets the needs of our customers.

During 2010 we progressed investment in new, efficient Combined Cycle Gas Turbine (CCGT) power stations.

These include a 1,200MW plant to replace our existing coal-fired station at Cockenzie, East Lothian, which will close by 31st December 2015. An application for Section 36 Consent is under consideration by the Scottish Government and in 2010 we submitted a separate application for consent in respect of the associated gas pipeline.

Just outside the reporting period in January 2011, we received Section 36 Consent from the Department for Energy and Climate Change for a 1,000MW CCGT on a site adjacent to our Damhead Creek Power Station, on the Hoo Peninsula, Kent. As part of the project, a plot of land has been set aside for potential development as a Carbon Capture facility.

Following the purchase of a site at Avonmouth, near Bristol, we have been developing plans for a 950MW CCGT and expect to submit an application for Section 36 consent during 2011.

**Gas:** We operate three large combined cycle gas turbine (CCGT) power stations in England. We are examining further opportunities for CCGT developments, including Damhead Creek 2, and extending our gas storage capabilities at Hatfield Moor.

**Wind & Marine Renewables:** Our sister company, ScottishPower Renewables continues a programme of major investment in onshore and offshore wind, tidal and wave energy projects. The programme aims to secure 1,800 MW of new renewable energy by 2012 and includes the extension and repowering of existing windfarms.

**Nuclear:** Through our parent company, IBERDROLA, we have formed a joint venture with GDF SUEZ and Scottish & Southern Energy to pursue the development of new nuclear power stations in the UK. The partnership will also seek to purchase divested assets, if appropriate. Nuclear energy has played a pivotal role in meeting base-load energy demand for decades and in future will ensure the UK can produce sufficient low-carbon electricity to meet customer demand.

**Hydro & Biomass:** We continue to invest in renewable energy production at our hydro-electric schemes in Galloway and Lanark and our pumped storage power station at Cruachan. In 2010 we continued to use biomass fuels mixed with coal at Longannet and Cogenzie.

**Clean Coal:** Clean coal will have an important role to play in maintaining security of supply and keeping electricity prices affordable. We are currently working to extend the operational life of Longannet Power Station, finalising a bid to build the UK's first commercial scale Carbon Capture and Storage project and by investing in clean coal technologies, including Flue Gas Desulphurisation, Boosted Overfire Air and NOx reduction technologies.

### Fuel Supplies

**Coal:** The installation of environmental technologies at our coal stations means that we are now able to use a greater proportion of Scottish coal. We signed a five-year coal deal with Scottish Coal in 2008 and a three-year deal with ATH Resources in 2009.

**Gas:** We have contracts in place with Statoil for Norwegian gas and our parent, IBERDROLA, has re-gasification capacity at the Isle of Grain Liquefied Natural Gas importation terminal in Kent. In addition, we operate a gas storage facility at Hatfield Moor, near Doncaster. We received planning consent for a second reservoir to the west of our existing site in February 2010.

### Investing in Networks

Investments in new network technologies help improve the security and reliability of electricity supplies in rural areas served by overhead line networks.

We are investing hundreds of millions of pounds each year in our transmission and distribution networks to support the development of new renewable energy projects, such as windfarms, which will enable energy to be transported from generation sites to population centres.

We are also investing in infrastructure that will support development in towns and cities across central and southern Scotland and Cheshire, Merseyside and North Wales.

### Key projects during 2010 included:

- Replacing the substation and 275kV cables at Dewar Place, Edinburgh to secure electricity supplies to Edinburgh city centre
- Establishing a new grid supply point in Glasgow East to support the development of the Glasgow 2014 Commonwealth Games site and subsequent economic redevelopment of the area. The project involves construction of a new 132/33kV substation and installation of extensive 33kV and 132kV underground cables to replace ageing transmission assets
- Electrification of the new Airdrie to Bathgate rail link, which was completed in December 2010
- A 132kV grid connection for ScottishPower Renewables' Arecleoch Windfarm in South Ayrshire
- A connection for ScottishPower Renewables' Mark Hill windfarm in South Ayrshire, including a new 275/33kV substation
- A connection for the southern section of Scottish & Southern Energy's Clyde Windfarm in South Lanarkshire, between the windfarm and Elvanfoot substation

### Working with Customers

Energy efficiency has a significant role to play in managing energy demand, reducing CO2 emissions and helping customers to reduce their energy bills.

We have a strong track record in customer energy efficiency programmes providing energy efficiency advice and measures. Much of this activity has been delivered through designated Warm Zones, Community Energy Partnerships and alliances with social housing providers.



## GRI Indicators and Performance

### LA6

**Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.**

100%. These exist at company and business level. Details at company level are contained within the Company Health & Safety Council (CHSC) Constitution, which was established from 1 January 2008, replacing the previous Company Agreement.

The CHSC is a consultative body set up for the purposes of:

- Considering health, safety and welfare matters that may affect the company, its employees, contractors and members of the public.
- If there are any outstanding issues from the CHSC, it may refer the issues to the Company Consultative & Negotiating Council (CCNC) for further investigation and debate.

At Business level there are a number of Health & Safety Committee (HESAC) meetings, which provide an opportunity for discussions between the company and employees.

### LA7

**Rates of injury, occupational diseases, lost days and absenteeism and number of work related fatalities.**

	2010 data
Number of accidents	225
Fatal accidents, company	0
Fatal accidents, contractors	1
Accidents with leave	12
Accidents without leave	213
Number of days lost	173
Incident ratio	0.14

Data for sickness absence can be found under Sickness Absence, Occupational Health in this section.

### LA8.1

**Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.**

A programme of employee wellbeing activity has been developed across ScottishPower, based on a company-wide health needs analysis. The main focus of this work is musculoskeletal disorders, mental health, diet and fitness and drugs and alcohol awareness. The promotion of specific health initiatives is timed to coincide with national health campaigns such as smoking cessation and breast cancer awareness.

Promotional materials are distributed through various channels including the company magazine, Intranet sites, Wellbeing Newsletters posters and leaflets. In addition special clinics have been established to support men and women's health weeks. These events are held to inform and educate employees using internal and external expertise.

The launch in 2009 of our health and safety brand "Health and Safety Matters" provided us with a platform for consistently branded health messages that support our work in employee wellbeing.

Employees who are concerned about their health can self refer to one of the Occupational Health Practitioners for advice. A Confidential Telephone Help Line is available to provide counselling and information on personal, family and legal matters.

Voluntary "Fit for Life" assessments are also carried out at the request of employees. These include; body mass index, blood pressure, body fat, cholesterol, and urinalysis. In 2010 we were again successfully accredited with the Gold "Healthy Working Lives" Award at company level. This acknowledged the work that is done to promote healthy behaviour across ScottishPower, with a focus on healthy eating, supporting staff attendance, mental wellbeing, avoiding accidents at work, and health and the environment.

Annual health surveillance is routinely undertaken for employees with possible work-related exposure to potential health hazards such as noise, hand-arm vibration, skin sensitisers and respiratory sensitisers, or where there are specific vocational fitness requirements such as driving, or working at height.

During the consultation employees have the opportunity to discuss any health concerns they may have.

During the first half of 2010 the Occupational Health Team worked closely with business teams to help manage the spread of swine influenza during the pandemic and protect employees and visitors at company sites and field staff. Advising employees on the first day of absence and excluding staff from the workplace to manage contamination was a key focus. In addition, a considerable effort was made to educate and inform staff and visitors on the issues around pandemic influenza.

Energy Networks and Energy Retail have undertaken extensive public safety campaigns including school education programmes. In recent years we have implemented a Child Electrical Safety Education programme, supported Fixed Safety Centres in Flintshire, North Wales and maintained the PowerWise website.

#### **LA8.2**

##### **Workers with special risks**

Risk assessments have been carried out to identify work-related health hazards or fitness requirements. These assessments have been used to develop an Occupational Health Risk Register contained in the Occupational Practice Administration System.

This informs a programme of routine health surveillance for more than 1,700 employees in the Energy Networks, Energy Wholesale and Energy Retail businesses. Health surveillance provides assurance that employees are being protected effectively from exposure to possible work-related health hazards such as noise, hand-arm vibration, skin disorders, respiratory disorders, MSD and psychological problems and can safely undertake work with specific vocational fitness requirements such as driving or working at height.

#### **LA9.1**

##### **Agreements with the unions on health and safety**

These exist at company and business level. Details at company level are contained within the Company Health & Safety Council (CHSC) Constitution, which was established from 1 January 2008 replacing the previous Company Agreement.

The CHSC is a consultative body set up for the purposes of:

- Considering health, safety and welfare matters that may affect the company, its employees, contractors and members of the public.
- If there are any outstanding issues from the CHSC, it may refer the issues to the Company Consultative & Negotiating Council (CCNC) for further investigation and debate.

At Business level there are a number of Health & Safety Committee (HESAC) meetings, which provide an opportunity for discussions between the company and employees.

Voluntary health assessments are also carried out at the request of employees. These include body mass index, blood pressure, cholesterol, and urinalysis. In 2008 ScottishPower achieved the "Healthy Working Lives Gold Award" at company level and this was successfully retained during 2010.

This acknowledged the work that is done to promote healthy behaviour across the company, with a focus on healthy eating, supporting staff attendance, mental wellbeing, avoiding accidents at work, and health and the environment.

#### **PR1**

##### **Product and service safety**

In Energy Wholesale we prevent safety risks to the public through a total safety management programme, which includes asset integrity and preventing health risks by ensuring (through continuous monitoring) that we comply with all relevant legislation on emissions to air, land and water.

We employ proactive measures such as bowing during dry weather conditions to prevent dust blowing from our ash storage lagoons and we undertake other measures, such as noise monitoring, to ensure our plant complies with legislation and does not pose any health risk, or nuisance to local communities

Energy Networks is completing a three-year strategic plan covering the network. The business plan is integral to the development of the Distribution and Transmission network in order to improve safety and quality of service.



**Its six key goals include:**

- Operating a zero accident culture
- Investing intelligently in the network to maintain the performance and condition of the physical assets and to respond to customer driven growth requirements
- Meeting or exceeding key regulatory performance targets
- Using risk management techniques to safeguard the goals and objectives of the business
- Making continuous improvements
- Ensuring environmental care is a consideration of the asset management activities

**The plan also includes:**

- The review of substation equipment (transmission and distribution) and security arrangements preventing the public from entering, robust inspection and maintenance regimes
- Regular maintenance and inspection of distribution overhead lines, safety hazard warning signs and anti climbing devices, protection systems, quick response to damage and failure, robust inspection and maintenance regimes
- Transmission overhead lines - security arrangements preventing the public from climbing towers, robust inspection and maintenance regimes

**The hazards are numerous and include:**

- **Electrical safety** – warning signs and security measures are in place to prevent access to dangerous equipment
- **Climbing hazards** – signing and anti climbing devices prevent the public from coming into contact with overhead lines
- **Faults** – security barriers / fencing preventing the public from entering open excavations
- **Network problems** - such as damaged or grounded conductors – the Control Centre coordinates emergency responses
- **Recreational activities** in close proximity to overhead conductors
- **Construction activities** in close proximity to underground and overhead conductors

Where there are complaints regarding electromagnetic fields, we carry out measurements to identify any issues.

We maintain awareness of any new developments regarding studies into electromagnetic fields.

The company has not identified any installation that does not fulfil legal requirements.

**PR2**
**Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes**

There were no such incidents during 2010. However, we received a fine in relation to an incident that occurred in 2007, reported under indicator PREU9.

**PREU16:**
**Policies and requirements regarding health and safety of employees and employees of contractors and subcontractors.**

As part of its H&S Governance structure, the company has developed a raft of policies and procedures at company and business level, which aim to ensure, not only continuing legal compliance, but also a drive towards best practice in all levels of its operations. Contractors and subcontractors are expected to comply with ScottishPower requirements and in doing so carry out risk assessments to identify control measures required.

The Scottish Power Health and Safety Policy outlines the company's general position on employee training and competence and the selection of suitably trained and competent contractors. Training needs are identified through 'training needs assessment' of the individual and/or the tasks to be performed.

Each business area prepares an annual training plan, which identifies the required training for the coming year. HR Development is responsible for providing the training to meet the training plans. This training can either be provided through in-house training on site, at ScottishPower's training centres, or through external providers.

ScottishPower has a comprehensive set of Electrical & Mechanical Operational Authorisations (Safety Rules). Our two dedicated training centres delivered over 17,000 hours of technical and operational training sessions in 2010. The training comprises a variety of initial, repeat and periodic refresher courses.

