

Corporate Responsibility Report 2007



SCOTTISHPOWER

Index

	Page number
Welcome	2
Performance Summary 2007	3
Managing our Responsibilities	
Our Approach	6
Governance	7
Environment	8
Stakeholder Engagement	11
Scope	12
Benchmarking and Recognition	13
Our 12 Impacts	15
Provision of Energy	16
Health and Safety	25
Customer Experience	35
Climate Change and Emissions to Air	43
Waste and Resource Use	52
Biodiversity	62
Sites, Siting and Infrastructure	70
Employment Experience	75
Customers with Special Circumstances	88
Community	94
Procurement	107
Economic	113
Assurance Statement	116

Welcome

2007 was a landmark year for our business with the successful integration of ScottishPower and **IBERDROLA**. The new enlarged **IBERDROLA** Group ended 2007 as one of the world's largest electricity companies by market capitalisation.

Through the friendly integration, now successfully completed, we have reinforced our shared commitment to Corporate Responsibility. Our reporting year has been aligned to **IBERDROLA** so going forward we will be working on a calendar year basis.

Achieving Scottish Business in the Community Large Company of the Year in 2007 was an important endorsement for ScottishPower's work and to our commitment to environmental and social issues.

During 2007, we have announced significant investments in sustainable generation projects and environmental technologies; increased our 2010 target for delivery of wind energy projects in the UK to 1,200 MW and established partnerships that will help secure Scotland's place as the world leader in marine energy. In addition, we announced the UK's largest energy crop project and embarked on a major study into cleaner coal generation.

Corporate responsibility is about developing the strength of our business, while respecting the needs of our stakeholders. It involves managing the potentially negative impacts of our business on society, while leveraging our activities to create benefits for communities, customers, employees and the environment. We remain committed to being a socially responsible company with best practice in corporate governance, business topics and respect for the environment. This commitment creates a sense of belonging and trust amongst stakeholders.

The ScottishPower senior management team continue to report on the 12 UK impact areas, whilst also now globally report our enhanced CSR credentials to the wider **IBERDROLA** Group. We as a fully integrated Group, are committed to a "multi local" approach ensuring ScottishPower continue its dialogue and relationships with key stakeholders. The establishment of the ScottishPower Advisory Board with membership from leaders in business, finance, public policy and academic research is an important link in ensuring our activities are globally coordinated and implemented in the most appropriate way within the UK and Scotland. Our community and sponsorship spend at £4.9 million for last year has increased year on year.

The integration with **IBERDROLA** provides a global platform for our combined Corporate Social Responsibility activities which together with a real and ongoing commitment to the local communities in which we operate, creates real and long lasting benefits for all our stakeholders and society.

I hope you find this report useful and engaging, and I would be to hear your opinions and thoughts on any of the matters raised within the report, or indeed any other aspect of our operations.

José Luis del Valle
Vice Chairman



Performance Summary 2007

Provision of Energy

- ▶ Ended 2007 with more than 100% of our 2010 target for renewables commissioned, under construction or consented. Target has been increased to 1,200 MW of renewables by 2010
- ▶ ScottishPower Renewables are one of the UK's leading operators of onshore wind with 372 MW operational (382 MW installed capacity), 666 MW consented or under construction and a further 599 MW in planning
- ▶ Announced plans to build the world's largest commercial wave farm off the coast of Orkney

Health and Safety

- ▶ EnergyNetworks won the IOSH Zurich Municipal Supreme Safety Award and the DuPont International Safety Award in recognition of the children's safety education programme, PowerWise
- ▶ Achieved successes in Scotland's Health at Work (SHAW) Awards for health promotion. Energy Wholesale achieved Gold and EnergyNetworks and Energy Retail achieved Silver Awards
- ▶ Set up an asset safety programme following the collapse of a coal conveyor at Longannet Power Station in early 2007 and the collapse of a wind turbine at Beinn an Tuirc Windfarm in Kintyre

Customer Experience

- ▶ **Customer complaints** to energywatch dropped by 61% to an all-time low during the year. Direct complaints to the company reduced by 40%
- ▶ **uSwitch** ranked ScottishPower top for online services and meter reading in their October 2007 survey of UK energy suppliers. In the same survey, we were ranked second for offering customers the best available deal and value for money
- ▶ **Customer research** out of 70 areas and weighted attributes on which we gauge customer opinion, 36 have remained steady over the last year, 29 have declined and five have shown improvement.

Climate Change and Emissions to Air

- ▶ We were the only UK supplier to achieve our Energy Efficiency Commitment (EEC2) target for the period 2005-2008 a year early. We achieved energy savings of 107% of our three year target
- ▶ Our £170 million project to fit Flue Gas Desulphurisation (FGD) at Longannet Power Station, will result in a further significant reduction in SO₂ emissions from 2008
- ▶ Added 37 MW of new wind energy by commissioning Wether Hill and Wolf Bog windfarms and acquiring the remaining stakes in Coal Clough and Carland Cross windfarms
- ▶ Began a 19 month feasibility study into the adoption of clean coal technology at Longannet and Cockerzie power stations, comprising supercritical boilers and turbines, and carbon capture and storage (CCS). During the year we conducted some specific work on aquifers in which we were the lead partner

Waste and Resource Use

- ▶ EnergyNetworks pioneered a new, safe oil sampling technique, reducing the volume of transformer oil used and sent for recycling
- ▶ Rye House Power Station's rainwater harvesting scheme was recognised in the Environment Agency's annual report as an example of best practice
- ▶ The volume of ash recovered for use in construction products increased by more than 45% on the previous reporting period, to more than 580,000 tonnes

Biodiversity

- ▶ ScottishPower Renewable Energy's Biodiversity Extranet site won the Best Innovation Award in the 2007 Scottish Green Energy Awards
- ▶ Prepared Habitat Management Plans for five new or extended windfarm sites, totalling 2,527 hectares, to be implemented in 2008
- ▶ Conducted trials at Unit 1 at Longannet Power Station of a fish "catch and release" system to explore viable methods of reducing the number of fish entrained at the cooling water intakes

Sites, Siting and Infrastructure

- ▶ EnergyNetworks completed connections to a further 520 MW of renewable energy capacity
- ▶ Good progress was made with major projects to upgrade the transmission network in south west Scotland to accommodate new renewable energy schemes and on increasing the capacity of the Anglo-Scottish interconnector
- ▶ Conducted reliability improvement work, such as automatic circuit reclosing, on 2,000 km of overhead lines
- ▶ A programme of undergrounding parts of the network was implemented in Snowdonia National Park

Employment Experience

- ▶ Achieved best ever response rate of 80% to employee survey conducted in December 2007
- ▶ Employee newspaper, ScottishPower News, won the "Best Staff Magazine 2007" at the Periodical Publishers Association's awards
- ▶ Launched a new HR intranet service – Your HR Online and delivered training in its use across the company

Customers with Special Circumstances

- ▶ Contributed a further £1 million to the ScottishPower Energy People Trust
- ▶ During 2007, the Trust awarded funding of more than £1.45 million to 31 projects, helping 132,172 individuals in 42,633 households
- ▶ Sponsored the National Energy Action Fuel Poverty Conference, which was held in the University of Chester in September 2007

Community

- ▶ Community Investment of £4.9 million, almost £600,000 of this to Windfarm Community Trusts
- ▶ ScottishPower was awarded Scottish Business in the Community Large Company of the Year 2007
- ▶ ScottishPower Learning won the Prince's Trust Scotland Scottish regional Bombardier Partnership Innovation Award 2007, which is awarded to the partner who has demonstrated innovation in their support of the work of the Trust
- ▶ ScottishPower Learning was awarded a Silver Jubilee Big Tick by Business in the Community. We were awarded a further eight Big Ticks for community learning and consultation and environmental projects

Procurement

- ▶ During the year we formed a consortium with EdF and Scottish and Southern Energy to explore the issues around the procurement of coal from global sources
- ▶ Our Coal and Biofuels Trading Manager undertook a fact-finding visit to a mine in Indonesia that we identified as a potential supplier, to carry out checks on its operations
- ▶ Two UK suppliers were recognised in our parent company **IBERDROLA'S** annual supplier awards in Madrid – Office Integrations, an independent Glasgow-based office supplies company and Clydesdale, which supplies gloves for live line working

Economic

- ▶ We supported farmers in rural areas through wayleave payments of £950,000 to landowners who have wind turbines on their property
- ▶ We announced a strategic plan for 2008-2010, with planned investment of €4.2 billion (£2.8 billion) in the UK
- ▶ We provided employability training to 60 Skillseekers during the year, of which 80% secured sustainable employment

Managing our Responsibilities | Our Approach

Corporate Responsibility is not just the right thing to do – it enhances our business reputation.

Our approach to corporate responsibility is embedded through all levels of our organisation – from our Chief Executive through to the day to day operations.

This is our third Corporate Responsibility Report where we have reported against 12 key impact areas. These were identified back in 2005 as our most significant social and environmental impacts.

Each impact area is led by a member of our Executive Team, who is charged with driving performance and ensuring that corporate responsibility and strategic objectives are aligned – at operational level and in our future plans.

There are three sections to each Impact area – the Leader's Overview, our Approach to managing that Impact, and a report on our Performance during the year.

During 2008, we will continue with the ongoing review of our Corporate Responsibility Reporting, taking into account stakeholder feedback to ensure we reflect the values, activities and achievements of our evolving business and the expectations of our stakeholders.

Managing our Responsibilities | Governance

ScottishPower is now part of the **IBERDROLA** group, which is committed to responsible business operations and growth.

The original ScottishPower Executive Team has remained in place since the integration with **IBERDROLA** and consists of

José Luís del Valle	Vice Chairman
Nick Horler	Chief Executive Officer
Alan Bryce	Director, EnergyNetworks
John Campbell	Director, Energy Wholesale
Adrian Coats	Director Treasury and Purchasing
Stephen Dunn	Director, Corporate Services
Ramón Fernández Olmedo	Director, Finance
Willie MacDiarmid	Director, Energy Retail
Rupert Steele	Director, Regulation
Marion Venman	Head of Legal and General Secretary

We have a ScottishPower Board which was appointed in April 2007 and consists of Ignacio Sánchez Galán as Chairman, José Luís del Valle as Chief Executive Officer, and José Luís San Pedro Guerenabarrena, José Sainz Armada, Fernando Becker Zuazua, Francisco Javier Morras Zuazo and José Miguel Alcolea Cantos as Directors.

In December 2007, we appointed a UK Advisory Board, comprising nine eminent people drawn from business, finance, public policy and academic research. The Advisory Board is chaired by Charles Miller Smith, who was Chairman of ScottishPower for seven years before the acquisition by **IBERDROLA**. The members of the Advisory Board are Sir Tom Farmer, CBE; Sir Muir Russell, Lord Kerr of Kinlochard, Lord Macdonald of Tradeston, CBE; Susan Deacon, Samantha Barber, Ramon de Miguel Egea and José Luís del Valle.

IBERDROLA uses the Advisory Board model to ensure that, as one of the world's largest energy providers, it continues to emphasise a local commitment and ensure its global strategy is implemented in the most appropriate way for the UK.

The Chief Executive Officer (CEO) of ScottishPower has overall accountability for our Corporate Responsibility strategy and performance. He is assisted in this task by members of the Executive Team, who also act as Impact Leaders.

A Corporate Responsibility 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 is responsible for policy development, reporting and advising Impact Leaders and business heads on Corporate Responsibility.

Managing our Responsibilities | Environment

Environmental Management

Understanding and managing the impact we have on the environment and striving for continuous improvement is a significant part of ScottishPower's overall approach to corporate responsibility.

We have been reporting on our environmental performance for 15 years, through environmental reports, sustainability reports and now as an integral part of a broader Corporate Responsibility Report.

The way we report our environmental performance has evolved, but our commitment remains the same – to provide a high quality and transparent account of how we've performed across all the key areas that are relevant to our business.

Our environmental performance is now reported within the 12 impact areas that make up our overall Corporate Responsibility Report.

We have designed the 12 impact areas to ensure they are compatible with the recently published Defra Reporting Guidelines for UK Business – "Environmental Key Performance Indicators" which cover the areas of emissions, resource use, supply chains, products, biodiversity and regulatory compliance.

For further information please contact:

Gordon McGregor
Energy and Environment Director
ScottishPower
1 Atlantic Quay
Glasgow
G2 8SP

Tel: 0141 566 4628

Fax: 0141 566 4888

Or email environment@scottishpower.com

The Defra categories are as follows:

Emissions to air

- ▶ CO₂
- ▶ SO₂
- ▶ NO_x
- ▶ Particulates
- ▶ Heavy metals

Emissions to water

Resource use

- ▶ Summary resource use
- ▶ Transport
- ▶ Internal energy use

Biodiversity

- ▶ Implementation of action plans
- ▶ Habitat management area

Emissions to land

(including waste recycle and reuse)

- ▶ General waste
- ▶ Power station ash
- ▶ SF₆
- ▶ Oil containment
- ▶ PCB status

Supply chains

Products

- ▶ Fuel source mix
- ▶ Renewable energy
- ▶ Energy efficiency
- ▶ System losses

Regulatory compliance

- ▶ Environmental compliance
- ▶ Incidents and complaints
- ▶ Environmental expenditure and fines

Managing our Responsibilities | Environment continued

Environmental Principles

Our commitment to the environment is outlined in a series of Environmental Principles that set out our promises to stakeholders and the actions our businesses are required to undertake in conducting their activities.

Environmental Vision

We are committed to achieving sustainable growth across our activities, considering the economic, environmental and social effects of our business growth strategy. This includes maintaining our leadership in renewable energy, investing in technologies that will deliver cleaner generation and working to improve resource efficiency, while providing safe and secure energy supplies and working with Government and external agencies to address issues such as fuel poverty.

Visionary Goals

Our long-term environmental goals show how our environmental strategy is linked to business growth.

Environmental Vision

EnergyNetworks

- ▶ To be acknowledged as a good and trusted neighbour in all areas of our operational activity, recognising biological diversity, cultural heritage and natural resources as we strive to meet the changing patterns of UK energy supply and demand via our transmission and distribution networks
- ▶ To create new infrastructure resources in support of the Government's renewable targets
- ▶ To identify and use cleaner technology, materials and fuel sources where practicable and cost effective, and pilot these into the business where appropriate

Energy Retail

- ▶ To become the UK energy experts, who provide an integrated energy solution to the home by going beyond a commodity-supplier offering to our customers
- ▶ To support, beyond the requirements of regulation, the UK Government's strategy to eradicate fuel poverty
- ▶ To meet or exceed the Government's Carbon Emissions Reduction Target by delivering energy efficiency advice and measures to customers
- ▶ To offer both business and domestic customers a range of products and services to enable them to manage their energy use in an efficient manner

Energy Wholesale

- ▶ To invest in higher levels of environmental protection for our coal fired plant, responding to concerns about acidification, haze and local air quality
- ▶ To be an early adopter of clean coal technologies, such as super-critical boiler technology, carbon capture and storage
- ▶ To optimise the use of biofuels and energy crops
- ▶ To meet Best Available Techniques (BAT) environmental requirements at all power stations by 2010
- ▶ To deliver a 25% CO₂, 85% SO₂ and 50% NO_x reduction per GWh of energy generated based on our 1999 generation portfolio by 2010

Managing our Responsibilities | Environment continued

ScottishPower Renewable Energy

- ▶ To be the leading generator of wind energy in the UK and expand our renewables portfolio to at least 1,200 MW by 2010, in line with the UK supply obligation
- ▶ To establish Scotland as a world leader in marine technologies, including tidal and wave power, as well as offshore wind

Environmental Governance

ScottishPower's Chief Executive has Board level responsibility for environmental issues within the company. Environmental policy, strategy and leadership is decided at Executive Team level within ScottishPower and implemented by the business level directors and their teams.

Reporting to the Executive Team, the cross-company Environmental Coordination Committee is the key vehicle for environmental governance and policy development. The Committee, 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 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.

Environmental Performance is measured through targets and associated KPIs and reported to external stakeholders on an annual basis.

The ScottishPower Environment Forum provides a balanced stakeholder perspective and constructive feedback on our environmental policies and proposals. Internal membership of the Forum includes our most senior executives and, externally consists of representatives who are eminent in the fields of energy and environmental issues.

The Environment Forum meets at least twice a year to discuss key topical and emerging issues linked to energy and the environment. Subject matter covered during the year included clean coal developments for thermal power stations, Flue Gas Desulphurisation (FGD) investment at Longannet, energy services development, marine and tidal energy development, smart metering, developments in environmental markets and the Government's Energy Review.

Environmental Policies

ScottishPower has a range of environmental policies covering internal energy use, transport, biodiversity, green purchasing and contaminated land. These can be found in the appropriate Impact areas on the website.

Managing our Responsibilities | 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.

During the year we held a stakeholder feedback session to canvass opinions on our 2006/07 Corporate Responsibility Report. We have taken on board some of this feedback in terms of the content and style of this report.

We engage on a regular basis with our many stakeholder groups on a regular basis.

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.

Environment

Our Environmental Forum challenges and informs our environmental policies and actions. The Forum meets twice a year and includes academics, policy experts and representatives from environmental organisations.

Community

We maintain close links with communities at our existing sites and conduct significant community consultation on any new developments.

Employees

We gather employee feedback throughout the year through formal and informal channels and use the results to improve the employment experience. We conducted our last employee survey in December 2007.

Government

We continue to engage with Governments and their agencies on all aspects of energy policy and other industry issues.

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.

Suppliers

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

Managing our Responsibilities | Scope

This year's report deals with the performance of the UK operations of ScottishPower and ScottishPower Renewable Energy (now part of [IBERDROLA Renovables](#)) against 12 impact areas that were identified in consultation with stakeholders in 2005.

Due to changes in the company's structure, we no longer report on the activities of PPM Energy in the United States. PPM's progress continues to be reported in [IBERDROLA's Sustainability Report](#).

Core became a 100% owned subsidiary during the year, and, unless otherwise stated, the report includes the operations of Core.

We report on ash reused by ScotAsh, our joint venture with Lafarge Cement. ScotAsh performance is not included in any other areas of report. For more information on their performance, see the [Corporate Responsibility](#) section of their website.

The report covers the calendar year 2007 and all data relates to that period unless otherwise stated. Where we refer to data or events outside that period, it is to provide context for our policies or performance.

This year we have made some minor changes to the structure of the report. In previous reports energy efficiency activity was included under the Customer Impact area. With the move from Energy Efficiency Commitment (EEC2) to the Carbon Emissions Reduction Target (CERT) our statutory energy efficiency programme is no longer customer driven, but a key part of the Government's Climate Change strategy. We have therefore reported our energy efficiency performance under the Climate Change and Emissions to Air Impact area.

We have continued to track developments in good reporting practice and review our reporting against corporate responsibility performance indicators including: the Global Reporting Initiative, AA1000.

The audience for our corporate responsibility report is internal and external stakeholders: employees, shareholders, investors, analysts, customers, Government, non-governmental organisations, community groups, corporate responsibility and industry analysts and other opinion leaders.

Managing our Responsibilities | Benchmarking and Recognition

ScottishPower participates in a number of external indices and award programmes to allow comparison of our approach and performance against others in our industry, and more broadly.

Important indices we participate in include:



In May 2007, ScottishPower was named Large Company of the Year by Scottish Business in the Community.

Business in the Community

- ▶ 2006 BitC CR Index - Platinum Company (> 95%)
- ▶ 2006 Business in the Environment Index – Platinum Company (> 95%)
- ▶ Member of the BitC CR Index Leadership Group

Since their inception, ScottishPower has received more Big Ticks from BitC than any other company in the UK. In 2007, when we were awarded the following Big Ticks:



A Jubilee Award Silver Big Tick for ScottishPower Learning



- ▶ A new Big Tick for the EDF Energy Environmental Leadership Award (shortlisted for the UK Example of Excellence)
- ▶ A new Big Tick for the HBOS Responsible Marketing category for Energy Retail (also shortlisted for the UK Example of Excellence)
- ▶ A new Big Tick in the Merrill Lynch Raising Achievement in Young People category for ScottishPower Learning's School to Work Programme

5 of our existing Big Ticks received reaccreditations

- ▶ ScottishPower Renewables
- ▶ Energy Retail's Green Energy Trust
- ▶ ScottishPower Learning (Education)
- ▶ ScottishPower Learning (Healthy Communities)
- ▶ ScottishPower Learning's Skillseeker Programme (Education)

ScotAsh, our joint venture with Lafarge Cement, was awarded the Business in the Community National Award for Excellence in the TCS Marketplace Innovation Award – for companies that have successfully developed products or services that meet a social or environmental need, or an innovation that has improved the social or environmental impact of existing products.

Business in the Community www.bitc.org.uk/

Managing our Responsibilities | Benchmarking and Recognition

CARBON DISCLOSURE PROJECT

Carbon Disclosure Project

In previous years ScottishPower was listed within the Carbon Disclosure Project's Climate Leadership Index of top 50 global companies. Last year ScottishPower's input was integrated with **IBERDROLA'S**. We are pleased to report that **IBERDROLA** was ranked as the world's top utility in the 2007 index, published in September. The group outperformed all other utilities and earned the maximum 100 points. 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 their website: www.cdproject.net/

WWF

A WWF Report: UK Power Giants, Generating Climate Change ranked ScottishPower second out of the UK's six major electricity and gas providers on climate change performance and policies. We were praised for having "one of the most progressive climate change business strategies" which is "reinforced through a clear, mature governance structure".

WWF: www.wwf.org.uk

- ▶ In May 2007, ScottishPower was awarded the Best Online Service Award by uSwitch in its Energy Customer Satisfaction Awards
- ▶ In September 2007 ScottishPower EnergyNetworks was awarded the Zurich Municipal Supreme Safety Award in Recognition of Outstanding Contribution to Public Sector Health and Safety for PowerWise Children Safety Education Programme
- ▶ In October 2007 ScottishPower EnergyNetworks was awarded the Dupont Safety Award 2007 for PowerWise Children Safety Education Programme
- ▶ In November 2007, ScottishPower Renewables was named National Green Champion 2007 for Scottish Businesses by the Green Apple Environmental Awards
- ▶ In December 2007, ScottishPower Renewables was awarded the Scottish Green Energy Award, Best Environmental Initiative for Black Law Windfarm habitat management extranet
- ▶ ScottishPower Learning won the Prince's Trust Scotland Scottish regional Bombardier Partnership Innovation Award 2007, which is awarded to the partner who has demonstrated innovation in their support of the work of the Trust

Our 12 Impacts

In 2005, we identified our 12 most significant social and environmental Impacts, and during 2006 appointed Executive Team leaders for each.

Our 12 Impacts were selected following internal and external consultation and represent our most significant environmental and social impacts.

After years of proving our credentials through externally defined benchmarks and reporting frameworks, we found that what most people wanted us to do was define our own approach, based on the challenges facing our industry, our areas of operation and the nature of our businesses.

Our stakeholders and our businesses agreed that we needed to manage and report with greater depth and focus on the areas where our business was having greatest impact on society and the environment. Our Executive Team endorsed this change in approach and our CR Steering Committee led an exhaustive consultation to define our most significant areas of impact. Twelve were identified and these were approved by the Executive Team as the foundation of our CR management and reporting.

Adopting a 'leadership approach' ensures responsibility for management sits within the appropriate business areas and Corporate Responsibility is part of our day to day business operations. Senior leadership of our Impacts also ensures that our future aspirations align with what we do today.

In each Impact area you will find:

- ▶ an **Overview** which sets out the nature of the Impact;
- ▶ our **Approach** to managing that Impact; and
- ▶ our **Performance** during the year

Our 12 Impacts I Provision of Energy

Overview

Energy is essential to our daily lives and supporting a successful economy, but providing secure, sustainable and affordable supplies is increasingly challenging. Globally demand for energy is growing – and with it the need to reduce carbon dioxide (CO₂) emissions and tackle global climate change.

In the UK, like many other European countries, reserves of oil and gas are declining – increasing dependency on gas imports, mainly from Norway, Russia and Algeria.

A number of UK coal stations have opted out of the Large Combustion Plant Directive (LCPD) and will close from 2011 and nuclear stations will be decommissioned. Over the next 20 years the UK will need to replace a third of its generating capacity – equivalent to 20 power stations.

In the Energy White Paper, published in May 2007, the UK Government set out its strategy for the provision of energy, including:

- ▶ Policy measures to encourage low carbon technologies, including renewables
- ▶ Clean coal projects, such as carbon capture and storage
- ▶ Demand management measures, including a mandatory carbon reduction programme for businesses

In addition, the obligation on energy suppliers to achieve CO₂ savings from customer energy efficiency programmes will double under a new Carbon Reduction Target Scheme, starting in 2008.

The White Paper also highlighted the issues of nuclear energy, access to gas supplies and EU energy market liberalisation.

Delays have been encountered when connecting new, renewable energy projects to the grid. The Planning Bill, which went before Parliament in February 2008 proposed a new system for nationally significant infrastructure projects to speed up planning decisions on strategic renewable energy and grid reinforcement projects. In addition, a Transmission Access Review, conducted jointly by the Department for Business, Enterprise and Regulatory Reform and regulator Ofgem is addressing the issue of connecting renewable energy projects to the grid in the medium and long-term. A report is expected to be published in May 2008.

The Government's Energy Markets Outlook Report, published in October 2007, estimates that the UK will need 20-25 Gigawatts (GW) of new generation capacity by 2020. The UK's generators have announced plans to build projects which would produce 14 GW, mainly Combined Cycle Gas Turbine (CCGT) plant.

In January 2008, the UK Government announced it would allow new nuclear power stations to be built, to diversify the low carbon generation mix. However, the Scottish Government has stated a clear preference for large-scale deployment of renewables, backed by clean coal.

Going forward, renewable energy will be given a further boost with the banding of the Renewables Obligation to bring newer technologies, such as wave and tidal power into operation. The announcement of a Strategic Environmental Assessment of the UK coastline to pave the way for offshore wind developments in December 2007 will also help.

In January 2008 the European Commission published a proposal for a Directive on Renewable Energy, which would require the UK to meet 15% of its energy supplies from renewable sources by 2020. The UK Government welcomed the proposal but acknowledged the target is challenging.