**EU17:**  
**Days worked by contractor and subcontractor employees on construction, operation and maintenance activities.**

This remains an area for which we cannot provide accurate data for the full year. Based on average monthly figures we employed 18,744 contractors on projects through the year. However, many of these were contracts of short duration.

**EU18:**  
**Percentage of contractor and subcontractor employees that have undergone relevant health and safety training**

As part of our contract tendering process, all applicable companies are required to ensure that all relevant employees have undergone the required level of training. Where a formal authorisation is required to operate on or near our electrical systems, contractor employees may also have to undergo a programme of formalised training and interview to prove competency.

**PREU25.1:**  
**Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements and pending legal cases of diseases. (Please also include complaints concerning accidents)**

Contact with the live network, either through a failure of control mechanisms or through malicious intent resulted in 16 incidents being reported during 2010. All have been relatively minor in consequence and there were no fatal accidents involving members of the public in 2010.

**PREU9:**  
**Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.**

ScottishPower was fined £130,000, in November 2010, for a conviction under the Electricity at Work Regulations 1989 with a causal link to a fatal accident. We were formally acquitted of breach of the Health and Safety at Work Act 1974. The conviction related to the death of a member of the public in Prees, Shropshire, in January 2007, where an LV conductor, had become dislodged in high winds, was whipped into the air by a vehicle and struck and fatally injured a member of the public.

The fine was substantially lower than expected on the basis that:

1. The judge gave full credit of one third on account of cooperation and early plea negotiation
2. The judge considered that the breach was a very narrow offence relating to the failure of a one off wood-to-wood fixing which was a hazard that neither SP nor the HSE had identified
3. The tragic chain of events that led from the wooden block failing to the victim's death were not foreseeable, but the failure was still a significant contribution to the fatal accident
4. The judge commented that ScottishPower did have a fundamentally sound system in place and that it was a responsible company with no other incidents of this type.

# Our Customers

## Overview

ScottishPower is one of the UK's six largest energy suppliers. At the end of 2010 we supplied electricity and gas to 5.23 million customers and provided electricity connections to 3.48 million customers.

During 2010, energy prices and fuel poverty continued to be the dominant issues for energy suppliers and our customers. For the second consecutive year, we experienced a severe winter, with temperatures plunging well below minus 20o C and heavy snow falls from November through to January.

Energy prices during 2010 continued to be affected by rises in the cost of wholesale oil and gas and indirect costs, including the many millions of pounds the Government requires energy companies to spend annually on customer energy efficiency and social spend programmes.

In its Energy Bill 2010-2011, the Coalition Government proposes sweeping changes in the energy sector's obligations to reducing carbon emissions and helping vulnerable customers. The key change is the introduction of their flagship Green Deal, the aim of which is to encourage energy efficiency improvements in properties, which will be paid for over time by savings in home energy bills.

This will be supported by a new Energy Company Obligation, which will replace the existing Carbon Emissions Reduction Target and Community Energy Saving Programme that will oblige energy companies to target funding for energy efficiency improvements at low income and vulnerable households and hard to heat homes.

In addition, from April 2011 a new fuel poverty policy, the Warm Home Discount Scheme, replaces energy suppliers' existing voluntary social spend programmes to alleviate fuel poverty with a mandatory spending programme.

Also in 2010, Ofgem started a review on the competitive effectiveness and transparency of the UK energy market, to see if any further changes were necessary to protect consumers.

During the year we worked hard to improve the service we provide to customers in terms of managing our electricity network and our customers' experience of

the sales, metering and billing processes, while offering innovative new products designed to help customers make the most of their home energy.

Recently this has included the ground breaking Unifi energy monitor, which allows home electricals to be switched on and off remotely (See Products and Pricing section for more information).

## Customer Profile

**Number of customers:** 5,234,309

**Electricity customers:** 3,207,598

**Gas customers:** 2,026,711

Our customer profile at 31st December 2010 includes domestic, industrial and SME customers, as well the Scottish Parliament and public sector organisations, including the NHS and all schools in Scotland.

We supplied our customers with:

	2010	2009
Electricity (GWh)	36,661	37,520
Gas (Therms)	1,139,584,183	1,130,321,052

## Pricing and product innovation

Energy prices remained the single biggest issue for our customers during 2010. Following a slight drop in wholesale prices, we reduced our standard gas prices in March 2010, and provided with a new rebate for vulnerable customers who use electricity to heat their homes.

However, following upward pressure on wholesale prices, we announced increases to our standard gas and electricity prices in November 2010, of 2% and 8.9% respectively. This was our first price increase for two years and affected 2.5 million households.

Around 600,000 customers on capped price deals were not affected by the price increases. In addition, we protected 60,000 of our most vulnerable customers through the winter period by holding prices on the Fresh Start package until at least 31st March 2011. Fresh Start supports existing customers who are over 60 years old and on qualifying state benefits with a discount of up to £395 per annum on standard rates.\*

The November prices increases followed sustained increases in the wholesale energy market, with the wholesale costs for an average Dual Fuel customer up 26% between March and November 2010. In addition, suppliers face an increasing burden of non-energy costs, including the cost of meeting government environmental and social programmes and the cost of distributing electricity on the national grid.

At the time of announcing the price increases we encouraged customers to contact us for information on how to reduce their energy bills by up to £358 per year by making simple changes to the way they pay for their energy, switching to paper-free online billing and selecting one of our fixed term energy products.

During the year we continued to offer discounted home insulation and energy efficiency products to help customers save money on future energy bills.

In early 2011 Ofgem announced that going forward, energy supply companies would have to give 30 days' notice of impending price increases.

The cost of energy looks set to rise further in future years as the electricity sector invests £200 billion in upgrades to ensure we have a modern and reliable, low carbon electricity network.

\* Savings are based on an average ScottishPower Gas & Electricity Offer (Dual Fuel) with annual mains gas usage of 20,500kWh and annual Standard Rate electricity usage of 3,300kWh. They include VAT at 5% and were correct as of 25th November 2010.

### Products

We introduced several new products in 2010, including:

- Capped Price Energy, June 2013: This offer provides customers with a guarantee that the price they pay for their units of gas and electricity will not rise above a capped level before June 2013. In addition, if standard prices fall, prices for customers on this product will fall also. Discounts apply for dual fuel (gas and electricity combined) accounts and online account management
- Unifi Capped Energy: This combines a capped price deal until April 2013 with a new home electricity monitoring system, Unifi, which displays household energy use in kilowatt hours and pounds and pence. It also enables customers to track how much energy up to six individual appliances are using and to switch them on and off remotely, using an i-Phone
- Platinum Fixed Energy: This combines a fixed price energy deal until January 2014 with boiler care as part of the package, including an annual service, safety check and free repairs. We are the first energy supplier in the UK to offer a combined deal of this kind. The product was launched in August 2010, following customer feedback, which indicated that people wanted a product that covered all of their home energy needs and offered protection against price increases. The package saves customers up to £50 on purchasing a guaranteed price deal and boiler care separately.
- Simply Green: We launched a new green energy product for domestic customers in February 2010. Simply Green is an independently certified product that meets Ofgem's green energy supply guidelines. It matches the amount of energy a customer uses with a supply of renewable energy into the grid, but it also supports small-scale renewable energy projects at community level by automatically paying a Simply Green customer's annual dual fuel discount to the ScottishPower Green Energy Trust. The product is available online only for paper-free billing.

We also continued to offer our Pay in Advance discount product, which was launched in 2009. By paying a minimum of one year's energy consumption in advance, customers receive a discount of 5% below standard direct debit prices, provided their account

## Sales & Marketing

remains in credit. An additional discount applies to dual fuel (gas and electricity combined) accounts.

Since 2009 we have offered small “interest” payments to Direct Debit customers whose accounts have a credit balance at the time of their annual assessment, along with discounts for dual fuel customers, who take both gas and electricity, and online customers.

Our Prepayment prices have been set at levels significantly below standard quarterly cash rates for several years now.

Prepayment has seen a technology revolution in the last two years with the use of key meters. This enabled the launch of a new service in autumn 2009 that enables prepayment customers to top up credit in their meters via a secure internet page, using a PowerPod plug-in device.

ScottishPower is committed to ethical sales and marketing. We subscribe to the Billing Code and Sales Code, which governs the quality of information provided to customers.

We have been members of the Association of Energy Suppliers’ EnergySure Code of Practice since it was established in 2002.

The scheme sets strict standards for the recruitment of sales agents and the training and assessment they must undertake to become EnergySure accredited. It also sets procedures and standards for the way in which face to face sales are conducted. It is underpinned by a registration process, which records details of each sales agent and their competency standards.

We comply with all advertising guidance legislation and operate a structured sign off procedure internally for all advertisements, which includes screening by senior staff in the legal, pricing, product development and marketing teams.

We also voluntarily subscribe to the Green Supply Guidelines focusing upon the transparent and accurate promotion of environmental products.

In September 2010 Ofgem announced an investigation in to four of the six large domestic suppliers (EdF, NPower, ScottishPower and SSE) in relation to their compliance with Standard Licence condition 25 of the gas and electricity supply licences. The investigation is considering whether the four suppliers are complying with obligations under SLC 25 with regard to telephone and face-to-face sales activities. The investigation is ongoing and we are co-operating fully, in order to provide Ofgem with all relevant information. No findings have been confirmed against any supplier.

# Customer Information

Customers can access a wealth of information on many aspects of our business via our website and we also send out information with customer bills.

A key piece of information we provide customers with annually is the fuel mix we use in our electricity supply. This is available via our customer website:

[www.scottishpower.co.uk](http://www.scottishpower.co.uk)

Fuel mix (2009 - 2010)		
	ScottishPower	National Average
Coal	39.1%	25.8%
Gas	52.2%	47.7%
Nuclear	0.0%	18.0%
Renewable	8.4%	6.6%
Other	0.3%	1.9%
Total	100%	100%

Information on what to do in an emergency is provided to every customer on the back of the bill, via our website and in our Welcome Pack for new customers. We also provide information to customers on how to read a meter.

We issue energy efficiency advice to every customer at least once a year, via the billing cycle and we use energy efficiency messages in our marketing campaigns.

We provide energy efficiency advice on our website and offer a free phone energy efficiency advice line for both domestic and business customers. Energy efficiency advice includes home energy efficiency audits and advice on home insulation, grants and appliances. We also provide information about carbon monoxide poisoning.

Based on data from July to December 2010, the energy efficiency advice line handled an estimated 5,000 calls last year. In addition, we issued nearly 39,000 home energy efficiency audits.

## Customer Privacy and Data Protection

We are committed to protecting our customers' privacy and keeping their personal data secure and operate a Privacy Policy to ensure this is achieved.

During 2010, 114 complaints relating to customer privacy were received by official bodies. 104 came from the Telephone Preference Service and 1 from CPS global. No complaints were found to be justified.

The Information Commissioner received a further 9 complaints. Of these, 5 were unjustified, 3 were justified and 1 is on-going.

The company received 147 complaints relating to privacy directly from customers. Of these, 83 were found to be unjustified and 64 were justified.

No thefts or losses of customer data occurred during the year.



## Customer Service

Our Energy Retail business operates five main customer contact centres across central Scotland, north-west England and north Wales, including a Welsh language call centre. Customer calls are routed by payment type in order to provide a tailored customer experience. We responded to 7.1 million calls in 2010.

Since 2009, we have used a Virtual Call on Hold system to improve customer service. This tells customers their estimated waiting time if our Call Centres are busy when they call, and provides the option for us to call them back when they reach the head of the queue, or at a more suitable time, instead of holding to speak to an agent.

### Customer Satisfaction

Domestic customer satisfaction, along with its constituent attributes, is measured annually via robust quantitative primary market research techniques. Computer-assisted telephone interviewing is combined with on-line surveys used to gain consumers' perceptions and expectations of all areas of ScottishPower's service that consumers themselves have deemed 'critical-to-quality'.

This research is complemented with further qualitative research every two-three years.

In 2010 we conducted three waves of Voice of the Customer research and interviewed 4,545 respondents in total. Of the 73 weighted service attributes that were measured, 48 remained steady, 8 declined and 17 improved.

VoC results were incorporated into the 2011 business planning process. One of the initiatives that was launched in response to customer research was the inclusion of video guides in the support section of our customer website, covering issues such as how to read a meter and how direct debit payments are calculated.

### External Benchmarks

We are aware of four organisations issuing substantive customer satisfaction studies:

- uSwitch.com (Independent Customer Satisfaction Report)
- J.D. Power and Associates (2009 UK Electricity and Gas Supplier Customer Satisfaction Study)
- Which? Switch (Satisfaction Survey)
- The UK National Customer Satisfaction Index

During 2010 ScottishPower came top in the UK National Customer Satisfaction Index of energy utilities, with a 10% improvement in the company's score.

The company scored below average in the JD Power & Associates survey in 2010, but was middle of the field overall and rated 3rd among the UK's largest suppliers for customer satisfaction in the survey conducted by Which?

ScottishPower also improved its customer satisfaction rating by 10% in the uSwitch survey, taking 3rd position overall.

### Customer Complaints (Energy Retail)

When a customer chooses to make a complaint to ScottishPower, we follow a tight Complaints Handling Procedure to resolve the issues as quickly and satisfactorily as possible. Where possible, we will resolve the issue during the call. If this is not possible, we will provide a unique complaint reference number and will pass the issue to one of our specialist Customer Care Teams. The complaint is then assigned to a dedicated complaint handler, who keeps the customer informed of progress until the complaint is resolved.

ScottishPower complies fully with Ofgem's complaint handling standards and the majority of complaints are responded to by the end of the next working day.

Consumer Focus and the UK's major energy suppliers worked together throughout 2010 to develop and implement a new way of reporting complaints performance across the industry. The new approach seeks to give customers greater visibility of a supplier's complaints performance. It ranks overall performance using five metrics, including referrals to Consumer Direct, Consumer Focus and the Energy Ombudsman.



The number of complaints to UK consumer bodies is shown in the table below.

	2009	2010	%age Change
Ombudsman Cases	731	484	-34%
Consumer Direct Referrals (including Repeat Referrals)	2192	691	-68%
Consumer Focus Complaints & Enquiries	894	479	-46%

### Customer Service (Energy Networks)

Our Energy Networks business, which manages the company's electricity transmission and distribution systems, operates two call centres at Kirkintilloch, Glasgow and Prenton, near Liverpool and handled 544,235 calls in 2010.

Energy Networks received a total of 17,006 customer complaints and many thousands of enquiries in 2010, mainly due to supply interruptions and associated claims.

During 2010 we overhauled our customer service operation. The process began during the summer with a comprehensive customer research programme, involving focus groups of customers who had experienced an unexpected loss of electricity supply, as a result of a fault on the network.

Focus group sessions were held at eight locations – four in Scotland and four in England and Wales to map the customer experience and ask them how we could have performed better. The focus groups were spread over a combination of rural and urban customers.

We also conducted customer research on complaint handling, on the management and communication of planned outages, and on the processes involved in new customer connections.

Feedback from customers on actions they felt we should take have been used to develop a new customer service strategy and fed in to the operational plan.

Changes we made during 2010 include:

- Ensuring our emergency telephone number is easy to find in the phone book and well communicated via other channels
- Revisiting the way we tell customers about planned outages, to ensure information is clear and easy to understand
- Improved the communication process between engineers in the field and customer contact staff to provide more accurate information on fault restoration times
- Tightening up our complaint handling process
- Customer service and field staff jointly developed a scorecard to monitor progress. Monthly meetings are held to discuss performance and develop actions

One of the most significant changes is the improvement in communication between field staff and the control centre. This enables us to give more frequent updates on the length of time it will take for electricity supplies to be restored following a fault.

Information fed back from engineers in the field is put on the IVR telephone system for customers to check, but in addition, we proactively call customers back with an update and also send text messages.

As a result of the changes, our customer service ratings in the Ofgem performance tables (for the two Distribution Network Operator companies SP Distribution and SP Manweb Distribution) have climbed from 10th and 11th in early 2010, to 3rd and 4th in early 2011 out of 14 Distribution Network Operators.

We will be continuing with a major programme of customer research during 2011, with a view to making further improvements. In addition, work began in autumn 2010 to establish an online community of Energy Networks customers. We will feed in themes to the community and seek feedback. The new online community will be launched during 2011.

### Network Performance

We continued to invest in our networks during the year to reduce the number and duration of interruptions to power supply experienced by our customers. Our five-year investment plan for 2008-2013 involves the upgrading and modernisation of the overhead line network, substations, underground cables and network protection systems in our Scottish and Manweb network territories.

We are also reinforcing the network to accommodate growing numbers of renewable energy projects, such as windfarms, which also helps to increase network resilience and safeguard supplies to customers. Investments in our networks from 2008 to 2013 is expected to total more than £2.3 billion.

The performance of our networks is measured by recording customer interruptions (CI) and Customer Minutes Lost (CML). These figures are compiled from April to March and submitted to Ofgem to include in its Electricity Distribution Quality of Service Report.

ScottishPower operates two distribution systems – ScottishPower Distribution (SPD), covering south and central Scotland and ScottishPower Manweb (SPM), covering Merseyside, Cheshire and north Wales. One of our key targets for 2010 was to meet the Quality of Supply targets set by Ofgem.

Targets for Customer Interruptions, which are measured by the number of customers (per 100 customers) that are affected by power cuts lasting three minutes or more, were met by both SPD and SPM in 2009/10.

**Targets for Customer Minutes Lost** – the average number of minutes that a customer is without power for three minutes or more due to a power cut – were fractionally short of the Ofgem target.

	CI 2010 Actual	CI 2010 Target	CML Actual	CML Target
SPD	51.7	60.8	51.5	50.4
SPM	38.9	46.7	44.4	44.2

### Network Innovations

Energy Networks has started to roll out the usage of TP-22 cable fault locators to identify the location of transient faults on the low voltage network. A trial of 40 TP-22 devices has improved fault finding, reducing the number of excavations required and minimising the number of interruptions to customers. A further 40 devices will be introduced in 2011.

A complementary tool, the CableSniffer, is also helping to pinpoint underground cable faults on the low voltage network. The CableSniffer probes the ground to detect the gases released during a cable arc fault. This allows a fault to be located and repaired quickly, minimising disturbance to the customer, and without the need for repeated excavations.

In addition, a cable fault monitor is being developed to gather fault location information on the 11kV network. The monitors will be installed at primary substations to provide distance-to-fault information in real-time, narrowing down the location of the fault. This will benefit the customer by enabling supplies to be restored more quickly.

# Vulnerable Customers

ScottishPower has for many years run programmes designed to help vulnerable customers. Collectively suppliers entered into an agreement with Government to spend an additional £225m on social initiatives between 1st April 2008 and 31st March 2011.

We met our share of the social spend target for the period April 2008 to March 2010 and at 31st December 2010 were on track to meet our target for the period to March 2011.

## Fuel Poverty

Fuel poverty continues to be a major issue in the UK. Government figures published in 2010 show that 4.5 million people in the UK were living in fuel poverty in 2008, an increase of 500,000 on the previous year. However, National Energy Action and Energy Action Scotland estimate the figure to be higher, at 5.4 million.

A combination of economic recession, rising energy prices and an exceptionally cold winter will almost certainly have nudged more households into fuel poverty at the end of 2010.

Fuel Poverty is said to exist when a household has to spend 10% or more of its income on energy to maintain acceptable levels of warmth.

This is considered to be a temperature of 21oC- 23 oC in the main living area of a home and 18 oC in other areas.

Fuel poverty is influenced by three key factors – the cost of fuel, the income of the household and the energy efficiency of the home. Other contributory factors include under occupation of property and the use of electrical appliances that are not energy efficient.

Policies and programmes designed to tackle fuel poverty aim to help fuel poor households achieve “affordable warmth”, where acceptable levels of heating and normal appliance use cost less than 10% of household income.

## ScottishPower's Actions

We fund a number of programmes to help ease fuel poverty, including:

- Funding projects to address fuel poverty through the independent charity, the ScottishPower Energy People Trust

- Funding home energy efficiency improvements through our CERT and CESP programmes
- Supporting the national Home Heat Helpline
- Working with Citizens Advice Bureau on energy debt prevention and income maximisation
- Social tariffs and fair pricing for prepayment customers
- Providing bill rebates through our social spend programme
- Working with Government and other suppliers through the Fuel Poverty Advisory Group, Scottish Government Fuel Poverty Forum, Social Action Strategy Group and the Parliamentary Warm Homes Group
- Helping customers through a dedicated Social Responsibility Support team

## The ScottishPower Energy People Trust

The ScottishPower Energy People Trust funds not-for-profit groups that help people whose lives are affected by fuel poverty.

The Trust is funded by ScottishPower through our social spend programme and by voluntary donations from independent supporters.

Since its formation in November 2005 the company has donated almost £9m to the Trust and the Trust has awarded over £8 million to 160 projects run by grass roots organisations that help people who are struggling to pay their energy bills due to low incomes, poor housing or ill health. This has helped 1.5 million people in over 1.2 million households throughout Britain.

In 2010 the Trust awarded £1,691,171, funding 29 projects and helping 637,883 households (690,794 individuals)

During 2010, ScottishPower contributed a total of £262,000 to the Trust.

The Trust is administered by an independent and experienced Board of Trustees who have a special interest in fuel poverty. It includes representatives from Energy Action Scotland and National Energy Action.

## Here are some examples of projects funded by the ScottishPower Energy People Trust in 2010.

### Energy Agency Awarded £100,000 for Fund Scheme

A grant of £100,000 was awarded to the Sustainable Heat at Realistic Prices (SHARP) project to help vulnerable people living in fuel poverty in the South West of Scotland.

The Trust made the grant to the Energy Agency to fund a scheme that will reach people who miss out on mainstream support initiatives by a small margin but who are still in need of help.

The initiative will help some of the most vulnerable members of the community insulate their homes adequately and replace approximately 100 old, inefficient heating systems with new fuel efficient ones – helping to reduce fuel costs, improve levels of warmth and reduce carbon emissions.

### Funding Boost for Bevan Foundation

The Trust awarded nearly £25,000 to The Bevan Foundation for its project “How Fuel Poor Households Manage Fuel Use and Bills”.

The initiative aims to reach nearly 350,000 households across Wales providing different types of support, including crisis funding, benefits entitlement check and energy efficiency measures, to help alleviate fuel poverty.

In addition, the research carried out by the Bevan Foundation will help identify more people who are in need, examining households and their management of fuel consumption, expenditure and awareness of the advice and support that is available to overcome fuel poverty.

Victoria Winckler, Director of the Bevan Foundation, said: “We are amazed how little is known about how households on low incomes manage their fuel and we hope our findings will help to target help more effectively.”

### Solar Hot Water for Edinburgh Tenants

A grant of £90,000 was donated to the Lister Housing Co-operative in Edinburgh towards the cost of installing solar water heating renewable energy systems for its tenants.

The funding provided Lister’s low income tenants with hot water at a reduced cost, helping to alleviate them from fuel poverty.

The Lister Housing Co-operative complex, which forms part of a World Heritage Site in Scotland’s capital, provides affordable housing for a range of vulnerable individuals who are on low incomes and suffer from fuel poverty.

Forty nine households now receive solar heated water, helping tenants to save on their fuel bills.

Solar panels on the roofs provide energy to heat the water and are completely hidden from street view, which ensured the aesthetics of the World Heritage Site were not disturbed in any way.

### West Lothian Credit Union Forum Awarded £90,000

A grant of £90,000 was given to a project which will help young people and families living in fuel poverty in West Lothian.

West Lothian Credit Union Forum will receive funding towards an energy advice programme aimed at lifting young people and families with young children out of fuel poverty.

The credit union is working in partnership with the West Lothian Council Advice Shop and West Lothian Financial Inclusion Network to deliver the scheme and to identify people in need of energy guidance.

The service will provide expert energy advice and is expected to help around 750 people. Members of the credit union will also be able to get access to loans to fund the replacement of inefficient appliances or the cost of improving home insulation.

For further information on projects funded, please visit the ScottishPower Energy People Trust’s website:

<http://www.energypeopletrust.com/content/default.asp?page=s6&n=2&y=2010>

### Support for NEA/EAS

ScottishPower has a long association with National Energy Action and Energy Action Scotland. We supported NEA by sponsoring their Annual Conference and Exhibition in September 2010 in Liverpool.

The conference provides a national forum in which to debate the key issues relating to domestic energy efficiency and fuel poverty and inform future policy and practice.

The objectives of the event are to:

- Inform the participants of issues impacting on energy efficiency and domestic energy supply, with particular reference to low-income households.
- Inform NEA policy and practice.
- Develop and promote links with local agencies in the region.
- Promote the partnership between NEA and ScottishPower.
- Facilitate formal and informal networking.