Within the UK legislative framework, the Energy Bill 2008 will incorporate reforms which will enable the aims of the Energy White Paper to be delivered, including private investment in offshore gas infrastructure, nuclear, renewables and carbon capture and storage projects, which will allow the continuation of secure and cost-effective coal generation with 90% less CO₂.

John Campbell, Impact Leader

Our 12 Impacts I Provision of Energy

Approach

We aim to provide secure, diverse, sustainable and affordable energy for our customers.

ScottishPower's approach to the provision of energy reflects the UK and Scottish Governments' policy objectives for energy. We are:

- ▶ Continuing our major investment programme in renewables, including onshore wind, offshore wind, wave energy and tidal stream projects, as well as existing hydro
- ▶ Continuing a major programme of repowering and environmental investment. We are working on a 19-month feasibility study, due to report in 2008, into the potential for implementing supercritical boiler technology, backed by Carbon Capture and Storage, at our two coal-fired power stations, Longannet and Cockerzie
- ▶ Investing £1.5 billion in network upgrades over the next five years to support new connections to the grid, particularly renewables. Robust and reliable networks play a fundamental role in providing a safe and secure electricity supply
- ▶ Investing in a new biomass plant at Longannet Power Station
- ▶ Planning to extend the capacity of our Damhead Creek Power Station in Kent
- ▶ Managing energy demand through large-scale customer energy efficiency programmes

Strategic fuel purchasing is another important consideration in ensuring security of energy supplies. We have long-term gas supply contracts in place with Statoil of Norway and own and operate a gas storage facility at Hatfield Moor, near Doncaster, which we would like to extend.

In addition, our parent company **IBERDROLA** secured re-gasification capacity at the Isle of Grain Liquefied Natural Gas importation terminal in Kent of up to 2.75 billion cubic metres per year.

We believe the energy mix should include a combination of low carbon technologies – including renewables, modern efficient thermal, with the potential for carbon capture, and nuclear. Key elements of our approach include:

Security

- ▶ Establishing long-term contracts with reliable suppliers of coal and gas to reduce exposure to volatile market prices
- ▶ Investigating clean coal technologies. Unlike gas, coal is an abundant indigenous resource and can be stockpiled, providing security benefits
- ▶ Securing sufficient gas storage and importation capability to meet customer needs
- ▶ Ensuring we have enough carbon allowances to generate power in line with customer demand
- ▶ Major investment in strengthening our energy networks to support new renewables and improve network integrity
- ▶ Continuing to develop new generation capacity, or re-power established assets sustainably, to maintain a capacity that is at least in line with customer demand

- ▶ ScottishPower became part of the **IBERDROLA** Group in April 2007
- ▶ ScottishPower Renewable Energy Limited became part of **IBERDROLA RENOVABLES**
- ▶ **IBERDROLA RENOVABLES** was floated on the Spanish Stock Exchange in December 2007 to raise capital for accelerating investment in renewables
- ▶ **IBERDROLA RENOVABLES** is the global leader in renewable energy with 7,704 MW of installed capacity at December 2007 and a project pipeline of more than 42,000 MW worldwide

Our 12 Impacts I Provision of Energy

Approach I continued

Diversity

- ▶ Reducing the risk of energy shortfalls and volatile market prices by maintaining a balanced generation portfolio that includes coal, gas, hydro, biomass and new renewable technologies that are integrated to provide a secure electricity supply in real time

Sustainability

- ▶ Continue to Invest in renewable energy, including onshore windfarms, to achieve a portfolio of at least 1,200 MW in the UK by 2010
- ▶ Investing around £200 million in Flue Gas Desulphurisation and Boiler Overfire Air technologies to reduce emissions of SO₂ and NO_x
- ▶ Investigating the feasibility of deploying clean coal technologies at our two coal power stations in Scotland
- ▶ Developing the UK's largest energy crop project, which would utilise up to 250,000 tonnes of crops, such as willow coppicing, annually
- ▶ Developing a dedicated biomass plant of up to 25 MW at Longannet Power Station, while continuing to co-fire biomass fuels, such as sawdust or peanut husks, with coal at Longannet and Cockerhill
- ▶ Supporting the next generation of renewable technologies by developing a commercial wave farm, a tidal stream demonstration project and offshore windfarms
- ▶ Considering the possibility of adapting our networks to accommodate an increasing number of microgeneration and CHP schemes
- ▶ Meeting the energy efficiency targets we have been set under the Carbon Emissions Reduction Target
- ▶ Undertaking collaborative projects with industrial and academic partners to develop carbon capture and storage technology

Affordability

- ▶ Delivering energy efficiency programmes through Community Energy and Warm Zone Partnerships and alliances with more than 100 social housing providers. The programmes help customers to reduce their energy use and cut fuel bills
- ▶ Incorporating energy efficiency messages in our mainstream customer communications
- ▶ Funding projects to help people suffering from fuel poverty through the independent charity, The ScottishPower Energy People Trust
- ▶ Advising customers on the most cost-effective tariff for their needs, through "The ScottishPower Price Challenge"

Our 12 Impacts | Provision of Energy

Performance Summary 2007

- ▶ Ended 2007 with more than 100% of our 2010 target for renewables commissioned, under construction or consented. Target has been increased to 1,200 MW of renewables by 2010
- ▶ Ended the year as one of the UK's leading operators of onshore wind with 372 MW operational (382 MW installed capacity), 666 MW consented or under construction and a further 599 MW in planning
- ▶ Started erecting turbines at Whitelee Windfarm near Glasgow, which at 322 MW will be the largest onshore site in Europe
- ▶ Completed Wether Hill Windfarm (18 MW, Dumfriesshire), commissioned Wolf Bog (10 MW, Co. Antrim) started construction at Greenknowes Windfarm (30 MW, Perthshire) and acquired remaining stakes in Carland Cross and Coal Clough windfarms
- ▶ Announced plans to build the world's largest commercial wave farm off the coast of Orkney
- ▶ Announced a joint venture with Hammerfest Strøm of Norway to build a tidal stream demonstration project in Scottish waters
- ▶ Continued to deliver our £170 million investment in Flue Gas Desulphurisation to reduce emissions of SO₂ and extend Longannet Power Station's operational life
- ▶ Launched a 19 month feasibility study to retrofit clean coal technology at our existing coal-fired power stations, Longannet and Cockenzie, utilising supercritical turbines and boilers, which would reduce CO₂ emissions. If the proposal goes ahead, it would also seek to incorporate carbon capture and storage, pumping CO₂ into deep underground disused coal seams
- ▶ EnergyNetworks completed connections to a further 520 MW of renewable energy capacity
- ▶ Started taking delivery of new gas supplies from Norway and Isle of Grain Liquefied Natural Gas (LNG) facility
- ▶ Became the first utility to meet our energy saving target under the Energy Efficiency Commitment (EEC2 – 2005-2008) a year early. For more information, see our **Climate Change and Emissions to Air** impact
- ▶ In January 2008, just outside the reporting period, we secured planning consent to build a new, dedicated biomass plant of up to 25 MW at Longannet Power Station

Targets

Performance Targets 2007	Outcome
Aim to secure Kyoto credits up to the UK Kyoto credit cap	We have until 2012 to meet this target. We remain on track
Achieve Customer Minutes Lost and Customer Interruptions targets set by Ofgem	Not achieved
Complete installation of Flue Gas Desulphurisation plant at Longannet by the end of 2008	Programme remains on track

Performance Targets 2008

- ▶ Achieve Customer Minutes Lost and Customer Interruptions targets set by Ofgem
- ▶ Aim to secure Kyoto credits up to the UK Kyoto credit cap by 2012
- ▶ Complete installation of Flue Gas Desulphurisation plant at Longannet by summer 2008

Our 12 Impacts I Provision of Energy

Performance Detail 2007

Group Fuel Mix

	GWh 2007	GWh 2006
Coal	12,830	16,421
% fuel source mix	50.4%	61.1%
Gas	10,003	8,041
% fuel source mix	39.3%	29.9%
Wind	829	742
% fuel source mix	3.3%	2.8%
Hydro	1,154	371
% fuel source mix	4.5%	1.4%
Other	648	1,321
% fuel source mix	2.5%	4.9%
Total	25,463	26,896
% fuel source mix	100%	100%

The percentage of electricity we generated from coal in 2007 reduced by more than 21% – and there was a corresponding increase of 24% in the percentage of generation met from gas.

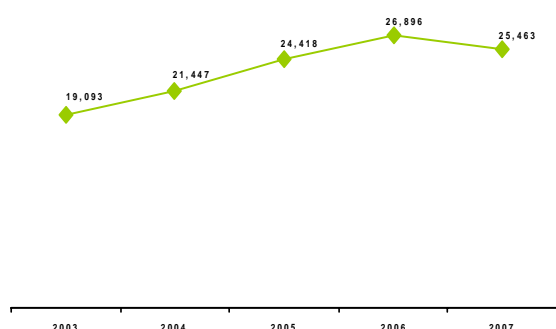
This was due to the collapse of a coal conveyor at Longannet in January 2007 which meant that the station was unable to burn coal for six weeks while remedial action was taken. During this outage, gas, which is normally only used for start up and shut down at Longannet, was used to operate Units 1 and 3 at a reduced load.

In 2006, the amount of coal used in generation was also particularly high due to reduced output from Scotland's nuclear stations, sustained high gas prices and outages at Shoreham which made coal more economically favourable.

Coal burn at Longannet during 2007 reduced to 2.83 million tonnes – down by a third on the 4.46 million tonnes consumed in 2006.

The contribution from both hydro and wind energy increased on the year, while “other” fuels reduced – reflecting reduced Waste Derived Fuel and biomass co-firing at Longannet during the early part of the year.

Total Energy Generated



The electricity sold by our Retail business comprises our own generation and electricity purchases, which include nuclear. We send details of our total fuel mix, including electricity purchases, to every retail customer annually. This information is also available on our Energy Retail website: www.scottishpower.co.uk

Our 12 Impacts | Provision of Energy

Performance Detail 2007 | continued

Gas Supply

We supplied 1,239 million therms of gas to customers during 2007, a slight reduction on our last 12 month reporting period for 2006/07. Gas usage was consistent with mild weather conditions at the beginning and end of the year.

At the end of 2006 we purchased Hatfield Moor Gas storage Facility from Edinburgh Oil and Gas. The facility, at Malton in South Yorkshire can store 1.25 billion cubic metres (bcm) of gas – enough to supply 450,000 homes. Gas storage enables us to manage fluctuations in gas prices, by purchasing the gas and storing it when prices are low, then releasing gas for sale when prices rise. We also “lease” gas storage space from other UK operators, including Centrica.

In May 2007 our parent company **IBERDROLA** acquired re-gasification capacity of up to 2.75 billion cubic metres at the Isle of Grain LNG importation terminal in Kent.

In October, the company started taking delivery of new gas supplies from Norwegian-based Statoil, under a 10-year contract, which will deliver 500 million cubic metres of gas annually until 2017.

Investment in Renewable Technology

Our investment in renewable technologies includes the development of onshore windfarms in the UK, and we have a number of other renewable energy projects under development, including offshore wind, wave and tidal stream projects.

Renewable Energy UK	2007	2006
Total installed wind capacity (MW)	382	344
Total generation from renewables (GWh)	1,388	1,306
% of total generation from renewables	5.5 %	4.9%

Renewable Energy Obligation UK	2007	2006/07
Obligation redeemed	(2005/06) 99%	(2005/06) 99%
CHP/renewable electricity supply contracts (TWh)	0.51	0.65

In 2007/8 ScottishPower was required to meet 6.7% of customer energy demand in the UK from eligible renewable sources. We are unable to provide the final ROC figure for 2007/8, as we will not complete our position for the period 2007/8 until the end of August 2008 (the compliance deadline).