During 2010 we continued to work with Energy Action Scotland (EAS). Previously we provided funding to a partnership between EAS and Macmillan Cancer Support, which has paid for the training of Macmillan welfare rights and benefits advisers to help clients to save on the cost of heating their homes.

At August 2010 more than 50 advisers had attended the four-day City and Guilds Energy Awareness course and Macmillan's ambition is to train all 70 of their advisers in Scotland.

Due to their illness, cancer patients spend more time at home and may feel the cold more, so have the heating on for longer periods. This results in higher heating bills at a time when the patient's income may be reduced through their inability to work.

The City and Guilds training enables advisers to help cancer sufferers access benefits and grants to which they are entitled, as well as providing advice on other energy efficiency measures they can take to stay warm and reduce home energy bills.

### **New Government Obligations**

From 1st April 2011, the Warm Home Discount Scheme, replaces energy suppliers' existing voluntary social spend programmes to alleviate fuel poverty with a mandatory spending programme that gives suppliers a regulated framework to direct social funding.

Social tariffs and rebates are to be phased out, and less funding will be available for industry initiatives over the next four years

The new mandatory programme will oblige energy suppliers to spend collectively £250 million in Year 1

(2011/12), £275 million in Year 2 (2012/13), £300 million in Year 3 (2013/14) and £310 million in Year 4 (2014/15).

Under the mandatory programme, spending may be directed in four ways:

1. Payment of a fixed rebate to a Core Group, where the bill payer, or their partner, receives the guaranteed element of pension credit. The scheme will expand to include householders of a certain age who receive the savings credit element of pension credit. These customers will be identified via a data sharing exercise between energy suppliers and the Department for Work and Pensions.
  2. Payment of fixed rebates at the same value as the Core group to a Broader Group of vulnerable customers, to be identified by suppliers. Ofgem will monitor spending on this group to ensure rebates are being provided to people on low incomes, who are vulnerable. The size of the Broader Group is small in the first year of the scheme but will increase as spend on social and discounted tariffs reduces.
  3. Legacy spending – for the first three years of the scheme suppliers will be able to count spending on social and discounted tariffs offered under the voluntary arrangement (which exists until 31 March 2011) under its non-core spending. However, the amount a supplier can count towards its Warm Home Discount obligation will be capped. The cap will gradually reduce to zero by the end of the third year of the scheme meaning social and discounted tariffs will be phased out altogether
- In common with other energy suppliers, we are concerned that some vulnerable customers, who currently enjoy the benefits of a social tariff, may not be identified as being eligible for assistance within the Core or Broader Groups.
4. Industry Initiatives – suppliers will be allowed to count a collective maximum of £30m on industry initiatives towards its non-core spending – provided they have Ofgem's approval. Such initiatives include the financing of organisations that refer customers in fuel poverty to suppliers for help, providing or funding the provision of benefit entitlement checks and providing or funding energy efficiency measures.



### Debt and disconnection

We offer help to any customers who let us know they are having difficulties in paying their energy bills. This may include devising a payment plan, changing the customer's tariff, offering energy efficiency advice and directing them to agencies that are able to offer additional assistance.

We have subscribed to the Energy Retail Association's Safety Net since it was established in 2004, which aims to ensure that no vulnerable customer in Britain is disconnected from their electricity or gas supply.

Disconnection is an emotive issue, but it remains an important sanction for energy supply companies in cases where customers refuse to pay, despite having the means to do so. We must therefore focus our efforts on identifying and helping customers who can't pay due to financial hardship.

Disconnection continues to be the option of last resort and is never a preferred course of action.

We have a strong focus on early customer contact with appropriate assistance and support. We aim to offer our customers frequent contact opportunities throughout the debt recovery process, by letter, phone and face-to-face contact, actively encouraging the customer to contact us to discuss their account at every stage.

We aim to contact the customer nine times, on average, which includes an outbound call where possible and at least one visit to the property. In the majority of cases, customers agree repayment methods, have a pre-payment meter fitted or qualify for benefits through the Fuel Direct scheme avoiding disconnection.

Last year the Credit strategy team devised a method of recognising which customers pose a greater risk of bad debt by examining their payment history. We can now identify customers who are low risk, reliable payers and apply different processes compared to higher risk, non-paying customers.

This supports our business goals of valuing our customers – by putting in measures to manage their account appropriately, and valuing our business – by collecting payments on time.

### Social Tariffs and rebates

During 2010 we continued to offer the Fresh Start tariff, which helps some of our most vulnerable customers to make significant savings on their energy bills.

People on Fresh Start are aged 60 years or over and in receipt of a social welfare benefit.

Many customers were identified as being eligible for the social tariff through our Carefree database of vulnerable customers and customers on the Fuel Direct programme, where fuel costs are paid directly out of benefits.

At the end of December 2010 around 64,000 Fresh Start customers, taking 102,330 services were benefiting from savings on energy of up to £395\* a year.

In addition to Fresh Start, in March 2010 we announced support for vulnerable customers who heat their homes with electricity through a £50 winter rebate to help with the cost of their winter fuel bills.

In 2010 ScottishPower remained the only UK supplier to set standard prepayment prices significantly below standard cash rates for both gas and electricity.

\* Savings are based on an average ScottishPower Gas & Electricity Offer (Dual Fuel) with annual mains gas usage of 20,500kWh and annual Standard Rate electricity usage of 3,300kWh. They include VAT at 5% and were correct as of 25th November 2010.

### Energy Efficiency

We continued to meet our targets for customer energy efficiency under the Government's CERT programme, by installing energy saving measures such as cavity wall and loft insulation and energy efficient lighting in customers' homes.

Under the programme 40% of assistance must be directed at people on low incomes and people aged 70 years or over, thus helping some of our most vulnerable customers to achieve long term savings on their energy bills.

We deliver our customer energy efficiency programmes through partnerships with social housing providers, including Warm Zones.

In addition to carrying our physical energy efficiency measures, the majority of these projects include income maximisation advice.

This is important, as millions of pounds of benefits go unclaimed each year. In National Energy Action's Impact Report for 2009/10 it states that the Warm Zones have resulted in annual energy bill savings for residents of £7.2 million, along with £5.9 million in new benefits income, equating to £13.1 million in increased resources for Warm Zone residents each year.

### **Home Heat Helpline**

We continued to support the Home Heat Helpline, an independent telephone service funded by the UK's six largest energy companies, for the fifth successive year during 2010.

The Helpline is designed to give help and advice to people who are struggling to pay their energy bills or to keep warm in winter.

Independent advisors can provide information and advice on keeping warm and using energy efficiently, as well as payment plan options and how those with special needs can become a Priority Service Customer.

In 2010 the number of calls to the Home Heat Helpline almost doubled to 61,238, compared with 32,246 in 2009. Of these, 2,902 were referred to us, compared with 3,187 in 2009.

The free phone number is 0800 33 66 99. For further information visit the Home Heat Helpline website.

### **Other Help for Vulnerable Customers**

We established a vulnerable customer team – the Social Responsibility Support Team – during 2009, which brings together specialists from different parts of the business into a unified team to provide a single point of contact for vulnerable customers and the agencies that help them.

It is responsible for Carefree customers on our Priority Services Register, matters relating to the Energy Assistance Package, the Home Heat Helpline and Fuel Direct.

The team also has specially trained staff to manage our day-to-day relationships with Citizens Advice Bureau, Age Concern, RNID, RNIB and local authorities.

In addition, Social Responsibility Support will work closely with the team that deals with Consumer Direct, Consumer Focus and the Ombudsman.

Internally, the team is the main point of contact for Energy Networks, who need to be aware of customers who have special needs in case of interruptions to the power supply, from planned maintenance or faults.

### **Carefree Scheme**

Customers who have special needs or senior citizens can sign up to join our Priority Services Register, branded within ScottishPower as the Carefree Scheme, which offers these vulnerable customers added peace of mind.

A key feature of Carefree is the Password Scheme, where Carefree members can choose and use a special password to check that a caller to their home is a ScottishPower employee or agent.

Carefree customers who meet certain eligibility conditions are entitled to receive free gas safety checks on home appliances.

### **Community Liaison Officers**

ScottishPower has a dedicated team of 13 Community Liaison Officers, which has been established for many years.

These skilled and experienced employees have a key role in identifying and communicating with vulnerable customers and helping to manage debt and other issues through one-to-one support.

In 2010 our Community Liaison Officers made 10,600 visits to customers' homes, including 1,830 visits to special needs customers, to provide advice on a range of subjects including energy efficiency, debt management and metering. They also attended 28 community events.

During the year we maintained our hardship fund of £200,000, enabling our Community Liaison Officers to help customers in genuine need pay their energy bills, clear debt, or replace old heating systems that were beyond economic repair.

### **Customer Diversity**

We try to always meet the needs of our diverse customer base, offering bills in other formats such as large print, Braille and audio tape for our Carefree register customers, and provide a Language Line translation service that helps us talk to our non-English speaking customers with the support of a translator.



## GRI Indicators and Performance

### EU3

#### Number of customers

	2010	2009
Electricity		
Residential	3,021,374	3,057,999
Industrial	35,881	38,473
Commercial	136,016	126,272
Institutional	14,327	16,754
Electricity total	3,207,598	3,239,498
Gas		
Residential	2,013,898	1,991,053
Industrial	0	504
Commercial	12,813	17,709
Institutional	0	40
Gas total	2,026,711	2,009,306
Total customers	5,234,309	5,248,804

### EU4

#### Powerlines

Powerlines	2010	2009
Overhead transmission lines	4,977	4,987
Overhead distribution lines	41,516	34,155
Underground transmission lines	500	518
Underground distribution lines	70,229	69,331
Total	117,222	103,486

### EU7

#### Demand management programmes

ScottishPower promotes a range of energy saving measures to residential and business customers. These are described in the Climate and Carbon Reduction section of this report.

### PR3

#### Information to consumers

ScottishPower is obliged to inform every customer of our most up to date fuel mix. This information is available both via our website. This information is available via our website:

[http://www.scottishpower.co.uk/Home\\_Energy/Customer\\_Services/Where\\_we\\_get\\_our\\_energy/](http://www.scottishpower.co.uk/Home_Energy/Customer_Services/Where_we_get_our_energy/)

and annually as part of our standards of service booklet.

We provide information on what to do in an emergency to every customer on the back of customers bills and via the website. It is also included within the new customers welcome pack. See

[http://www.scottishpower.co.uk/Home\\_Energy/Customer\\_Services/What\\_to\\_do\\_in\\_an\\_emergency/](http://www.scottishpower.co.uk/Home_Energy/Customer_Services/What_to_do_in_an_emergency/)

Our standards of service are issued annually to existing customers and are also available upon request or online via our retail website.

In addition to these obligations, our environmental impact is conveyed through our emissions to air report via our annual CSR report and also included within our fuel mix table.

We issue energy efficiency advice to every customer at least once annually. Energy efficiency advice is also conveyed regularly as a supportive message to marketing campaigns and customer communications. We also provide a free phone advice line. Based on data from July to December 2010, the energy efficiency advice line handled an estimated 5,000 calls last year. In addition, we issued nearly 39,000 home energy efficiency audits. See

[http://www.scottishpower.co.uk/Home\\_Energy/Energy\\_Efficiency/](http://www.scottishpower.co.uk/Home_Energy/Energy_Efficiency/)

We provide information on how to read your meter to every new customer as part of their OMR fulfilment process and this is available online. See

[http://www.scottishpower.co.uk/Home\\_Energy/Custom\\_Services/How\\_to\\_read\\_your\\_meter/](http://www.scottishpower.co.uk/Home_Energy/Custom_Services/How_to_read_your_meter/)

We also provide information about carbon monoxide poisoning - see

[http://www.scottishpower.co.uk/Home\\_Energy/Custom\\_Services/Information\\_On\\_Carbon\\_Monoxide/](http://www.scottishpower.co.uk/Home_Energy/Custom_Services/Information_On_Carbon_Monoxide/)

#### **PR4.1**

**Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.**

None (See 4.3, below).

#### **PR4.2**

**Voluntary codes regarding information to consumers and product labelling**

ScottishPower subscribes to the Billing Code and the Sales Code, which govern the quality of information provided to customers.

ScottishPower is a member of the EnergySure Code of Practice for Face to Face Marketing, which is administered through Energy UK. The Code is audited annually by an independent firm of auditors. Findings under the audit can be Major non-compliance, Important non-compliance or Minor non-compliance. While ScottishPower has no Major non-compliance findings under the 2010 audit, it has now been confirmed that there is one Minor non-compliance and three important non-compliances listed against ScottishPower. It has not yet been decided whether these non-compliances will attract any sanctions under the Code.

#### **PR4.3**

**Claims arising from non-compliance with product information and product labeling.**

None. In September 2010 Ofgem announced an investigation in to four of the six large Domestic Suppliers (EdF, Npower, ScottishPower and SSE) in relation to their compliance with Standard Licence Condition 25 of the gas and electricity supply Licences. The investigation is considering whether the four suppliers are complying with obligations under SLC 25 with regard to telephone and face-to-face sales activities. The investigation is ongoing and we are co-operating fully, in order to provide Ofgem with all relevant information. No findings have been confirmed against any supplier.

#### **PR5.1**

**Customer Satisfaction**

Domestic customer satisfaction, along with its constituent attributes, is measured annually via robust quantitative primary market research techniques. Computer-assisted telephone interviewing is combined with on-line surveys used to gain consumers' perceptions and expectations of all areas of ScottishPower's service that consumers themselves have deemed 'critical-to-quality'. This research is complemented with further qualitative research every two-three years.

In 2010 4,545 interviews were undertaken. Of the 73 weighted service attributes that were measured, 48 remained steady, 8 declined and 17 improved.

#### **PR5.2**

**Measures adopted as a result of customer satisfaction surveys**

In 2010 we conducted three waves of Voice of the Customer research, compared with one in 2009, with around 1,300 interviews in each wave.

VoC results were incorporated into the 2011 business planning process. One of the initiatives that was launched in response to customer research was the inclusion of video guides in the support section of our customer website, covering issues such as how to read a meter and how direct debit payments are calculated.

**PR5.3  
Customer Complaints**

Energy Retail: Number of customer complaints to UK consumer bodies

	2009	2010	%age Change
Ombudsman Cases	731	484	-34%
Consumer Direct Referrals (including Repeat Referrals)	2192	691	-68%
Consumer Focus Complaints & Enquiries	894	479	-46%

**Energy Networks: Number of customer complaints**

Energy Networks received a total of 17,006 customer complaints and many thousands of enquiries during 2010, mainly due to supply interruptions and associated claims.

**PR5.4  
Telephone customer service: indicate the number of call centres and total number of calls received during the year.**

Our Energy Retail business operates 5 main call centres and handled 7.126 million calls in 2010.

Energy Networks operates two call centres and handled 544,235 calls in 2010.

**PR6.1  
Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship. Indicate whether the company voluntarily applies any regulations, procedures, external codes, etc., that are an improvement on current legislation regarding advertising activities.**

ScottishPower complies complicity with all advertising guidance legislation. Internally we have a structured sign off procedure for all adverts encompassing legal, pricing, product development and marketing.

We also voluntarily subscribe to the Green Supply Guidelines focusing upon the transparent and accurate promotion of environmental products.

**PR6.2  
Prohibited or externally questioned products.**

In early 2010 Ofgem raised questions around the size and timing of ScottishPower's prompt pay discount for Standard Credit customers, and also the variations in prices across certain geographic regions. Following dialogue with Ofgem, ScottishPower agreed to make some changes to these prices to address some of Ofgem's concerns. This has now been completed.

**PR7.1  
Non compliance with marketing regulations/codes:**

(a) Fines or penalties (b) Incidents with warnings (c) Incidents with voluntary codes

There was no non-compliance with marketing regulations or codes in 2010.

**PR8.1a  
Complaints originating from regulatory bodies relating to customer privacy**

114 complaints relating to customer privacy were received by official bodies during 2010.

104 came from the Telephone Preference Service and 1 from CPS global. No complaints were found to be justified.

The Information Commissioner received a further 9 complaints. Of these, 5 were unjustified, 3 were justified and 1 is on-going.

**PR8.1b  
Complaints of another origin, validated by the company relating to customer privacy**

The company received 147 complaints relating to privacy directly from customers. Of these, 83 were found to be unjustified and 64 were justified.

**PR8.2  
Total number of cases of data leaks, thefts or losses.**

No thefts or losses of customer data occurred during the year.

**PR9  
Monetary value of any fines received in respect of: (a) non compliance with product and service information or labelling; (b) non compliance with codes relating to advertising or marketing (c) anti competitive behaviour**

No non-compliances and no fines levied during 2010.

**PREU23**
**Programmes, including those in partnership with government, to improve or maintain access to electricity and customer support services.**

The key programme we are signed on to is the Energy Retail Association's Safety Net, to avoid the disconnection of vulnerable customers. See section on Debt and Disconnection for further information.

**PREU24**
**Practices to address language, cultural, low literacy and disability related barriers to accessing and safely using electricity and customer support services.**

See sections on the Carefree Scheme and Customer Diversity.

**PREU24.2**
**Customer Safety**

Gas customers on the Priority Services Register, who are eligible (ie: who receive qualifying social benefits) receive free gas safety checks on household appliances.

In addition, the company promotes the use of carbon monoxide detectors on its customer website.

ScottishPower Energy Networks carry out extensive campaigns on safety including:

- Electrical safety - school education programmes
- Electrical safety - Real life scenarios at the Risk Factory for school and educational groups
- Information leaflets and visits to agricultural groups
- Information leaflets and visits to road haulage companies
- Information leaflets and visits to recreational sites and angling groups
- Presentations to emergency services on electrical safety
- Safety seminars for contractors
- Electrical safety construction groups and councils i.e. street lighting

**PREU26**
**Percentage of population unserved in licensed distribution or service areas**

Zero.

**PREU27.1**
**Customer Disconnections**

	Electricity	Gas	Total
2010	229	407	636
2009	418	1,013	1,431

Disconnections of households for non payment	Gas	Electricity
Paid up to 48 hours after disconnection	82	94
Paid between 48h and one week after disconnection	69	38
Paid between one week and one month	95	41
Paid between one month and one year	These are not available for 2010 as the data needs to be a year old in order to know what has been reconnected between one month and one year, or more than a year.	These are not available for 2010 as the data needs to be a year old in order to know what has been reconnected between one month and one year, or more than a year.
Paid after more than one year	These are not available for 2010 as the data needs to be a year old in order to know what has been reconnected after one year, or more than a year.	These are not available for 2010 as the data needs to be a year old in order to know what has been reconnected after one year, or more than a year.

The GRI indicators ask for the number of customers who were reconnected within certain timescales, following payment of the bill. However, payment of the bill in full by the customer only accounts for less than 5% of reconnections.

Other reasons for reconnection include the customer agreeing to a payment plan and/or the fitting of a prepayment meter to recover the debt, or a change of tenancy at the property. Customers may also be reconnected if they are identified as vulnerable after disconnection and/or they go onto Fuel Direct, whereby their energy bills are paid direct from benefits by the Department for Work and Pensions.

**PREU27.2**  
**Customer Reconnections**

**The total number of reconnections in 2010 was 668 – 237 electricity and 431 gas.**

The GRI indicators for the electricity sector ask how long it takes the company to reconnect a customer after a bill has been paid, ranging from within 24 hours to up to a year.

As stated above, payment of the bill in full by the customer only accounts for approximately 5% of reconnections.

Other reasons for reconnection include the customer agreeing to a payment plan and/or the fitting of a prepayment meter to recover the debt, or a change of tenancy at the property. Customers may also be reconnected if they are identified as vulnerable after disconnection and/or they go onto Fuel Direct, whereby their energy bills are paid direct from benefits by the Department for Work and Pensions.

In addition, in the UK suppliers have to meet Overall Standards of Service, with a target to reconnect disconnected customers within one working day of agreeing to pay.

The numbers of reconnections within 24 hours were:

**Electricity: 73                      Gas: 55**

The numbers of reconnections within one week were:

**Electricity: 132                      Gas: 151**

The number of reconnections that took longer than one week was 441 – these do not relate to payment of the bill. There were more reconnections than disconnections in 2010. This is because some disconnections from 2009 would have been reconnected in 2010.

**PREU28**  
**Quality of service: interruption frequency**

Customer interruption figures per 100 connected customers is used in the UK, as reported to Ofgem.

Performance figures cover the Ofgem reporting year from 1st April 2009 to 31st March 2010.

**PREU 29**  
**Quality of service: interruption duration.**

	SP Manweb	SP Distrib
Customer Interruptions	38.9	51.7
Customer Minutes Lost	44.4	51.0

Average customer minutes lost (CML) per connected customer, as reported to Ofgem. Performance figures cover the Ofgem reporting year from 1st April 2009 to 31st March 2010.

**PR95**  
**Consumer Associations**

We continue to meet our key Consumer Associations - Consumer Direct, Consumer Focus, Energy Ombudsman – on a regular basis. We attend formal quarterly industry meetings with each of them, and we also engage in regular updates to ensure we work together to provide strong customer support. ScottishPower continues to support joint activities where required, taking a key role across 2010 with the implementation of improved industry-wide complaints performance reporting.

**PR97**  
**Especially Relevant Events**

The launch of Feed In Tariffs, Government consultation on Energy Market Reforms. See the Economic section for more information.

**PR98**  
**Changes in electricity and gas usage**

UK domestic gas consumption per household was up by around 9%\* in 2010. We attribute most of this to weather (average winter temperature was 4.1 degrees Celsius in 2010 versus 6.2 degrees Celsius in 2009). UK domestic power consumption per household was up in the region of 2%\* in 2010.

*\* Figure is an estimate based on estimated DECC and National Grid data for Q1-3 2010, taking into consideration other factors such as weather conditions to extrapolate for the full year.*

**PR99**  
**External Customer Satisfaction Surveys**

See the Customer Service section, External Benchmarks for details.

## Our Communities

Building and maintaining the trust of our communities has been one of our key priorities over many years. We consider it important to be a good neighbour to our local communities and to contribute to their well-being and sustainability from our business activities and success.

We have a long track record of community engagement, supporting our local communities not only financially, through community investment and sponsorship programmes, but also through the skills, generosity and enthusiasm of our people.

We have a significant presence in many communities – with power stations and substations, offices and overhead lines, along with meters in several million homes and businesses.

We aim to conduct our activities responsibly, in a way that is considerate to local communities – minimising disturbance to people's daily lives wherever we can.

At the heart of building and maintaining the trust of our communities is open and honest communication. That means being willing to listen to community stakeholders, encouraging feedback and doing what we say we'll do.

Like many companies, we support our local communities through investment in sponsorships and charitable giving that benefits society or the environment.

As our presence in a community is usually long-term, we favour enduring partnerships for our community investment programmes, which allow us to deliver tangible and lasting benefits over time.

When we are planning a new development, such as upgrades to power lines, new power stations or new facilities at any of our sites, we consult closely with communities early on in the process.

This ensures that local people and organisations have an opportunity to comment on and input into our proposals before we submit an application for planning consent – and that any issues they make us aware of can be fully explored during the environmental impact assessment.

## Approach to Development and Site Management

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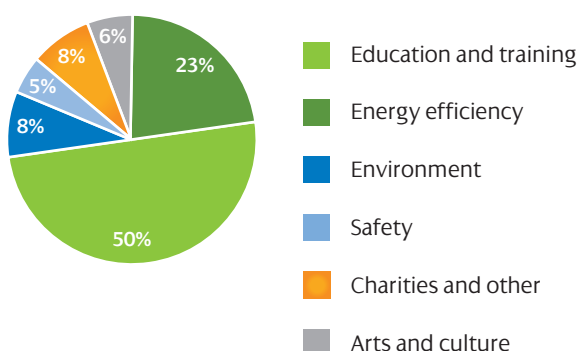
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## Community Investment

We use the London Benchmarking Group model to evaluate our community support activities. The model allows companies to report community contributions and achievements by measuring the total impact on communities rather than financial contributions alone.

### Community Investment 2010



The LBG is the standard for community reporting adopted by almost 120 companies in the UK.

Our input to the model is reviewed by the London Benchmarking Group annually to ensure we are applying its principles correctly and consistently.

During 2010, ScottishPower contributed £3.4 million in community support activity, of which £2.4 million was contributed to registered charitable organisations. The total incorporated £65,106 categorised as charitable gifts, £3.2 million, categorised as community investment and £115,364 categorised as commercial initiatives, given in cash, through staff time and in-kind donations.