Our 12 Impacts | Provision of Energy

Performance Detail 2007 | continued

UK Windfarm Portfolio at 31 December 2007

Windfarm	Number of turbines	Location	Capacity
Operational			
Barnsmore	25 x Vestas	County Donegal, Republic of Ireland	15 MW
Beinn an Tuirc	46 x Vestas	Argyll and Bute, Scotland	30 MW
Beinn Tharsuin	17 x Vestas	Easter Ross, Scotland	29 MW
Black Law	54 x Siemens	Lanarkshire, Scotland	124.6 MW
Callagheen	13 x Siemens	County Fermanagh, Northern Ireland	17 MW
Carland Cross	15 x Vestas	Cornwall, England	6 MW
Coal Clough	24 x Vestas	Lancashire, England	10 MW
Coldham	8 x Vestas	Cambridgeshire, England	16 MW
Corkey	10 x Nordtank	County Antrim, Northern Ireland	5 MW
Cruach Mhor	35 x Vestas	Argyll and Bute, Scotland	30 MW
Dun Law	26 x Vestas	Midlothian, Scotland	17 MW
Elliots Hill	10 x Vestas	County Antrim, Northern Ireland	5 MW
Hagshaw Hill	26 x Siemens	Lanarkshire, Scotland	16 MW
Hare Hill	20 x Vestas	Ayrshire, Scotland	13 MW
Penryddlan & Lidiartywaun (50% ownership)	103 x Mitsubishi	Monmouthshire, Wales	15 MW
Rigged Hill	10 x Nordtank	County Londonderry, Northern Ireland	5 MW
Wether Hill	14 x Siemens	Dumfries and Galloway, Scotland	18.2 MW
Total operational			372 MW
Consented or under construction			
Beinn an Tuirc extension	19	Argyll and Bute, Scotland	38 MW
Dun Law extension	35	Midlothian, Scotland	30 MW
Greenknowes	18	Perthshire	27 MW
Hagshaw Hill extension	20	Lanarkshire, Scotland	26 MW
Harestanes	71	Dumfries and Galloway, Scotland	213 MW
Whitelee	140	South of Glasgow, Scotland	322 MW
Wolf Bog*	5 x Vestas	County Antrim, Northern Ireland	10 MW
Total consented or under construction			666 MW
In planning			
Onshore			
Arcleloch	60	South Ayrshire, Scotland	180 MW
Black Law Phase 3	8	Lanarkshire, Scotland	18 MW
Dersalloch	23	South Ayrshire, Scotland	69 MW
Ewe Hill	40	Dumfries and Galloway, Scotland	51 MW
Hare Hill	39	Ayrshire, Scotland	33 MW
Lynemouth	15	Northumberland, England	36 MW
Total in planning onshore			387 MW
In planning Offshore			
Shell Flats (17% ownership)	90	Liverpool Bay England	37 MW
West of Duddon Sands (33% ownership)	160	Liverpool Bay England	165 MW
Total in planning offshore			202 MW
Total in planning			589 MW

Jointly owned plants: amount shown represents ScottishPower's share only

* Wolf Bog was purchased in 2007 bringing our installed capacity to 382 MW

Our 12 Impacts I Provision of Energy

Performance Detail 2007 I continued

Windfarm Growth in the UK

We continued to develop our wind energy portfolio during the year and remain one of the UK's leading operators of onshore wind.

With 372 MW of wind capacity operational, 666 MW consented or under construction and a further 599 MW in planning, we should exceed our target of bringing 1,000 MW of new renewables online by 2010 and have revised our target upwards to 1,200 MW.

During the year we added a further 37 MW of wind energy capacity with the completion of

- ▶ 18 MW Wether Hill Windfarm in Dumfries and Galloway
- ▶ 10 MW Wolf Bog Windfarm in County Antrim, Northern Ireland
- ▶ 9 MW with the acquisition of the remaining 55% stakes in Carland Cross and Coal Clough windfarms

Construction work began at Greenknowes, our 30 MW development in Perthshire and towards the end of 2007 we began erecting turbines at Whitelee Windfarm near Glasgow, which at 322 MW will be the largest onshore wind project in Europe.

We were also successful in obtaining a number of consents for new windfarms and site extensions during the year.

In September 2007, following a public enquiry, the new Scottish Government granted consent for Harestanes Windfarm which will provide up to 213 MW of capacity at Harestanes and Forest of Ae in Dumfries and Galloway. The £200 million, 71 turbine project will provide enough green energy for approximately 120,000 homes, and will be ScottishPower's third largest windfarm to be consented, following Black Law in Lanarkshire and Whitelee at Eaglesham Moor near Glasgow. Construction is scheduled to start in spring 2008, with the first turbine scheduled to arrive in early 2010.

Consents were also granted for extensions to Beinn an Tuirc and Hagshaw Hill windfarms. Beinn an Tuirc, near Carradale in Kintyre, which has a capacity of 30 MW will more than double in size. The 19 new turbines we plan to install will increase the windfarm's capacity by 38 MW to 68 MW. Hagshaw Hill in Lanarkshire is Scotland's oldest windfarm with a capacity of 16 MW. A further 20 turbines are planned for the site at Douglas, Lanarkshire, which will increase its capacity to 42 MW.

IBERDROLA aim to achieve an installed capacity of 13,600 MW of renewable energy globally by 2010 and are investing around €8.6 billion worldwide – €1.2 billion in the UK to deliver this.

It has always been our aim to deliver responsible and sustainable windfarm projects that are accepted by local communities. During our site selection process we seek out low impact areas such as commercial forests and brownfield sites, where we can minimise the impact on the landscape and create new habitats for wildlife. We also ensure that local communities benefit from our windfarm projects by setting up Windfarm Community Trusts.

Our responsible approach to development was recognised with a Queen's Award in the Sustainable Development category in April 2006 and in the Green Apple Environmental Awards 2007 when we were named National Green Champion for Scotland.

Other Renewables

In the UK we are also supporting other forms of renewable energy including offshore wind, wave and tidal energy and biomass.

Wave Energy

In February 2007 we announced our plans to build the world's largest commercial wave farm to date in Orkney's coastal waters, close to the European Marine Energy Centre. The £10 million wave farm, which is receiving support from the Scottish Government, will consist of four, 160 metre Pelamis wave energy converters, which will generate up to 3 MW of electricity. Planning consent has been received and manufacture of the units is scheduled for 2008, with a target commissioning date of the end of 2009.

Our 12 Impacts | Provision of Energy

Performance Detail 2007 | continued

Tidal Energy

In May we announced a new joint venture with Hammerfest Strøm of Norway with the ultimate aim of building a tidal demonstration project in Scottish waters. Hammerfest has been running a demonstration project in northern Norway for the last four years with promising results.

The device, similar to an underwater wind turbine, generates 300 kW of electricity. It is anticipated that the technology will be scaled up to 1 MW for testing in Scottish conditions, where tidal speeds are faster. Data gathering to identify suitable locations around the Scottish coastline is under way.

Offshore Wind

We are continuing the development process for two offshore windfarms at Shell Flats, near Blackpool and West of Duddon Sands, near Liverpool.

Network Reinforcement

EnergyNetworks is investing £1.5 billion over five years in upgrading the electricity grid to support new renewable energy projects.

During 2007 EnergyNetworks completed connections to a further 520 MW of renewable energy. During 2008 we expect to connect another 218 MW of renewable capacity to our electrical network. We are also progressing site works and designs for a range of other generation sites. The additional portfolio across our licensed areas in Scotland, England and Wales over the next few years is potentially in excess of 4,500 MW.

Key areas of work in 2007 included:

- ▶ Work began on upgrades to the Anglo-Scottish interconnector – the power link between Scotland and England. The capacity of the interconnector is presently being upgraded from 2,200 MW to 2,800 MW. The major portion of the work involves two new substations being built at Coalburn and Elvanfoot, and the line from Eccles to Stella conductor being upgraded
- ▶ Public consultation on the new Coylton-Dalmellington-New Cumnock transmission line in Ayrshire commenced. The project would provide grid connection for planned windfarms in the area with a potential total of 800 MW. We aim to lodge the Section 37 consent application in summer 2008
- ▶ Public consultation on the proposed new substation and 132 kV line that would connect Markhill and Arecleoch windfarms in south west Scotland with the Moyle interconnector (the power link between Scotland and Northern Ireland) commenced

During the year EnergyNetworks gave evidence at the Public Inquiry into the construction of a 220 km line between Beaulay, west of Inverness, to Denny, west of Falkirk. The proposal enables the growth of renewable generation in the north of Scotland. The plan is to replace the existing 132 kV line with a 400 kV line, approximately 60% of which would be built on a route adjacent to the existing line.

Around 10% of the line is in ScottishPower's territory – the remainder in Scottish Hydro Electric's area. We would be required to build a new substation near Denny, as part of the project.

Network Reliability

For information see [Customer Experience](#) and [Sites, Siting and Infrastructure](#) impact areas

Our 12 Impacts I Health and Safety

Overview

The safety and well-being of our people and our communities is fundamental to ScottishPower. Through continual vigilance in health, safety and the management of risks, our goal is simple – to do all we can to ensure our operations cause no harm, either from work-related accidents or illness.

ScottishPower's health and safety performance has shown improvement, with Lost Time Accidents in 2007 over 20% lower than they were 5 years ago, and sound progress in occupational health. In contrast, the UK electricity industry as a whole had a difficult year, with a higher level of fatalities and the highest number of accidents for many years.

Good health and safety performance is intrinsic to a well-run business, a productive workforce and ultimately the financial and social wellbeing of our communities. This is a view shared by many fund managers, who scrutinise the health and safety performance of companies when assessing potential investment opportunities.

There is no secret to good health and safety. It is about managing risks, making sure that we have safe, robust plant and working practices and putting in place all the necessary safeguards. Most of all, it has to be a shared commitment from everyone in an organisation to working safely and responsibly – and making health and safety part of the everyday workplace experience.

José Luis del Valle, Impact Leader

Our 12 Impacts I Health and Safety

Approach

We aim to achieve world class health and safety standards, ensuring that:

- ▶ Our employees and contractors do not suffer injuries or ill-health through work
- ▶ Our customers have access to safe and secure energy supplies; and
- ▶ Members of the public are not harmed by our equipment or operations

Health and safety is fundamental to ScottishPower. Our commitment begins at the top – with our Vice Chairman, José Luis del Valle having responsibility for health and safety. We have a company health and safety policy, which is complemented by site specific policies at a local level, for example, in our power stations, field operations and customer service centres.

Health and safety is integrated into our key 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 Standards

Five years ago we developed a set of 12 Health and Safety Standards, to measure our businesses performance. These cover all the key areas of health and safety management

- ▶ Leadership
- ▶ Employee Involvement
- ▶ Risk Management
- ▶ Training and Competence
- ▶ Occupational Health
- ▶ Information and Communication
- ▶ Rules and Procedures
- ▶ Contractor and Supplier Safety
- ▶ Accident Investigation and Analysis
- ▶ Change Management
- ▶ Public Safety and Stakeholder Relationships
- ▶ Audit and Review

Our EnergyNetworks and Core business, and many Energy Wholesale generating stations hold OHSAS 18001 accreditation for health and safety management, and, our other businesses are working towards achieving this standard.

Training

High priority is given to training our people for their work especially those requiring 'authorisation' for technical safety-critical roles. We also offer a wide range of safety training for managers and staff from NEBOSH and IOSH courses, to health and safety leadership training, behavioural safety and many others including First Aid training and refresher courses on risk assessment. Site specific courses cover a wide range of subjects from working at height and working in confined spaces to electrical safety and defensive driving. All new employees and contractors receive a safety induction.

Employee Involvement

We have a network of health and safety committees throughout the company and we 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 coordinators. Agreement on a new central company-trade union consultation and negotiating structure includes arrangements for a company health and safety committee that will have its first meeting early in 2008.

Public Safety

Public safety is a top priority for ScottishPower. Our network assets are maintained in line with the standard PAS55 to ensure safety. PowerWise, our award winning proactive public safety programme, working with schools, the general public and specialists groups such as farmers, anglers and the construction industry, to highlight the safety risks of electrical equipment.

Our 12 Impacts I Health and Safety

Approach I continued

Occupational Health

Our in-house Occupational Health team is led by a senior specialist occupational physician supported by medical advisers, occupational hygienists and occupational health nurses. We maintain an occupational health risk register and monitor the health of employees through regular surveillance.

Employees can self refer or be referred by managers to the occupational health department to receive advice and support for a wide range of work-related health matters. In addition, all employees can access a free “Wellscreen” health check. We offer a range of other employee services, including physiotherapy and confidential counselling. Some of our larger sites have well-equipped fitness centres and other leisure facilities. Smaller sites have arrangements with local community fitness facilities. Health, fitness and wellbeing are promoted through a ScottishPower ‘Healthy, Happy and Here’ Wellbeing Programme with quarterly calendar promotions on a wide range of topics including physical fitness, good diet, cancer prevention and managing stress.

Other aspects of our approach include

- ▶ Collaborating with the Health and Safety Executive (HSE) on a programme to promote best health and safety practices on common workplace hazards including noise, musculoskeletal disorders and stress
- ▶ Managing occupational health and safety risks through Risk Registers to identify and evaluate potential risks. This is monitored through a comprehensive health surveillance programme
- ▶ Establishing Health and Safety Champions for each of the 12 Health and Safety standards in our businesses. Each Champion is responsible for promoting best practice and driving performance in their allotted standard area
- ▶ Investing in Health and Safety training for team leaders to ensure we have strong leadership on Health and Safety, and involving all employees through training, communication and behavioural safety programmes
- ▶ Establishing and maintaining effective safe systems of work to protect against injury and ill health
- ▶ Ensuring robust compliance systems are in place at all stages of work including the design, construction, operation and maintenance of our plant, networks and offices
- ▶ Enforcing strict Permit to Work procedures, where applicable
- ▶ Enforcing Health and Safety Golden Rules and strict adherence to health and safety policies such as our Alcohol and Drug Policy
- ▶ Including safety information on our websites - see EnergyNetworks website at www.sppowersystems.co.uk/safety/publicsafety.asp
- ▶ Supporting consultation and research on industry wide issues, such as electro-magnetic fields (EMF)
- ▶ Benchmarking our performance against similar companies, and communicating our achievements to our stakeholders
- ▶ Participating in award schemes, such as the Annual Royal Society for the Prevention of Accidents (RoSPA) and Healthy Working Lives Awards
- ▶ Maintaining our plant to high standards to reduce the risk of a major failure with the potential to cause injury and operational losses
- ▶ Proactive employee health and safety communications programme ranging from safety related screen savers and articles in newsletters, to Time Out for Safety sessions, an annual First Aid competition and a Safety Representatives’ conference

Our 12 Impacts | Health and Safety

Performance Summary 2007

- ▶ Lost time Accidents rate continues to show improvement, down from 0.36 in calendar year 2006 to 0.32 in calendar year 2007. Our Lost Time accidents are over 20% lower than they were 5 years ago
- ▶ No fatalities within ScottishPower or fatal injuries among members of the public from our operations
- ▶ Instigated an asset safety programme following the collapse of a coal conveyor at Longannet Power Station in early 2007 and the collapse of a wind turbine at Beinn an Tuirc Windfarm in Kintyre
- ▶ Introduced a new behavioural safety programme in EnergyNetworks and Core, and Energy Retail, and began refreshing Energy Wholesales existing programme
- ▶ Continued our proactive programme of occupational health surveillance, monitoring over 2,000 employees during the year
- ▶ Integrated three divisional wellbeing campaigns into one ScottishPower campaign, under the "Healthy Happy and Here" banner
- ▶ Launched a confidential counselling and information telephone helpline for employees in September 2007. Provided by ATOS Healthcare, it operates 24/7 to provide advice on a range of medical, emotional and social problems
- ▶ EnergyNetworks won the IOSH Zurich Municipal Supreme Safety Award and the DuPont International Safety Award in recognition of the children's safety education programme, PowerWise
- ▶ Achieved successes in Scotland's Health at Work (SHAW) Awards for health promotion. Energy Wholesale achieved Gold and EnergyNetworks and Energy Retail achieved Silver Awards
- ▶ Continued to work with the Health and Safety Executive through a collaborative programme to promote best health and safety practices on common workplace hazards including noise, musculoskeletal disorders and stress

Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) rates: -

Reportable Injuries	2007	2006/07	2005/06	2004/05
Reportable Injuries	24	24	17	22
Fatal Injuries	0	1	0	0
Work related diseases	9	2	9	7
Dangerous Occurrences	6	1	n/a	n/a
Enforcement actions	0	1	0	0

RIDDOR rate (per 100 employees) comparison

ScottishPower	0.26
UK Electrical Utility Industry	0.74

Internal annual assessments against 12 Health and Safety Standards

	2006/07	2005/06	2004/05
Company-wide average for all 12 standards	68	62	54
Leadership	76	71	63
Employee Involvement	71	64	57
Training and Competence	69	59	52
Occupational Health	70	57	47

The change in our reporting year from fiscal to calendar year means that reporting on performance against the company's 12 Health and Safety Standards has not changed from what appeared in our 2006/07 Corporate Responsibility Report. This is based on the last assessment, which was carried out in February 2007.

Our 12 Impacts | Health and Safety

Performance Summary 2007 | continued

Instead of conducting a full-scale assessment once a year, from 2008 we are moving to a system of dynamic assessment, where our Safety Champions will collect data throughout the year.

The table above shows the assessment scores for the standards overall and for the standards we place particular emphasis on – leadership, employee involvement, training and competence, and occupational health – all of which showed good incremental improvement.

Targets

Performance Targets 2007	Outcome
An expectation of 'zero' harm striving to prevent all adverse health and safety incidents*	Target Achieved – 20% reduction in Lost Time Accidents
Adoption of the OHSAS 18001 standard for health and safety management systems	EnergyNetworks and Core and several Energy Wholesale generating stations hold OHSAS 18001 accreditation. Our other businesses are working towards achieving this standard.
Development of a common group system for reporting, investigating and recording health and safety incidents	Acquisition by IBERDROLA led to revised proposals for reporting incidents to align the UK businesses with the IBERDROLA group
Promotion of behavioural safety through appropriate business based health and safety programmes	Behavioural safety is well established in Energy Wholesale. Implementation has begun in EnergyNetworks and Energy Retail field operations. Core is preparing to implement behavioural safety.
Ongoing support for the Field Operations Interventions with Large Employers (FOILE) programme to develop, enhance and share best practice for management of workplace hazards of noise, manual handling and stress	FOILE programme is ongoing

**The measure for tracking performance will be historical comparison year on year and a target of continuous improvement reflected in reducing incidence and frequency rates of adverse health and safety incidents*

Performance Targets 2008

- ▶ All ScottishPower businesses to attain and maintain OHSAS 18001 standard for health and safety management
- ▶ Development of a ScottishPower health and safety database system to align with the **IBERDROLA** group business year and providing group wide access to health and safety information
- ▶ Continue implementation of behavioural safety programmes in EnergyNetworks and Energy Retail field operations. Begin roll out in Core and refresh existing programme in Energy Wholesale
- ▶ Provide ongoing support for the Field Operations Interventions with Large Employers (FOILE) programme to develop, enhance and share best practices for the management of workplace hazards of noise, manual handling and stress

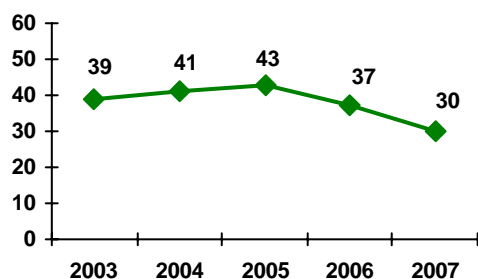
Our 12 Impacts | Health and Safety

Performance Detail 2007

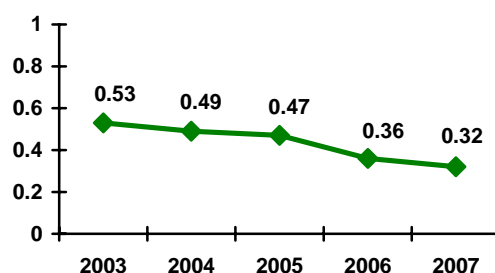
Lost Time Accidents

There were 30 Lost Time Accidents (LTAs) during 2007 – compared to 37 in calendar year 2006. LTA rates are based on all accidents resulting in lost work time (as distinct from the RIDDOR reportable injuries > 3 days). 2007 data now includes Core, which became a 100% owned subsidiary during the year.

Actual lost time accidents



Lost time accident rate per 100 employees



The LTA rate of 0.32 per 100 employees continues the downward trend of recent years.

Work-Related Diseases

Work related ill-health can emerge over many years and is often referred to as the “slow accident.” At ScottishPower we have preventative measures in place to guard against this. Some years ago our occupational hygienists conducted an evaluation of the potential health risks attached to various job roles and used their findings to develop an occupational health risk register. The register includes details of all employees who may be exposed to work-related health hazards such as noise, vibration and chemical substances.

We conduct a comprehensive programme of occupational health surveillance, monitoring 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 has reduced considerably due to health and safety control measures. However, some cases of hand-arm vibration syndrome are still being detected, although in very small numbers.

In 2007 we conducted health monitoring of 2,190 employees on the occupational health risk register.

Behavioural Safety

Energy Wholesale introduced a behavioural safety programme in 2003, which has been successful in reducing the number of accidents and injuries within the business and maintaining high levels of safety awareness among employees and contractors.

The programme involves 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 adopted STOP – the Safety Training Observation Program, using STOP cards – a pro forma checklist, while smaller locations used similar behavioural auditing techniques, but in a less formal way. Energy Wholesale are planning to refresh their programme.

In 2007 EnergyNetworks adopted a behavioural safety programme and Core is planning its implementation. Energy Retail has also begun to introduce safety behavioural techniques into their field operations.

Our 12 Impacts | Health and Safety

Performance Detail 2007 | continued

At Longannet an independent Panel of Inquiry was established, which liaised closely with representatives of the Health and Safety Executive (HSE). The wind turbine collapse is currently being examined by representatives of the HSE and the turbine manufacturer to establish the cause of the collapse and prevent a recurrence.

These incidents resulted in a renewed focus on asset management to ensure plant safety and to protect its operational integrity. EnergyNetworks has achieved PAS55 accreditation for asset management and Energy Wholesale hope to meet the standard by summer 2008. New systems are being installed, to provide engineering managers with a much better and clearer overview of the plant and its condition.

Personal Safety and Safety Communication

We continued our all employee communication programme on health and safety using various channels from team meetings and the Intranet, to articles in every issue of our monthly employee newspaper, SP News.

We distributed high visibility 'Be Safe Be Seen' vests to employees which should be kept in their cars and used in case of a breakdown during severe weather or when it's dark.

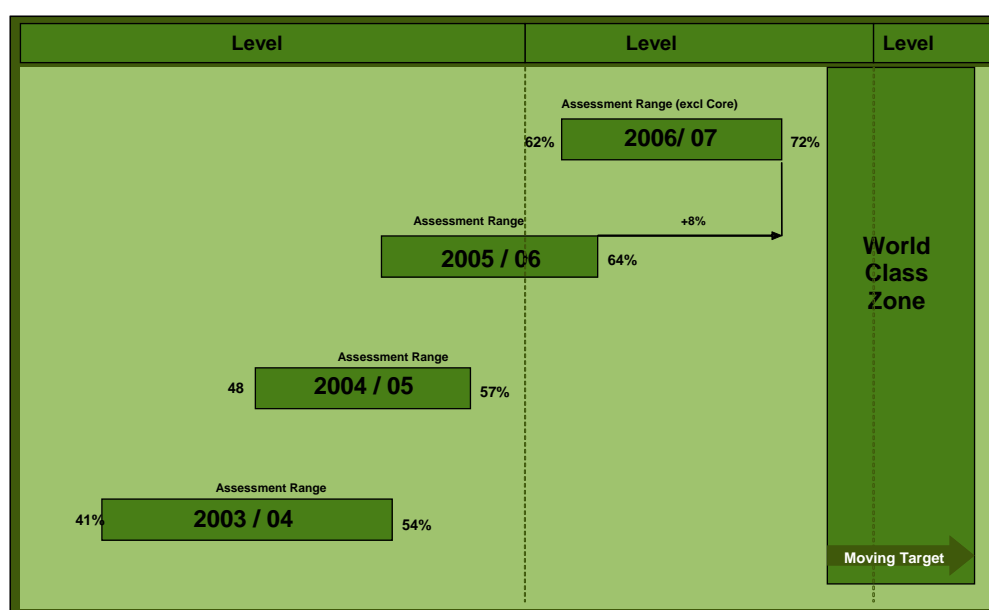
Company Health and Safety Assessments

Due to a change in our reporting year (from fiscal to calendar year) our report on performance against the company's 12 Health and Safety Standards has not changed from our 2006/07 Corporate Responsibility Report. This is the latest information available from the last assessment carried out in February 2007.

We are updating our reporting system and from 2008 onwards, we will move to a system of dynamic assessment, where our Safety Champions will collect data throughout the year and a full update will be provided in our 2008 Corporate Responsibility Report.

The assessments against the company's 12 Health and Safety standards are made by health and safety professionals, using a standard assessment protocol and assessment team including an external independent auditor.

The overall performance assessments for our businesses improved with incremental progression towards the world-class health and safety zone.



Our 12 Impacts | Health and Safety

Performance Detail 2007 | continued

All businesses are now ranked in the level 4 zone and the overall company assessment scores showed good improvement in 11 of the 12 standards. Three standards; leadership, information and communication and public safety and stakeholder relationships have achieved level 5 (considered to be world class performance) and significant advances have been made in training and competence, contractor and supplier safety and audit and review.

ScottishPower Best Practice Health and Safety Assessment Results 2006/07 12 Health and Safety Standards



	EW	EN	ER	Best Practice Scores		Var
				Group	Group	
				2006/07 %	2005/06 %	
Leadership	82.3	70.7	78.7	82.63	75.0	+7.3
Employee Involvement	74.7	63.3	76.0	76.0	70.2	+5.8
Risk Management	63.4	54.8	67.8	67.8	63.8	+4.0
Training and Competence	75.0	64.9	73.3	75.0	63.6	+11.4
Occupational Health	75.1	58.7	73.8	75.1	70.4	+4.7
Information and Communication	82.3	76.4	78.3	85.6	77.6	+8.0
Rules and Procedures	71.9	58.7	71.9	71.9	73.4	-1.5
Contractor & Supplier Safety	77.7	68.2	71.5	77.7	68.8	+8.9
Accident Investigation & Analysis	68.4	60.8	59.0	68.4	64.6	+3.8
Change Management	43.7	15.5	51.0	51.0	45.6	+5.4
Public Safety & Stakeholder Relationships	67.4	75.3	71.4	75.3	70.2	+5.1
Audit and Review	81.0	72.2	72.6	81.0	72.4	+8.6

Our 12 Impacts | Health and Safety

Performance Detail 2007 | continued

Public Safety

We continued to conduct public safety campaigns during the year with a particular focus on children, construction and agricultural workers and sporting groups, such as anglers.

We launched a campaign to deter thieves from breaking into electricity substations to steal copper cables. This dangerous activity creates serious risks of electrical injury – which can be fatal. During the year we worked with the police to step up patrols at substations. We are also using SmartWater on our equipment, which creates a unique and permanent mark that is visible under UV light, as a further deterrent to thieves.

EnergyNetworks 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, Priesthill, Glasgow and a new centre, The Risk Factory in Edinburgh.

For further information on our Public Safety, see our **Community Impact**.