### Analysis of Community Investment

Our community investment strategy reflects our culture and the main areas of investment are:

- Education and employability
- Public safety
- Environment
- Energy Efficiency
- Community and the arts

The majority of our community investment programmes are directed at improving the lives and prospects of young people.

## Community Programmes

### Education, Training and Employability

ScottishPower has provided employability training for young people since 1996, when we began delivering the Skillseeker and Prince’s Trust volunteers programmes to help prepare young people, often from disadvantaged backgrounds, for the world of work.

Over the last two years, however, our education and training programmes have undergone a strategic shift. With planned investment of some £200 billion in the UK’s electricity infrastructure between now and 2020, there is a growing demand for engineering and technical skills, made all the more urgent by the high number of electricity industry staff set to retire over the next 15 years.

As a result, we are focusing our efforts on building the talent pipeline of the future.

### Skillseeker Programme

Our Skillseeker Programme drew to a close in 2010 having helped 1,255 young people since its inauguration in 1996. We are proud to report that overall the programme had a 75% success rate, with 226 youngsters gaining jobs with ScottishPower, 617 finding full-time employment with another company and a further 93 moving into full-time education or training.

### Engineering Foundation Programme

A new 12 month technical vocational programme, the Engineering Foundation Programme, was launched in September with 30 participants.

The structured programme aimed at 16 to 18-year-olds, combines vocational studies with utility sector experience and is designed to generate interest in the energy and utility sector and act as a stepping stone to modern apprenticeships.

The programme is being delivered in partnership with Stow College, Glasgow and Wirral Met College.

### Work with schools

We continue to work with schools and 1,423 young people benefited from our schools based programmes during 2010.

A total of 23 students started their Young Apprenticeship programme in September 2010. This is a vocational programme, aimed at 14-16-year-olds, which runs for the last two years of school in Merseyside and Glasgow. The programme is known in Scotland as Skills 4 Work Engineering.

In addition, 100 students from five schools completed their Young Managers programme in 2010. They attend a series of modules designed to improve and develop their employability and enterprise skills. Modules included communication, team building, problem solving and presentation skills. Fifteen ScottishPower staff and eight teachers supported the programme

We also supported an INEOS science fair event delivering a number of interactive sessions to 1,300 students aged 11-12, along with a one-day Engineering Your Future careers event at which workshops were delivered to 100 pupils from 11 schools and a Celebration of Engineering & Science, the flagship event for the Young Engineer and Science Club, which was attended by 600 young engineers, companies and teachers. In addition, we supported a two-day Skills Scotland event at which we engaged with 500 young people through interactive activity and a quiz.

We supported a range of enterprise events across North Wales and North West England, including the finals of Young Enterprise competitions, the Enterprise Masterclass, career days and motivational workshops for senior business studies pupils.

Also in Wales, we sponsored two drama projects in partnership with Clwyd Theatre Cymru. One project set out to help 30 pupils who have suffered low self esteem and the second was part of an on-going project, that initially was part of Business in the Community's Seeing is Believing programme, to support pupils at a school phobia centre.

The aim of the projects was to develop the pupils' motivation and self-belief to enable them to be reintegrated and re-engaged with education.

### STEM Ambassadors

In 2010, 25 employees, including graduates and apprentices, worked with schools on a voluntary basis as STEM Ambassadors to share their enthusiasm for their career and encourage more school children into Science, Technology, Engineering and Maths subjects at school.

Our STEM Ambassadors were involved with a number of schools across the central belt of Scotland, Merseyside and parts of North Wales during 2010. They delivered career talks, acted as a role model or helped to deliver interactive activities as part of the STEM agenda in schools. The opportunities to get involved are diverse and are often innovative and provide staff development opportunities through strengthening communication, planning and presentation skills.

### IBERDROLA Foundation Scholarships

The Fundación Iberdrola Scholarship Programme was launched in January 2010 to contribute to excellence in training and research in the field of energy. It awards scholarships for Postgraduate Studies in Spain and the UK to students of Spanish or British nationality wishing to carry out studies in the following areas: renewable energies, sustainable energy systems, environment and biodiversity, clean carbon technologies, emissions management and carbon capture, energy efficiency, energy storage, electric vehicles and smart grids.

In 2010, the Fundación Iberdrola awarded 38 scholarships, of which four were funded by ScottishPower. The scholarship covers the full cost of tuition fees plus a monthly allowance of £1,200.

The knowledge and expertise resulting from the scholarships programme will contribute towards a sustainable energy model and broaden our future talent pipeline. As the programme develops it will offer opportunities for employees to become involved as mentors.

### Community Based Programmes

Our community-based programmes are designed to help young people build their skills in preparation for work, realise their potential and help them set goals for their futures.

### Prince's Trust

During the year we continued our support for the Prince's Trust Development Awards to support next steps into further education, training or employment for youths coming out of Princes Trust re-engagement programmes.

The awards look to remove any financial barriers that may prevent disadvantaged young people from getting a job, receiving the training they need or entering further education. This may include the payment of fees, or having certain materials or equipment to make them eligible for a role.

In 2010, nine ScottishPower staff members were involved in granting 17 awards within the Glasgow area to young people looking to go in to further education, training or employment. This was part of 165 grants that were awarded in Glasgow by Princes Trust. Within three months of receiving the awards 85% of young people moved into a job, education or training.

### Outward Bound

We continued our sponsorship of Outward Bound to allow schools in disadvantaged areas to access Outward Bound courses to develop their pupils' self-esteem and confidence. In 2010, in partnership with Glasgow City Council, we funded a residential development programme entitled "Widening Horizons". This programme enabled 150 children across five school groups from socially challenged areas around Glasgow to gain new skills, while breaking down social barriers and providing them with opportunities to develop their confidence and broaden their outlook for the future.

### Duke of Edinburgh's Award

We sponsor and partner the Duke of Edinburgh's Award to increase participation and success in Glasgow and Liverpool.

Our funding aims to ensure that young people from all backgrounds have the opportunity to develop themselves through the award, raising their aspirations, confidence and employability prospects for the future.

To date 168 young people, who would not normally have had access to the programme commenced the DofE Award. Our funding has also enabled the creation of a Development Office at Glasgow City Council (Licence Holder) to coordinate regional activity. In 2010, 45 new volunteers came on board to support the young people through their programmes, including six ScottishPower staff members.

During the year we launched a new online programme, Skills in Energy, to support the skills section of the Award.

Skills in Energy enables young people to understand the importance of using a variety of different ways of creating electricity and its impact on the environment. It introduces them to the latest technology to support the demand for electricity and teaches basic electrical skills, with a strong emphasis on safety.

To further complement this programme, we supported a group of apprentices taking part in Glasgow City

Council's Commonwealth Apprentice Initiative by providing practical workshops, site tours and business overviews

The initial cohort of seven were given the opportunity to demonstrate some of their newly-acquired electrical skills, such as basic wiring installation, drawing cables and circuit testing to HRH The Earl of Wessex, during his visit to Stow College, Glasgow, in November.

In addition, seven teams of ScottishPower staff completed the DofE 'Reach for the Peaks' Challenge and raised £12,500 for the charity in the process. The 42 employees navigated their way across a 20-25 mile route through moors and completed survival challenges along the way, giving them a taste of what 275,000 young people go through to achieve their DofE each year.

### Employee Volunteering

For the last few years we have combined our commitments to communities with the personal development of our people by providing community based development (CBD) opportunities.

These opportunities enhance employees' personal and professional development and give them the feel good factor of making a positive contribution to society.

During 2010, 190 employees participated in Community Based Development.

Through these innovative schemes, employees can expect to develop:

- Leadership skills through Business in the Community's Partners in Leadership Programme
- Team-working and communication skills through team community projects
- Presentation skills through our Young Managers Programme
- Interpersonal skills as a Prince's Trust Development Awards Assessor

Community Based Development provides opportunities for employees to engage with a cross section of the communities we serve. Raising staff awareness in turn helps the company to understand the diverse needs of its customers. It also provides opportunities for teams from across ScottishPower to engage in community activities. Working on a community project can help develop teamwork and can act as an opportunity for cross-departmental working.

### **Carmunnock Willow Sculpture Project**

We continued our partnership with Glasgow Greenspace in 2010 to work on a Willow Sculpture Trail project in the village of Carmunnock.

The project, which began in November 2009, aims to transform a little-used area of willow plantation in the village by creating a trail for use by local people and visitors, incorporating willow sculptures.

A team of 29 ScottishPower employees, working under the guidance of a willow sculpture artist built the first willow sculpture on the trail.

In 2010 the project was extended to include four local primary schools. Around 200 children learned skills such as coppicing and weaving and created Scottish woodland themed animal sculptures, including a giant spider, snail and fox, using a renewable, local resource.

Further developments are planned for the site, including a link with the 2014 Commonwealth Games Mountain Bike Course on nearby Cathkin Braes, along with biodiversity enhancements, such as ponds and wildflower meadows.

### **IBERDROLA International Volunteering Day**

Teams of staff from the UK took part in IBERDROLA's International Volunteering Day in October.

Four key projects were carried out on Saturday 23rd October, including the sorting of items for donation to previously homeless people gaining their first tenancy, with Inverclyde Starter Packs and collecting donations for the armed forces charity, Poppy Scotland.

Another team in Warrington transformed a room at Fairfield Community Project, making it suitable for use by a playgroup, including the provision of toys.

At the RSPB's reserve in Lochwinnoch near Glasgow, a team of six ScottishPower staff worked with adults who have learning disabilities to maintain paths, remove scrub and undertake pond clearing and general gardening.

### **Arts & Business Board Bank**

During the year we continued to contribute to the Arts & Business Board Bank, which provides business volunteers to serve as non-executive directors on the boards of arts organisations.

Arts & Business keeps a confidential register of business volunteers who wish to serve on the board of an arts organisation or museum. Volunteers receive a thorough induction and are then matched to organisations seeking support.

During 2010 six senior managers shared their skills through the Arts & Business Board Bank, at galleries, theatres and Glasgow's Tall Ship.

### **Pilotlight Scotland**

We continued to support Pilotlight Scotland, which matches teams of senior business people from different businesses with small charities and social enterprises, in order to help them build capacity and sustainability.

The relationship is based on a team approach to coaching and is facilitated and supported by a dedicated Pilotlight project manager.

In 2010 six senior managers were involved in Pilotlight with five charities – Deaf Connections, Orbiston Neighbourhood Centre, Lanarkshire Association for Mental Health, Theatre Nemo and Cumnock & Doon Valley Credit Union.

### **Public Safety**

Our Energy Networks business runs an award-winning public safety programme, much of which is dedicated to school children, to make them aware of the dangers of electricity at primary school age.

PowerWise, our safety education initiative, runs a pioneering safety education programme teaching primary school children aged four to 11 years the potential dangers of electricity in the home and outdoor environment.

The programme is taught by qualified school teachers and is linked to the school curriculum in our operating areas across Scotland, North-West England and Wales. Schools in Wales could opt for the programme to be delivered by an English or Welsh speaking teacher. In 2010, 387 teaching days were utilised, reaching 47,438 pupils.

PowerWise resource packs, full of lesson plans, activities and all the resources needed for primary schools to conduct their own electricity safety lesson are provided free of charge to schools that have received the classroom education programme, or who have requested packs via the website.

In 2010, the resource pack was fully translated into the Welsh language so schools in Wales can now opt for an English or Welsh version of the PowerWise resources. During the year, 387 resource packs were distributed.

The PowerWise website, at: [www.powerwise.org.uk](http://www.powerwise.org.uk), is packed with lesson plans, interactive games and electricity information for primary and secondary school children, teachers and parents.

### Safety Education Centres

We support two innovative, dedicated safety education centres within ScottishPower's network areas – DangerPoint in North Wales, which is run as a charity and the Risk Factory in Edinburgh, which is operated by the local authority.

The safety education centres are designed to educate and raise awareness of accidents, injury prevention and personal safety, in a safe and controlled environment. They provide realistic settings, specifically designed for children and young people, as a background for safety education through hands on experiences in the home, on the roads, at the farm or in the country, and on building sites.

ScottishPower has re-created substation and overhead power line scenarios at each centre so that every visitor is made aware of the potential dangers of apparatus on the electricity network.

During the 2010, 6,280 children visited DangerPoint and 7,509 visited The Risk Factory.

### Crucial Crew

Crucial Crew is a national experiential learning programme where children take part in a range of fast-paced scenarios designed to raise awareness of the dangers of electricity and other common hazards.

Last year Energy Networks representatives spent 145 man-days presenting key safety messages to 13,000 children at Crucial Crew events across the UK.