Occupational health and wellbeing

Our occupational health department provides a comprehensive service for health surveillance, treatment and rehabilitation, and promotion of wellbeing. The service appointments provided in 2007 were:

Pre-employment assessments	1,435
Management referrals	3,093
Self-referrals	605
Health Surveillance	2,190
Physiotherapy	3,734
Counselling	3,072
Voluntary health and lifestyle screening	375
Total appointments	14,504

Healthy Happy and Here

A Wellbeing Forum was formed in 2007 to integrate the health promotion programmes provided throughout the businesses under a single banner of Healthy, Happy and Here.

The programme operates using calendar month themes. We also launched a Walking Challenge during the year – over 1,200 staff have signed up to wear a pedometer to monitor whether they could achieve the optimum 10,000 steps a day.

A number of awards were achieved across the group for Scotland's Health at Work (SHAW) health promotion campaign. Energy Wholesale achieved Gold and EnergyNetworks and Energy Retail achieved Silver.

Our 12 Impacts I Health and Safety

Performance Detail 2007 I continued

Health and Safety Executive FOILE

We continued to work with the Health and Safety Executive on their FOILE (Field Operations Interventions with large employers) programme. We are undertaking three areas of work, including noise with our Energy Wholesale business, musculoskeletal disorders with EnergyNetworks and workplace stress with Energy Retail.

Absence / lost days

Days lost due to sickness absence show a mix across the business operations;

Business	2007 %	2007 Days/person	2006/07 %	2006/07 Days/person
Energy Wholesale	1.9	5	2.0	5.0
EnergyNetworks	3.4	9	2.9	7.6
Energy Retail	6.6	17	6.8	16.0
Corporate	3.5	9	2.7	6.8
UK	4.8	12	4.6	11.5

Absence levels overall and for most businesses has remained about the same over the period.

The overall group absence rate is typical of that for large employers.

(CBI AXAPPP Workplace Absence Survey 2006)

First Aid Arrangements

A new First Aid Charter was introduced during the year to support first aid arrangements. We continue to benefit from a high level of management commitment to First Aid. We have more than 500 trained First Aiders in the business and each year we hold an internal First Aid competition. The Annual First Aid Conference and Competition was held at Hampden Park in February 2007.

A further 46 new Automatic External Defibrillators (AED's) in addition to the existing 16, were distributed to all major operational sites and AED training was provided to First Aiders.

Employee Engagement

In addition to our network of Safety Coordinators across the company, we also have union appointed Safety Representatives, who play an active role in our Health and Safety Committees and in raising health and safety awareness in the workplace.

Our annual Safety Reps conference in 2007 was held in May at the SECC and attended by around 250 people, including management representatives from all our businesses. TV journalist, Sally Magnusson hosted the event and speakers included Professor Peter Mackie (ex Chairman Dupont), Gary Lemoine (Director Health and Safety, PPM) and Dr Steve Deacon (ScottishPower Group Medical / Health and Safety Director).

External Engagement

Our health and safety professionals continued to give lectures and presentations through a variety of forums, including RoSPA's Scottish conference, the Energy Networks Association, the British Wind Energy Association conference and the University of Aberdeen.

Health and Safety Management Systems

Some of our businesses operate health and safety management systems accredited to the standard OHSAS 18001. EnergyNetworks and Core operate OHSAS accredited systems. Energy Wholesale, Energy Retail and the corporate centre are working towards obtaining accreditation.

Our 12 Impacts | Customer Experience

Overview

Energy is an essential commodity. We depend on it to run our homes, businesses, hospitals and schools.

Customer experience remains key and good customer service involves so much more than keeping the lights on, or the gas flowing. It is about timely and accurate billing, seamless account management, product innovation, and offering choice and value. It means responding to enquiries and complaints – promptly, courteously and efficiently.

Once again this year the predominant issue for customers has been energy prices. While some suppliers, including ScottishPower, cut energy prices earlier in the year, all were forced to increase them again in the winter following a rise in the wholesale prices of gas and coal.

Wholesale energy prices look set to remain volatile during 2008, but ScottishPower will work hard to minimise the impact on consumers. We will strive to ensure customers are on the best package for their needs and promote our free energy efficiency services as widely as possible.

Energy efficiency is an area where tackling climate change and providing good customer service converge. Energy efficiency programmes help customers to reduce their fuel bills and reduce CO₂ emissions. Energy suppliers will continue to play a key role in these programmes through the Government's Carbon Emissions Reduction Target. The industry is targeted with saving 154 million tonnes of CO₂ in the period from 2008-2011 at a cost of £2.75 billion.

We will also continue to harness new technologies, including key meters, smart meters and web-based services, giving customers more control over their energy than ever before.

Willie MacDiarmid, Impact Leader

Why have electricity and gas prices gone up?

Between February 2007 and January 2008 the forward price suppliers have had to pay for gas and coal increased by 83% and 97% respectively. ScottishPower shielded its customers from these increases for as long as possible, but we were forced to announce price rises in February 2008.

Gas prices in Europe are linked to the price of oil which reached new highs of \$100 a barrel at the end of 2007. In addition, there was a period of unrest in Algeria and Nigeria two key oil producing nations. Fuel prices rise in line with demand – and demand for oil, gas and coal continues to grow, driven by rapid economic growth in China and India.

Unlike our European counterparts in France and Germany, the UK has a shortage of gas storage capacity, which allows suppliers to buy gas during the summer months when prices are lower, store it and supply it to customers during the winter when prices are higher, helping suppliers to stabilise prices to customers.

The UK has become increasingly dependent on imported gas as North Sea production slows down. We cannot generate more electricity from coal because the cost of doing so has risen due to the EU Emissions Trading Scheme, which is designed to cut CO₂ emissions. Looking ahead, the UK plans to reduce its dependence on gas by investing in renewable energy on a large scale, nuclear and exploring clean coal technologies. Indeed, suppliers are obliged to increase the amount of energy they supply from renewables each year.

We have taken steps to ensure secure energy supplies for our customers. We have started taking gas under a new 10-year contract with Statoil of Norway and IBERDROLA has acquired regasification capacity at the Liquefied Natural Gas terminal in Isle of Grain, Kent. We operate our own gas storage facility at Hatfield Moor in Yorkshire and also lease capacity from other UK operators, including Centrica.

We have also developed a number of solutions to help customers manage their energy costs including:

- ▶ A price freeze tariff
- ▶ Flexible payment options to help with budgeting
- ▶ Discounts for online and direct debit payments
- ▶ A free energy efficiency advice line, to help customers reduce their energy use
- ▶ No unfair premiums on prepayment customers – we set prepayment charges at a cheaper rate than our standard quarterly tariff
- ▶ Advice on debt prevention and debt management

In addition, throughout 2007 we have been developing a social tariff for our most vulnerable customers and our charitable trust, the ScottishPower Energy People Trust, works with organisations that offer help to people who suffer from fuel poverty.

Our 12 Impacts | Customer Experience

Approach

We aim to provide our customers with safe, reliable electricity and gas supplies, backed by efficient customer service and accurate meter reading and billing. We remain committed to customer choice and value, by offering a range of energy packages, product innovation and competitive pricing.

We have 5.23 million retail customers and provide network connections for 3.5 million customers in our home territories of south and central Scotland, Merseyside, Cheshire and north Wales. Operating in a very competitive market, we have focused on improving customer service.

Our Customer Experience programme was launched in September 2006 to build a culture that places the customer at the heart of our business. We have listened to customers and changed some of our processes in line with their feedback which has resulted in improvements to our service over the last 18 months.

We continue to carry out Voice of the Customer research to measure customers' opinions of our service and we compare our performance with other suppliers through Voice of the Competitor surveys.

Our approach includes:

- ▶ **Offering a range of products and payment options** to suit the needs of different customers, including Prepayment, Online, Capped Price and Green Energy deals. We are the only major supplier to ensure our Prepayment tariffs are set below our standard quarterly tariffs
- ▶ **Maintaining UK Call Centres and investing in our staff**, to ensure high levels of knowledge, through continual training and coaching. We also operate a Welsh language call centre in Caernarfon
- ▶ **Improving the accuracy of our bills** by asking customers for up to date readings and issuing more bills with actual reads
- ▶ **Conducting customer attitude surveys** and acting on the results to make improvements
- ▶ **Investing in new technologies** such as advanced telephony systems in our call centres, key meters for prepayment customers and trialling smart meters that provide customers with 'real time' information on household energy use
- ▶ **Establishing a specialist Customer Care Team** to resolve customer complaints efficiently and quickly
- ▶ **Providing customers with commonsense advice** on how they can save money by changing their package or adopting energy efficiency measures
- ▶ **Investing in our electricity networks** to reduce the number and duration of interruptions to customers' electricity supplies, particularly in rural areas

Our 12 Impacts | Customer Experience

Performance Summary 2007

Customer Satisfaction

- ▶ **Customer complaints** to energywatch dropped by 61% to an all-time low during the year. Direct complaints to the company reduced by 40%
- ▶ **uSwitch** ranked ScottishPower top for online services and meter reading in their October 2007 survey of UK energy suppliers. In the same survey, we were ranked second for offering customers the best available deal and value for money
- ▶ **Customer research** out of 70 areas and weighted attributes on which we gauge customer opinion, 36 have remained steady over the last year, 29 have declined and five have shown improvement

Quality of Supply - EnergyNetworks Performance

Customer Minutes Lost

	Change in the period	2006/07	2005/06
SP Distribution	+16%	77.5	66.7
SP Manweb	+9%	62.7	57.4

Customer Interruptions

	Change in the period	2006/07	2005/06
SP Distribution	+13%	64.9	57.6
SP Manweb	+8%	46.1	42.7

These are the latest figures available from Ofgem

The above indicates the underlying performance of our networks with exceptional events excluded as agreed by Ofgem. The total customer minutes lost and customer interruptions were heavily affected by a challenging year with more weather related faults than previous years. Our customers were also impacted by a severe storm (declared the worst on record for 17 years) during January 2007. We are committed to providing a high level of customer service and continue to look for new opportunities and initiatives which will provide improvements to customer service.

For more information on quality of supply performance and targets, see Ofgem's [2006/07 Electricity Distribution Quality of Service Report](#), available on Ofgem's website.

Customer Numbers

At December 2007 we had 5.23 million electricity and gas customers.

Acting on Fuel Poverty

The company donated a further £1 million to The ScottishPower Energy People Trust, taking funding to date to £4 million. The Trust provides grants to not for profit groups that work with people suffering from fuel poverty. In 2007 the Trust awarded almost £1.45 million to 31 projects, helping 132,172 individuals in 42,633 households. For more information see **Customers with Special Circumstances**

Energy Efficiency

We were the only UK supplier to meet the Government's EEC2 (Energy Efficiency Commitment) targets a year early, achieving energy savings of 107% of our three year target.

Product Choice

We continued to offer innovative products including a price freeze tariff that runs until 2011, along with a choice of green energy products and online energy services.

Our 12 Impacts | Customer Experience

Performance Summary 2007 | continued

Price and Value

We reduced prices to customers in June 2007. However, in winter 2007 there was upward pressure on prices once again. Our prepayment prices continue to be set below our standard quarterly tariffs.

Targets

Performance Targets 2007	Outcome
To resolve 4 out of 5 customer queries on the first contact (80%)	Target Met - 84% of customer queries were resolved on first contact
To meet quality of supply targets set by Ofgem	Not achieved

Performance Targets 2008

- ▶ ScottishPower aims to be number one for customer satisfaction in the UK. In 2008, we aim to achieve:
 - ▶ A 10% improvement in customer feedback*
 - ▶ A further 20% reduction in escalated complaints to energywatch and the ombudsman
- ▶ To meet quality of supply targets set by Ofgem

**The 10% customer feedback is measured through Voice of the Customer research against the question: "Did you feel more positive / no difference / negative after an enquiry with ScottishPower".*

Our 12 Impacts | Customer Experience

Performance Detail 2007

Customer Satisfaction

uSwitch

We were ranked top in the UK for both online services and meter reading in an independent survey of UK energy suppliers conducted for consumer organisation uSwitch in October 2007. In the same survey, we were ranked second for offering customers the best available deal and on offering value for money. Around 67% of customers said they were 'satisfied' or 'very satisfied' with the overall service ScottishPower provides, an increase of around 8% compared to the equivalent uSwitch survey in 2006. 7,787 UK energy customers took part in the survey.