### Other public safety initiatives

As well as schools, Energy Networks provides electrical safety information and educational events to the public, including high-risk industrial sectors, such as construction, agriculture and leisure; and contractor associations and trade bodies.

In 2010 we supported two events organised by the Health & Safety Executive. One, in North Wales, was

attended by representatives from 200 small construction firms. The second, in Lanarkshire, was aimed at agricultural workers, another high risk group, and was attended by 300 delegates.

Longannet Power Station, ScotAsh and some key contractors continued to sponsor a vehicle used by Community Police in West Fife during 2010. The venture has been highly praised by Fife Constabulary and enables Community Police officers to instigate campaigns aimed at promoting public safety and security.

### Visitor Centres

We have visitor centres at several of our sites – Cruachan Power Station's centre, near Oban, which is open all year round is particularly successful and welcomes over 60,000 visitors each year.

Visitor Centres at the Galloway Hydro-electric scheme and at Longannet Power Station are open only to organised groups, by appointment.

Cockenzie Power station doesn't have a Visitor Centre, but has hosted the 3 Harbours Festival for the last five years. In November 2010 the festival included the display of the Prestonpans Tapestry, a 104-metre tapestry, which tells the story of Bonnie Prince Charlie's journey from France to victory at the Battle of Prestonpans in 1745.

Hundreds of volunteer embroiderers from across Scotland have spent more than 25,000 hours making more than 10 million stitches to tell the story.

### Tongland Tour

Our Visitor Centre at Tongland Power Station – part of the Galloway Hydro-electric Scheme – has a strong focus on water safety.

The centre, which was re-opened in early 2010 following refurbishment, offers tours to school groups by appointment. Children learn about water and electrical safety, along with the history of the scheme, all about renewable energy and wildlife – such as the lifecycle of a salmon – and have the opportunity to see the fish ladder and walk across the dam.

The Galloway Hydros produced a safety DVD, which has been distributed to local schools and also has a safety factsheet, which is downloadable from the Energy Wholesale website: [www.spenergywholesale.com](http://www.spenergywholesale.com)



## Environmental Sponsorships

We continued to sponsor a range of environmental projects during 2010, including the West Fife Woodlands Snowdrop Festival, with guided walks around snowdrop displays, and participation in the Forth Estuary Forum, which seeks to promote sustainable use of the River Forth.

We also continued our sponsorship of countryside rangers at several of our sites, including Valleyfield and Musselburgh Ash Lagoons, the Falls of Clyde at our Lanark Hydro-electric Scheme and a further two rangers at Loch Ken and Loch Doon, which form part of our Galloway Hydro-electric Scheme.

In Galloway we also continued to sponsor fish research projects undertaken by the Galloway Fisheries Trust and the Ayrshire Rivers Trust.

In Glasgow, we supported the RSPB by taking part in a community project to install solid path bridges to bird hides, enabling safe access to the hides for people with disabilities.

We also took part in another community project with Glasgow Greenspace to carry out environmental improvements at Cathkin Braes nature reserve. Forty nine staff were involved in conducting maintenance work to the area, including a bird hide and a learning circle used by schools for outdoor education.

Staff in Wales completed two community projects under Business in the Community's give and gain day programme, including transforming an outdoor space at a playgroup in Wrexham, complete with planters and a gazebo and creating an outdoor classroom for pupils at Chirk Primary School.

We also completed the third year of a £30,000 sponsorship of an RSPB project, to recreate native woodlands at Abernethy, near Aviemore, to enhance Caledonian forest habitat and boost the population of Capercaillie, one of the UK's most endangered birds. See our Biodiversity Section, under Environment, for more details.

## Green Energy Trust

ScottishPower established the Green Energy Trust as an independent charity, in 1998, to support the development of new, small-scale renewable energy sources at community level.

In 2010, £137,872 was awarded to 10 projects. Since its inception the Green Energy Trust has funded 128 projects with grants totalling £1,364,398.

Examples of projects funded during 2010 include a 5kW wind turbine for Joined Up Holidays, Bishop Auckland for its eco-friendly respite care and holiday centre in County Durham and 40 solar photo voltaic panels for Wood Green Community Shop Association in Hampshire.

A biomass and solar scheme to replace oil-fired boilers at the Taraloka Retreat Centre in Whitchurch received a grant from the Trust, as did the Organic Growers of Bothwell, for solar panels linked to under soil coil heating, which will help to extend the growing season at their sustainable community garden.

Another major project funded was a grant towards the installation of a wind, solar and thermal scheme for community buildings on the isle of Tiree.

For further information visit the Trust's website at: [www.scottishpowergreentrust.co.uk](http://www.scottishpowergreentrust.co.uk)

## Energy Efficiency

Our flagship community energy efficiency programme, the ScottishPower Energy People Trust is an independent charity, which provides grants to not-for-profit organisations that help people who suffer from fuel poverty.

Since it was established in November 2005, ScottishPower has donated almost £9 million to the Trust.

Between its inception and 31st December 2010, the Trust had awarded more than £8 million to 160 projects, benefiting over 1.5 million people in 1.2 million households throughout Britain.

In 2010 the Trust awarded £1,691,171, funding 29 projects, helping 637,883 households and 690,794 individuals. For further information see the Customer section of this Review or visit the Trust's website at: [www.energypeopletrust.com](http://www.energypeopletrust.com)



## Arts & Culture Sponsorships

### Celtic Connections

During 2010 we continued our sponsorship of Celtic Connections, a major traditional music festival involving 1,500 musicians and singers from all over the world.

The festival also includes an education programme and in 2010 13,000 school children – many experiencing live music for the first time – attended a series of eight school concerts at the Glasgow Royal Concert Hall, while 2,000 children participated in 40 free workshops.

### ScottishPower Pipe Band

We also continued our sponsorship of the award-winning ScottishPower Pipe Band, which in 2010 was ranked 6th in the world. The band's Leading Drummer retained the title of World Solo Drumming Champion in 2010 for the 4th consecutive year.

### Edinburgh International Book Festival

During 2010 we continued our sponsorship of the Edinburgh International book Festival, which is attended by over 800 authors, philosophers, poets and entertainers from 40 countries and around 220,000 visitors.

The ScottishPower Story Swap shop was promoted to all primary schools in Scotland. Hundreds of pupils across Scotland took part in the Story Swap Shop, which encouraged children to recycle their old books by swapping them with their classmates for a nominal sum, to raise money for environmental projects at the same time. The competition was organised in conjunction with the Edinburgh International Book Festival and environmental charity Friends of the Earth Scotland.

### Llangollen International Eisteddfod - Children's Day

In Wales we sponsored a Children's Day at the Llangollen International Eisteddfod, an annual international festival of music, dance and poetry, which dates back to 1947. 4,500 young people attended the event, which included music and dance from India and Sudan.

### Your Champions and Your Heroes

The "Your Champions" and "Community Heroes" Awards programmes, are run in partnership between ScottishPower and Trinity Mirror Newspapers in North Wales, Cheshire and Southport.

The award schemes recognise members of the local communities for the contributions they have made and there were many inspirational community champions.

The Champion of Champions this year was 17-year-old Chester schoolgirl, Hannah Jones, who raised £90,000 for the Samantha Dickson Brain Tumour Trust, while receiving treatment for cancer herself.

The Community Heroes winner was Aimee Watson, of Bootle, who set up a charity, Megan's World, in memory of her stillborn daughter, to help other parents. Aimee has raised funds by skydiving, bungee jumping and other pursuits to expand the charity, which now has support groups nationally.

### Other Charitable Initiatives

Our power stations support hundreds of local charities, good causes and community events each year, ranging from gala days, to community organisations that work with the elderly, children and families and those suffering from terminal illness.

In addition, our staff raise many thousands of pounds for charities each year, supporting community causes and national charities, such as Help for Heroes and Children in Need.

We operate a charity chest that match funds staff fund-raising efforts up to a maximum of £300. In 2010, we paid out match funding of just under £30,000 and staff who applied for match funding raised a further £82,264.

## GRI Indicators and Performance

### S01

#### **Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.**

These aspects are described in the narrative of the Society section under “Approach to development”, “Approach to site management” and “Approach to decommissioning”.

### S02

#### **Percentage of employees of business units analyzed for risks related to corruption.**

All business units are analysed for corruption, through the preparation of the legal risk report. There was no corruption reported in 2010.

### S03

#### **Percentage of employees trained in the organization’s anti-corruption policies and procedures.**

We do not have information on specific training undertaken by employees on corruption, but all employees receive a copy of the Group-wide Code of Conduct, which contains areas relating to anti corruption such as Compliance with Laws and Regulations, Fraud, Conflicts of Interest, Gifts and Hospitality.

IBEDROLA training on the new Bribery Act is to be cascaded to the business units.

### S04

#### **Actions taken in response to incidents of corruption.**

There were no incidents of corruption reported or detected in 2010.

### S05

#### **Public policy positions and participation in public policy development and lobbying.**

We make representation to public powers through meetings and responses to government and regulatory consultations to explain ScottishPower’s stance and provide the necessary information.

We are also represented through the following organisations: Energy UK (formerly the Energy Retail Association); Energy Networks Association (ENA);

Association of Electricity Producers (AEP); United Kingdom Business Council of Sustainable Energy (UKBCSE); the Confederation of British Industry (CBI) and the Scottish Council for Development and Industry (SCDI).

### S06

#### **Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.**

We are a politically neutral company and subject to the Political Parties, Elections and Referendums Act 2000, which defines political “donations” and “expenditure” in wider terms than would be commonly understood by these phrases.

During the period to December 2010, we made donations totalling £27,500 for the sponsorship of conferences and events – activities which may be regarded as falling within the terms of the Act. The recipients of these payments were:”

The Labour Party £9,500

The Conservative Party £7,000

The Scottish National Party £6,500

Plaid Cymru – Party of Wales £2,000

The Liberal Democrats £2,500 - Payment via Renewable UK (Sponsorship of Dinner at the Liberal Democrats UK Annual Conference 2010)

### S07

#### **Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.**

There were no actions for anti-competitive behaviour in 2010. However, In September 2010 Ofgem announced an investigation in to four of the six large Domestic Suppliers (EdF, Npower, ScottishPower and SSE) in relation to their compliance with Standard Licence Condition 25 of the gas and electricity supply Licences. The investigation is considering whether the four suppliers are complying with obligations under SLC 25 with regard to telephone and face-to-face sales activities. The investigation is ongoing and we are co-operating fully, in order to provide Ofgem with all relevant information. No findings had been confirmed against any supplier at the end of 2010.

**S08****Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.**

Nil.

**EU19****Stakeholder participation in the decision making process related to energy planning and infrastructure development.**

See response to S01

**EU20****Approach to managing the impacts of displacement.**

Not applicable in the UK.

**EU21****Contingency planning measures, disaster/emergency management plan and training programs, and recovery/restoration plans**

Each of ScottishPower's businesses has emergency plans in place that are tested regularly through exercises to ensure they are robust.

Exercises generally are conducted internally, but occasionally may involve members of the emergency services taking part.

In Energy Retail, the focus is on ensuring customer systems and contact centres can be quickly re-established at off-site recovery centres.

At our power stations, the focus is on ensuring the safety of employees and the general public and protecting asset integrity, while emergency plans in Energy Networks are geared towards the safety of staff and communities and restoring electricity supplies to customers as quickly as possible.

Energy Wholesale operates a Business Continuity Management System (BCMS), managed by the Business Continuity Manager. This system was certified to BS25999 in 2010. Through this system, each EW generation station, and the business as a whole, can plan for disaster, emergencies, pandemics and other eventualities that could pose a risk to the business' ability to continue to operate. It also includes recovery plans to respond to such emergencies.

Business Continuity and Emergency Plans exist for each site. An annual programme is prepared and delivered each year. This programme includes various activities, such as conducting emergency exercises at each site and training key personnel. Every site has key performance indicators in place to ensure different elements of the emergency plans are tested throughout the year. Actions and lessons learned from these exercises, and real emergencies, are assessed and used to improve the BCMS and the procedures through which the business, and each site, prepares for and reacts to an emergency. All documents relating to business continuity management system are maintained on a web-based portal, so employees can access the plans easily.

ScottishPower Energy Networks and the other UK distribution companies have an agreement to assist each other should one (or more) of the distribution network companies require assistance in the event of a major series of network failures e.g. extreme weather.