Energy Retail Customer Complaints

Customer complaints referred to consumer watchdog energywatch dropped by 61% over the year and direct complaints to ScottishPower reduced by 40%

- ▶ Direct Selling complaints per 1,000 transfer dropped from 0.02 (2006) to 0.0150 (2007)
- ▶ Transfer complaints per 1,000 transfers reduced significantly from 0.62 (2006) to 0.14 (2007)
- ▶ Account and Billing complaints per 1,000 customers reduced significantly from 0.053 (2006) to 0.019 (2007)

The year on year comparisons are taken over the period from October to December

We are continuing to work hard to reduce complaints and improve performance. Steps taken include:

- ▶ Improving the feedback given to customer service agents by utilising call recording capability for coaching
- ▶ Making changes to the way we handle complaints to achieve speedier resolution for customers
- ▶ Improving the way we handle disputed accounts
- ▶ Establishing the root causes of problems and working out solutions, such as changes to our systems, through 6 Sigma, a technique widely used in industry to eliminate defects
- ▶ Using analysis tools to identify customers who have complained and had poor service and proactively contacting them to put things right
- ▶ Listening to customers through our Voice of the Customer research programme and acting on what they tell us
- ▶ Harnessing new call routing technology to connect customers to an appropriate agent quickly
- ▶ Enhancing our employees' customer service skills through training – including an increased induction period for new customer service staff from five weeks to 13 weeks
- ▶ Continuing to invest heavily in our prepayment service through new systems and modern key meters

For information on our Supply Guaranteed Standards of Performance, visit [Ofgem's website](http://www.ofgem.gov.uk)

6 Sigma Award

A Six Sigma project to achieve customer resolution first time in four out of five inbound calls won an award in the European Six Sigma Excellence Awards 2007.

J.D. Power and Associates

We were ranked fourth for gas and fifth for electricity in a very tightly packed field in the J.D. Power and Associates 2007 survey of UK energy suppliers. We remain committed to our ongoing Customer Complaints improvement programme as a means of improving this ranking going forward.

Our 12 Impacts | Customer Experience

Performance Detail 2007 | continued

Voice of the Customer

To provide the best customer experience we can, we need to find out how our customers rate our performance. We conduct Voice of the Customer (VoC) surveys regularly and use the results to drive improvements in our business.

The research involves interviews with up to 1,500 customers per survey and measures satisfaction in 26 areas that customers have told us are critical to the quality of their relationship with ScottishPower. These areas include reliability of supply, meter reading, enquiries, complaints, billing, sales and registration, value for money and our reputation in the market.

Twenty five of these areas also form part of the 70 weighted service attributes we measure, ranging from bill accuracy to providing confidence in the outcome of enquiries and complaints.

Of the areas and weighted attributes, 36 have remained steady over the last year, 29 have declined and five have shown improvement.

We believe that a slight drop in satisfaction levels can be attributed to industry wide issues, such as pricing as, over the same period, we have seen a significant drop in customer complaints. Provisional results for January 2008 data suggests that satisfaction levels have recovered to 2006 levels.

Voice of the customer surveys provide us with regular snapshots of customer opinion and help us realign aspects of the service we provide with what our customers want.

For example, the customer bill is a key touchpoint with our customers – we send out approximately 17.5 million bills every year. If it is inaccurate, or the information is not presented clearly, this can result in many thousands of inbound calls to our customer service centres, creating queues and resulting in frustration.

Projects to improve billing accuracy and presentation have been carried out by the business in direct response to what customers have told us in the VoC surveys.

Customer Experience Programme

Our long term aim is to be the number one energy company for customer satisfaction. A Customer Experience programme has been running in Energy Retail since September 2006. Its key principles include:

- ▶ Putting the customer at the heart of our business – using Voice of the Customer research to ensure we develop processes that match customer expectations
- ▶ Developing a customer focused culture, ensuring that the customer is "present" in decision making forums
- ▶ Developing specific metrics to monitor the performance of customer critical processes
- ▶ Aligning departments to ensure that customer enquiries and complaints are addressed quickly and effectively
- ▶ Measuring and setting targets based on customer feedback results

Various projects were launched during the year with the aim of providing a better, more efficient service to our customers. These include changes to our bill, making it clearer, and changes to a number of processes, including the way we manage changes of tenancy.

Our 12 Impacts | Customer Experience

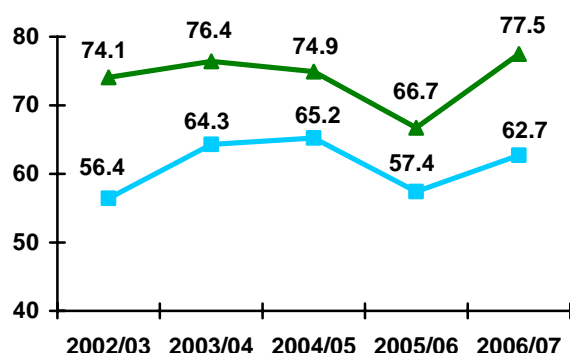
Performance Detail 2007 | continued

EnergyNetworks Performance

The two main measures of network performance are Customer Minutes Lost and Customer Interruptions.

The performance masks the investment EnergyNetworks have made to significantly increase automatic switching points on the 11,000 volt network, reducing the length of time customers are left without power when a fault occurs. There has also been a rollout of over 1,000 satellite navigation and vehicle tracking devices to frontline operational staff, to ensure they are equipped to respond to faults quickly.

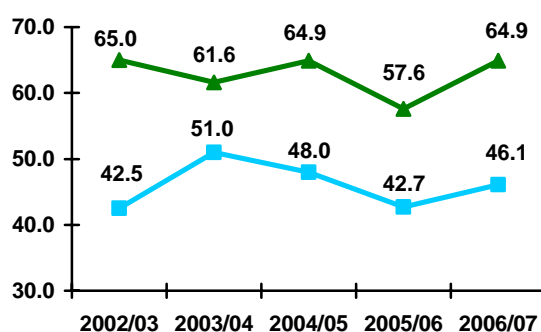
Customer Minutes Lost



▲ SP Distribution

■ SP Manweb

Customer Interruptions



Complaints to the independent consumer watchdog energywatch relating to our EnergyNetworks business dropped to 67 during calendar year 2007, following a spike for the period from April 2006 to March 2007 of 125, which was caused mainly by severe winter storms.

The Network Reliability Improvement Programme (NRIP) selects particularly badly performing circuits and implements a refurbishment scheme to renew the circuit and modernise its operations. During 2007, investments were made in over 2,000 km of overhead line.

The Network Controllable Points (NCP) project similarly selects circuits and puts an intelligent automatic re-closure scheme in place, along with controllable switching points on the circuit feeding local communities. When a fault occurs, either due to bad weather or equipment failure, the number of customers disconnected from supply is minimised, in most cases at least halved. Our operations staff know immediately exactly which area is affected, resulting in a quicker response to repair the fault. Additionally our control centres in Birkenhead and Kirkintilloch can now operate remote switching of equipment in rural areas, reducing the time taken to restore power.

For information on our Network Guaranteed Standards of Performance, visit [Ofgem's website](#)

Energy Efficiency

During 2007 we became the first UK supplier to meet our target energy savings under the Energy Efficiency Commitment (EEC2) a year early. A significant proportion of the energy efficiency measures we installed in the second year of EEC2 was in the homes of Priority Group customers, including the elderly and those on low incomes.

We plan to carry over all work from the final year of EEC2 (which ends 31 March 2008) into the new Carbon Emissions Reduction Target Scheme.

Our 12 Impacts | Customer Experience

Performance Detail 2007 | continued

During the last year we have:

- ▶ Insulated 52,942 cavity walls and 31,663 lofts
- ▶ Supplied 13,162 A rated boilers
- ▶ Given out more than 2.4 million energy efficient light bulbs

We deliver our energy efficiency projects through partnerships with more than 100 local authorities and housing associations. We continued to fund Warm Zones in Newcastle, Gateshead, Kirklees and North Stafford in England and Community Energy Partnerships in North and South Lanarkshire.

Product choice

We offer a range of products to suit the different needs and lifestyles of our customers, including a price freeze product, which guarantees no price rises until 2011. We also offer a No Standing Charge option, which can benefit those with low energy use.

We offer a complete online energy service – which has been rated 1st in three consecutive uSwitch surveys – and customers who prefer to receive a bill through the post can still make payments or send us meter readings online.

We continue to offer Capped Price products to customers to give the peace of mind of fixed energy costs. More than one million customers have taken up the assurance of our Capped Price offers.

For our full range of energy products, visit our customer website: www.scottishpower.co.uk

Green Energy

We continue to offer several Green Energy products for domestic and business customers. Green Energy H₂O is linked to our hydro generation and the Green Energy Fund product diverts the £10.50 annual discount given to Dual Fuel customers to the ScottishPower Green Energy Trust, which awards grants to small scale renewable energy projects at community level.

Since the introduction of the Climate Change Levy (CCL) we have supported business customers seeking to reduce their carbon emissions. We are one of the UK leaders in supplying green energy exempt from the CCL, to the public sector and large retail organisations.

During the year the ScottishPower Green Energy Trust committed a further £200,963 in funding towards 16 small scale renewable energy projects, including mini wind turbines, ground source heat pumps and solar panels.

Since its launch, the Trust has granted funding totalling £926,860 to 91 projects.

In 2005 the positive impact of the Green Energy Trust on the environment and local communities was recognised with a Big Tick from Business in the Community. The Big Tick was re-accredited in 2006 and 2007.

For more information on Green Energy Trust projects see and the [Green Energy](#) case study.

For more information on our Green Energy products, visit our customer website: www.scottishpower.co.uk

Our 12 Impacts | Climate Change and Emissions to Air

Overview

Energy – how we provide it and use it is at the heart of the climate change debate. Since 1990 the average global temperature has risen by 0.2°C. The concentration of atmospheric CO₂ has risen by more than 7% – and it continues to rise.

The past year – 2007 – has been a pivotal one for climate change.

February

The European Union published its vision: “20 20 by 2020”, which aims to achieve 20% energy savings and 20% renewable energy provision across Europe by 2020, which was approved by the EU Council in March.

November

The UK Government published its Climate Change Bill, which sets out a framework to help with the transition to a low-carbon economy. It incorporates clear, legally binding targets to reduce carbon dioxide emissions by at least 60% by 2050, and 26 to 32% by 2020, against 1990 levels. The Bill provides a pathway to achieve those reductions through a system of five year carbon budgets set fifteen years ahead, which are intended to provide a degree of certainty for investors.

The Intergovernmental Panel on Climate Change, which last year was awarded a Nobel Prize, published its fourth assessment, “The Synthesis Report” in November 2007. This definitive report is clear - to limit the adverse impact of climate change, including risks to vulnerable ecosystems and populations, global emissions need to peak soon and decline rapidly. The report concluded that it is economically and technically feasible to make significant reductions in emissions. It states that the extent of mitigation efforts over the next two decades will determine how far risks are reduced, avoided or delayed.

The Scottish Government published ambitious renewable energy targets – to meet half of the nation’s energy needs from renewable energy sources by 2020, with an interim target of 31% by 2011. Plans are now under way to consult on a Scottish Climate Change Bill.

The UK Government launched the Near Zero Emissions Coal Initiative with China, a major developer of coal generation, to share knowledge and expertise of clean coal technologies. Initiatives like these will be crucial in tackling climate change as coal’s share of the generation markets globally is predicted to rise to 43% by 2030. For more information visit the website at: www.nzec.info

December

An important breakthrough was achieved in December at the Conference of Parties to the UN Framework Convention on Climate Change in Bali. All the world’s countries signed up to a roadmap for achieving a global climate deal by the end of 2009, in an unprecedented show of international co-operation. For more information see the [UN Framework Convention on Climate Change website](http://unfccc.int/)

John Campbell, Impact Leader

Our 12 Impacts | Climate Change and Emissions to Air

Approach

We aim to manage the transition to a low carbon economy while maintaining secure energy supplies and affordable prices for customers and creating value for investors.

We are committed to reducing emissions of CO₂, SO₂ and NO_x from electricity generated in the UK and have a target to reduce our CO₂ emissions by 25% per GWh on 1999 levels by 2010.

We are achieving this by generating electricity more efficiently and supporting customer energy efficiency programmes, as well as investing significantly in clean generation, including wind, wave and tidal power and cleaner thermal power to underpin security of supply. We are investing in environmental improvements at our coal generation plant and focusing on the development of further Combined Cycle Gas Turbine (CCGT) options to reduce our emissions.

ScottishPower Renewable Energy

IBERDROLA is the global leader in renewable energy with over 7,800 “renewable” megawatts worldwide and a project pipeline of more than 42,000 MW. The renewables business is projected to account for 48% of all organic investment – around €8.6 billion – €1.2 billion of this in the UK - with the goal of achieving installed capacity of 13,600 MW by 2010.

We had a target to achieve a wind energy portfolio of 1,000 MW by 2010. It now looks as if we will exceed this significantly and the target has been revised upwards to at least 1,200 MW in the UK by 2010.

We are also progressing other renewable technologies through our involvement in the development of the world's largest commercial wave farm in Orkney's coastal waters and we are looking at joining forces with Hammerfest Strom of Norway to pursue tidal stream opportunities.

Clean Coal Technologies

We believe low-carbon coal generation will be key to providing secure, sustainable and affordable energy supplies in the future. In May 2007 we announced a 19 month feasibility study for the retrofit of clean coal technology at our existing coal-fired power stations, Longannet and Cockerhills. This would involve utilising supercritical turbines and boilers, to reduce the formation of CO₂ emissions during the generation process by 20%. The programme is also exploring the potential for carbon capture and storage, to accommodate the separation and subsequent storage of CO₂, potentially reducing the CO₂ burden of coal generation by 90%.

Carbon Capture and Storage involves capturing the CO₂ from coal-fired power stations, transporting it from site and committing it to long term storage in geological formations such as depleted oil and gas fields. It has a principle similar to conventional gas storage, which has been tried and tested globally.