Energy Wholesale maintains plans at each of its main generating sites to respond to a 'Black Start' (collapse, or partial collapse, of the national electricity transmission system). These are designed to support National Grid's efforts to restore electricity supplies. Certain generating sites contract with National Grid to provide specific services e.g. maintaining reserves of hydro-electric power to provide a reliable source of energy when supplies from traditional sources (thermal and nuclear generators) have been interrupted e.g. by extreme weather conditions.

**EU22****Number of people physically or economically displaced and compensation, broken down by type of project.**

Not applicable in the UK.

assurance &  
information



# Assurance & Information

Our CSR Annual Review has once again been assured by external auditors, Two Tomorrows, who undertake independent scrutiny of the data and any claims we publish. A copy of the Assurance Statement can be viewed by clicking the menu bar on the left.

We have aligned our CSR Annual Review to the Global Reporting Initiative (GRI) Reporting Guidelines, third version. A list of GRI indicators and our responses is available at the end of each main section; Governance, Economic, Environment and Social.

We have self-declared an A+ application level with GRI-G3. In addition, the A+ level of application was endorsed by independent assurance company Two Tomorrows, who conducted a third party assessment of our GRI application level.

We acknowledge that energy supply companies sometimes use industry terminology that may not be immediately understandable to those outside our sector and while we strive to avoid the use of jargon wherever possible, we have included a glossary in this section, to help our readers understand terms they may not be familiar with.

# Assurance Statement

## Independent Assurance Statement

### Scope and objectives



**Two Tomorrows (Europe) Limited** has undertaken independent assurance of the ScottishPower 2010 CSR Annual Review. The assurance process was conducted in accordance with AA1000AS (2008). We were engaged to provide Type 2 assurance, which covers:

- evaluation of adherence to the AA1000APS (2008) principles of inclusivity, materiality and responsiveness (the Principles) and
- the reliability of specified sustainability performance information.

The performance information included in scope was all data and key claims in the Review, with checking processes prioritised according to materiality. The assurance scope excluded financial information taken from annual reporting processes, financial investment data, and any data already submitted to regulatory audit or other third party checks. We used the Global Reporting Initiative (GRI) Quality of Information Principles as Criteria for evaluating performance information. The scope of our work excluded company reporting relating to the operations of ScottishPower Renewables, and the material included under 'TV Station'.

### Responsibilities of the directors of ScottishPower and of the assurance providers

The directors of ScottishPower have sole responsibility for the preparation of the Report. We were not involved in the preparation of any part of the Report. We have no other contract with SP and this is the eighth year that we have provided assurance. Our statement represents our independent opinion and is intended to inform all of ScottishPower stakeholders including management. We adopt a balanced approach towards all ScottishPower stakeholders. Our team comprised Jon Woodhead, Elvin Ozensoy and Vicky McAllister. Further information, including individual competencies relating to the team can be found at: [www.twotomorrows.com](http://www.twotomorrows.com)

### Basis of our opinion

Our work was designed to gather evidence with the objective of providing moderate assurance as defined in AA1000AS (2008). We undertook the following activities:

- Review of the current sustainability issues that could affect ScottishPower and are of interest to stakeholders
- Interviews with selected directors and senior managers responsible for management of sustainability issues and review of selected evidence to support issues discussed. We were free to select these interviewees.
- Review of ScottishPower's approach to stakeholder engagement and recent outputs. As part of this, we attended the Stakeholder Sessions held by the company in Chester and Glasgow in February 2011.
- Review of information provided to us by ScottishPower on its reporting and management processes relating to the Principles
- A site visit to Longannet Power Station, part of the Energy Wholesale business, to review process and systems for preparing site level sustainability data and implementation of sustainability strategy. We were free to choose the site.
- Review of supporting evidence for key claims in the report
- Review of the processes for gathering and consolidating data and, for a sample, checking the data consolidation
- An independent assessment of Scottish Power Reporting against the A+ Application Level for the Global Reporting Initiative (GRI) G3 Guidelines

### Findings

We reviewed and provided feedback on drafts of the Report and where necessary changes were made. On the basis of the work undertaken, nothing came to our attention to suggest that the Report does not properly describe ScottishPower's adherence to the Principles or its performance.



## Observations

Without affecting our assurance opinion we also provide the following observations.

- During the reporting period, ScottishPower launched its 'Big Goals' initiative, which includes a set of goals and metrics that will be used across each business. This initiative has been communicated to internal and external stakeholders, and in the CSR Annual Review. This initiative should help ScottishPower to improve the way that success is tracked in each performance and business area.
  - We understand future reporting might be restructured to cover all of Iberdrola UK's operations; ScottishPower and ScottishPower Renewables. This approach would present a clearer and more complete account to stakeholders on key issues such as climate change. Where possible, future reports should also include stakeholder views on the Iberdrola Group's participation in a UK consortium to build new nuclear generation, as the current report refers to ScottishPower's plans for a more diversified fuel portfolio.
  - ScottishPower has conducted a number of stakeholder consultation activities during the year with a broad range of stakeholder organisations, including the stakeholder workshops held in Glasgow and Chester. We understand that a summary report on these stakeholder dialogues will be made available through the ScottishPower website.
  - ScottishPower report on plans to introduce a new approach to measuring levels of employee engagement, in line with the "Engaged Motivated People" Goal. We recommend that this new approach should include ways of assessing employees' engagement with the ways in which the company manages key sustainability issues, and the views of employees on their opportunities to participate and influence the company's approach.
- Inclusivity concerns the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.**
- Material issues are those which are necessary for stakeholders to make informed judgments concerning ScottishPower and its impacts.**
- The 6 Big Goals underpinning ScottishPower's 6 Values are representative of the company's most material issues. Future reports should provide a clearer explanation of the relative materiality of individual issues, and should show how stakeholder dialogue influences the report development process.
  - Iberdrola UK, of which ScottishPower forms a part alongside ScottishPower Renewables, has committed to reducing CO2 emissions by 20% over the period 2007 to 2020. This commitment will contribute towards the overall Iberdrola Group target to keep its emissions per unit of electricity (kWh) at least 20% below the European electricity sector average by 2020, which equates to a 30% reduction on 2007 levels. Whilst these commitments are a significant development since last year, we consider that future reports should provide a more comprehensive account of the specific contributions that ScottishPower's activities are expected to make to the achievement of this target. We recognise that the process of energy market reform is not concluded, but believe that there is now a need to set out ScottishPower's vision for how its planned investments could reduce carbon emissions in the period up to 2020 and beyond.
  - With the exception of governance for environmental issues, which is covered in detail under the section of the report on environmental management, reporting on governance for sustainability issues requires improvement. Future reports should demonstrate where accountability sits for specific CSR issues at Board level, and how the Boards of ScottishPower Generation Holdings Limited and ScottishPower Energy Networks Limited have been kept apprised of relevant CSR issues and performance during the reporting year. Further details are also required on the work of the CSR Steering Committee, for example what effects the work of the Committee has had on the management of CSR issues across the business.
  - In our opinion the report should include more information on ScottishPower's planned response to the risk arising from a potential employee skills gaps in the future. The report identifies that forecast retirement rates over the next 10 years indicate that 18% of the workforce are due to retire in this period, and it has been identified that employees will in future need new skills to work on new, emerging technology. Whilst the report does include some relevant information, for example on liaison activities with universities, we recommend that future reports should include plans and forecasts for recruitment over the near-term.

**Responsiveness concerns the extent to which an organisation responds to stakeholder issues**

- As stated in previous years, we recommend that additional reporting on how the company understands stakeholder concerns and ScottishPower's response would strengthen the report.
- In previous years we have recommended that ScottishPower should provide additional information on the basis for price changes during the reporting period. We recommend that ScottishPower should explain how and why prices have changed using the same definition of 'average dual fuel customer' as used by commonly quoted sources such as Uswitch. We also recommend reporting information on the range of tariffs available to ScottishPower customers, and what support is accessible to assist customers in selecting the most appropriate tariff.

**Performance Information**

- In terms of data accuracy, nothing came to our attention to suggest that these data have not been properly collated from information reported at operational level, nor that the assumptions utilised were inappropriate. We are not aware of any errors that would materially affect the ScottishPower corporate data. During the course of our review we identified issues regarding the accuracy of consolidated health and safety data, which were rectified prior to completion of the assurance process.
- The issue of multiple reporting requirements, and differences in data protocols between ScottishPower and Iberdrola was highlighted again this year during data checks. These differences have the potential to increase the risk of data transfer errors. We understand that work to further align these reporting requirements continues, and there has

been a good progress in improving the communications, such as the guidance on environmental indicator requirements.

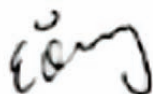
- We restate our recommendation made last year regarding the involvement of ScottishPower's Internal Audit team through checks on data accuracy prior to the assurance process.
- We checked the basis for consolidated data on customer complaints, to ensure that reported data can be supported by internal systems. However we were unable to review the boundaries and definitions used to record customer complaints. For health and safety, waste, and carbon emissions data we checked the basis for consolidated data, however we were also unable to check data at business level. For future reports we recommend that additional checks on source data and data collection processes should be carried out for these data.
- We do not provide assurance over non-fuel procurement data as these were provided by Iberdrola. We are also unable to provide assurance over average hours of training per year per employee, by employee category, which is also reported under GRI indicator LA10. We understand that these figures have been subject to external verification as part of the Iberdrola Sustainability Report.
- Energy Wholesale uses a number of different databases to collect environmental data for reporting purposes. Our review of data at site level indicated the potential for errors associated with manual transfers of data between databases, and rounding errors. We recommend that these processes should be reviewed to improve efficiency and accuracy.
- We confirm that the report meets the requirements of the A+ Application Level for the Global Reporting Initiative (GRI) G3 Guidelines.

**Two Tomorrows (Europe) Limited**

London, August 2011



**Jon Woodhead**  
Group Director



**Elvin Ozensoy**  
Senior Consultant



**Vicky McAllister**  
Senior Consultant

*Two Tomorrows (Europe) Limited trading as Two Tomorrows is an international consultancy that helps companies to perform better and create value by doing business in a sustainable way. [www.twotomorrow.com](http://www.twotomorrow.com)*

## Archive

ScottishPower has always had a proactive approach to stakeholder communication and aims to be among the leading companies in the UK for the quality and accessibility of our reporting on environmental and social impacts.

We published our first environment and community reports in 1995/96 and over the years have continued to report on our environmental and social impacts, moving in 2004/05 to a web-based Corporate Social Responsibility Annual Review.

In 2008, embracing continuing advances in digital technologies, we began to combine our web-based report and downloadable pdf report with video case studies on CSR TV.

This enables viewers to hear not just from the company, but from beneficiaries at grass roots level, about the difference our environmental and social programmes are making in our communities.

In this section you can access our environmental and social impact reports dating back to fiscal year 1996/1997.

CSR Annual Review 2009

CSR Annual Review 2008

CR Report 2007

CR Report 2006/2007

CR Report 2005/2006

### **2004-2005 Reports**

ScottishPower Procurement Performance Report 2004-05

ScottishPower Workplace Performance Report 2004-05

ScottishPower Community Performance Report 2004-05

ScottishPower Health & Safety Performance Report 2004-05

ScottishPower Governance Performance Report 2004-05

ScottishPower Customer Performance Report 2004-05

ScottishPower Environmental & Social Impact Summary Report 2004-05

### **2003-2004 Reports**

ScottishPower Environmental and Social Impact Report 2003-04

ScottishPower Environmental Performance Report Appendices 2003-04

ScottishPower Environmental Report 2003-04

### **2002-2003 Reports**

ScottishPower Workplace Performance Report 2002-03

ScottishPower Environmental Performance Report Appendices 2002-03

ScottishPower Environmental Performance Report 2002-03

ScottishPower Marketplace & Community Performance Report 2002-03

### **2001-2002 Reports**

ScottishPower Environmental Performance Report 2001-02

ScottishPower Sustainability Report 2001-02

ScottishPower Environmental Report Appendices 2001-02

### **2000-2001 Reports**

ScottishPower Environment Report 2000-01

ScottishPower Community Report 2000-01

### **1999-2000 Reports**

ScottishPower Environment Report 1999-00

ScottishPower Community Report 1999-00

### **1998-1999 Reports**

ScottishPower Environment Report 1998-99

ScottishPower Community Report 1998-99

### **1997-1998 Reports**

ScottishPower Environment Report 1997-98

ScottishPower Community Report 1997-98

### **1996-1997 Reports**

ScottishPower Environment Report 1996-97

ScottishPower Community Report 1996-97

2010