In October 2007 the UK Government confirmed it would fund one scheme, incorporating post combustion CO₂ capture, to demonstrate the full Carbon Capture and Storage chain on a commercial scale. In November 2007, the Competition was launched with organisations competing for the contract to design, build and operate the scheme. ScottishPower welcomes this announcement. We are developing a potential entry for the Competition, based on our coal-fired stations in Scotland and offshore CO₂ storage.

- ▶ ScottishPower became part of the **IBERDROLA** Group in April 2007
- ▶ ScottishPower Renewable Energy Limited became part of **IBERDROLA RENOVABLES**
- ▶ **IBERDROLA RENOVABLES** was floated on the Spanish Stock Exchange in December 2007 to raise capital for accelerating investment in renewables
- ▶ **IBERDROLA RENOVABLES** is the global leader in renewable energy with 7,704 MW of installed capacity at December 2007 and a project pipeline of more than 42,000 MW worldwide

Our 12 Impacts | Climate Change and Emissions to Air

Approach | continued

We are continually working to improve the thermal efficiency of our coal and gas power stations and reduce our carbon impact. We are investing significantly in other emissions abatement technologies, including our £170 million investment in Flue Gas Desulphurisation (FGD) at Longannet Power Station, which will cut emissions of SO₂ by up to 90%. In addition, we are investing around £35 million in Over Fire Air technology at Longannet and Cockenzie to reduce NO_x emissions.

Biomass

We continue to co-fire environmentally friendly biomass fuels at our coal-fired plant, offsetting coal burn. In January 2008 we were granted final Planning Consents to build a dedicated biomass plant of up to 25 MW at Longannet Power Station.

During 2007 we announced plans for the UK's largest energy crop project, with plans to burn some 250,000 tonnes of crops such as willow coppicing at our coal generating stations.

EnergyNetworks

EnergyNetworks is undertaking large-scale investment in the transmission network to support renewable energy developments. This is essential to commissioning renewable energy projects and reducing the carbon burden of electricity generation.

Energy Retail

Energy Retail is among the UK's top performers for customer energy efficiency programmes. In April 2008 the Government's Energy Efficiency Commitment (EEC) will be replaced with a new Carbon Emissions Reduction Target scheme, (CERT) which will significantly increase the obligation on suppliers to achieve carbon savings through customer energy efficiency programmes.

Home energy efficiency measures, such as loft and cavity wall insulation, are delivered in partnership with more than 100 social housing providers and various Warm Zone and Community Energy Partnerships.

We also provide free home energy efficiency audits and a dedicated energy efficiency advice line. For the last two years we have been promoting energy efficiency advice through our mainstream customer communications- the first UK supplier to do so.

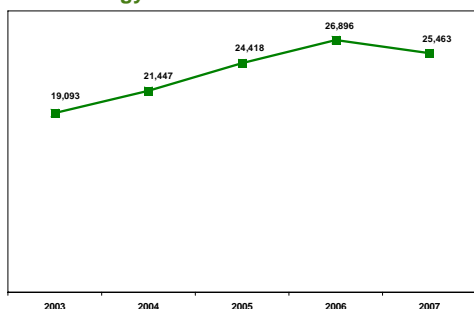
Our 12 Impacts | Climate Change and Emissions to Air

Performance Summary 2007

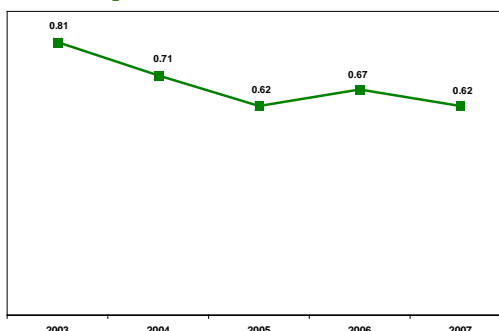
Total Greenhouse Gas Footprint

	2007	2006
Total ScottishPower Greenhouse Gas (CO ₂) Footprint	16,911,068	18,458,961

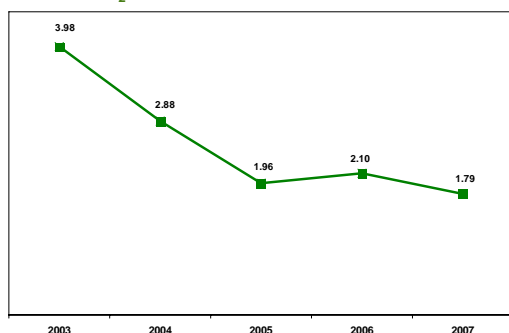
Total Energy Generated GWh



Total CO₂ emissions kt



Total SO₂ emissions Tonnes/GWh



Total NO_x emissions Tonnes/GWh



- ▶ Emissions per GWh of energy generated reduced as a result of the increasing amount of renewables in our mix and the coal conveyor collapse at Longannet by
 - CO₂ 7.5%
 - SO₂ 15%
 - NO_x 2.5%
- ▶ Since 1999 our emissions per GWh of electricity generated has reduced by
 - CO₂ 33%
 - SO₂ 65%
 - NO_x 31%
- ▶ Our £170 million project to fit Flue Gas Desulphurisation (FGD) at Longannet Power Station, will result in a further significant reduction in SO₂ emissions from 2008
- ▶ Added 37 MW of new wind energy by commissioning Wether Hill and Wolf Bog windfarms and acquiring the remaining stakes in Coal Clough and Carland Cross windfarms
- ▶ We are one of the UK's leading operators of onshore wind with 372 MW of wind energy operational (382 MW installed capacity) 666 MW consented or under construction and a further 599 MW in planning

Our 12 Impacts | Climate Change and Emissions to Air

Performance Summary 2007 | continued

- ▶ Erected the first wind turbines at Whitelee Windfarm near Glasgow, which at 322 MW will be the largest onshore windfarm in Europe and started construction at our 30 MW Greenknowes site in Perthshire
- ▶ Following a Public Inquiry, we received consent for our 213 MW Harestanes Windfarm in Dumfriesshire
- ▶ Began a 19 month feasibility study into the adoption of clean coal technology at Longannet and Cockenzie power stations, comprising supercritical boilers and turbines, and carbon capture and storage (CCS). During the year we conducted some specific work on aquifers in which we were the lead partner
- ▶ Continued our programme of fitting and overhauling low NOx technologies, such as Boiler Overfire Air and Low NOx Burners at our thermal plant
- ▶ We were the only UK supplier to achieve our Energy Efficiency Commitment (EEC2) target for the period 2005-2008 a year early. We achieved energy savings of 107% of our three year target
- ▶ Complied with legal requirements of the EU ETS by submitting 17.89 Mt of permits during 2006. The deadline for submitting information for 2007 is 30 April 2008, therefore we have no information available as yet

Targets

Performance Target for 2010	Progress
To achieve 1, 000 MW of wind capacity in the UK	Exceeded in terms of consents received. Target revised upwards to at least 1,200 MW
Reduce CO ₂ emissions per GWh of energy generated by 25% from a 1999 baseline	Exceeded. CO ₂ ktonnes per GWh in 1999 was 0.9237 – reduced 33%
Reduce SO ₂ emissions per GWh of energy generated by 85%	Ongoing
Reduce NOx emissions per GWh of energy generated by 50%	Ongoing

Our 12 Impacts | Climate Change and Emissions to Air

Performance Detail 2007

Company Greenhouse Gas (CO ₂) Emissions UK	2007	2006
From power stations (for energy generated – tonnes)	15,837,275	18,017,077
From transport (tonnes)	959,310	19,847
From internal energy and process use (tonnes)	103,488	126,788
Equivalent from SF ₆ released (tonnes)	10,994	9,529
Total CO ₂ emissions (tonnes)	16,911,068	18,173,241

Total greenhouse gas emissions across ScottishPower reduced by 1,262,173 tonnes – just under 7% – during 2007. CO₂ emissions from generation were down by 12%, reflecting lower levels of electricity output, a significant reduction in coal generation and an increased contribution from wind and hydro plant.

This year our figure for transport was significantly higher as, for the first time we have included the shipping of coal, in addition to business transport and air miles. This is to align with **IBERDROLA's** reporting in this area.

Our internal energy use also reduced, mainly due to a reduction in power station works power, which is due to efficiency improvements in power station operations.

Since 1999 we have reduced CO₂ emissions per GWh across our generation portfolio by 33%. This was achieved by adding more gas-fired generation and renewables to our mix and continuing to invest in efficiency improvements.

During the year we reduced our emissions per GWh of electricity generated for CO₂, SO₂, NOx and particulates (dust) by the following:

CO ₂	7.5%
SO ₂	15%
NOx	2.5%
Particulates (dust)	15%

These reductions were due to changes in our generation mix, when Longannet was operating on gas instead of coal. There was also an increased contribution from renewables, including wind and hydro.

Carbon Management

Since the introduction of the European Union Emissions Trading Scheme (EU ETS) in January 2005, we have integrated CO₂ management into the UK energy portfolio and we manage CO₂ as a commodity alongside electricity, gas and coal.

Under the scheme, an overall CO₂ cap is set and carbon allowances are distributed.

Through the National Allocation Plan (NAP) ScottishPower receives a carbon allocation which may be used in respect of any plant, or traded.

Participants must either ensure emissions equal allowances, buy additional allowances to accommodate increased emissions or they can reduce emissions and sell their excess allowances.

Installations covered by the EU ETS must have their annual CO₂ emissions externally verified each year, whilst complying with the detailed requirements of the monitoring and reporting plan.

Generators covered by the scheme must submit annual allowances by April each year, equal to their CO₂ emissions in the previous calendar year. Phase 2 of the scheme, when free carbon allowances will be further reduced, is due to be launched in 2008.

Our 12 Impacts | Climate Change and Emissions to Air

Performance Detail 2007 | continued

Another market mechanism designed to reduce CO₂ emissions is the Renewables Obligation, which places a requirement on suppliers to source a specific proportion of the electricity they supply from renewable sources. Compliance must be demonstrated through tradable Renewable Obligation Certificates (ROCs) from generators certified by Ofgem, or payment of a "Buyout Fine".

Certified renewable generation sources that qualify for ROCs include wind energy, small scale hydro and biomass.

We complied with the EU ETS for the 2006 calendar year by submitting 17,891,258 EU allowances ahead of the April 2007 deadline. Our position for the 2007 calendar year will not be confirmed until 30 April 2008.

ScottishPower UK – Summary Emissions Information

Fact table for UK totals	2007	2006
Total electricity generated / controlled (GWh)	25,463	26,896
CO₂		
Total CO ₂ emissions per GWh of energy generated / controlled (ktonnes)	0.62	0.67
Total CO ₂ emissions for energy generated / controlled (ktonnes)	15,837	18,017
SO₂		
Total SO ₂ emissions per GWh of energy generated / controlled (tonnes)	1.79	2.10
Total SO ₂ emissions for energy generated / controlled (ktonnes)	45.67	56.52
NO_x		
Total NO _x emissions per GWh of energy generated / controlled (tonnes)	1.58	1.62
Total NO _x emissions for energy generated / controlled (ktonnes)	40.11	43.49
Particulates		
Total particulates emissions per GWh of energy generated / controlled (tonnes)	0.09	0.10
Total particulates emissions for energy generated / controlled (ktonnes)	2.323	2.7513
Heavy Metals		
Arsenic	0.137	0.100
Cadmium	0.01	0.137
Chromium	0.306	0.487
Copper	0.431	0.608
Lead	0.505	1.304
Mercury	0.358	0.205
Nickel	1.079	1.042
Selenium	1.242	0.899
Vanadium	0.509	0.498
Zinc	1.099	0.542
PM 10 (t)	1,879	2,201
Hydrocarbons (as CH ₄)	112	116
Carbon Monoxide	5,961	7,906
NM VOCs	151	180
HCL	677	1,449
N ₂ O	142	171
HF	219	657
Dioxin ITEQ	7.99 E -8	1.99 E -7
Dioxin WHO TEQ	8.52 E -8	2.32 E -7
Boron	122	86
Manganese	0.809	0.512
Beryllium	0.049	0.232

Our 12 Impacts | Climate Change and Emissions to Air

Performance Detail 2007 | continued

Energy Efficiency

Customer energy efficiency programmes are a key part of the Government's strategy to reduce CO₂ emissions and tackle climate change.

Under the second phase of the Energy Efficiency Commitment (EEC2), which runs from 2005-2008 we met our targets a year early – the only supplier to do so. This was possibly due to the early start we made with a carryover from EEC1. A significant proportion of the energy efficiency measures we installed in the second year of EEC2 was in the homes of Priority Group customers, including the elderly and those on low incomes. Between 2005 and 2007 we invested £150 million in our customer energy efficiency programme. In 2007, the following energy savings measures were delivered:

Energy saving measure	2007	Total 2005 to 2007
Cavity walls insulated	52,942	270,000
Lofts insulated	31,663	150,000
A-rated boilers installed	13,162	Over 40,000
Energy savings light bulbs distributed	2.4 million	Over 5 million

Over the period of EEC2 we achieved energy savings of 107% of our three year target.

The majority of our energy saving measures were delivered through strategic alliances with social housing providers, including local authorities and housing associations. We have more than a hundred such partnerships across the UK. In addition, we are the energy partners in four Warm Zones in Newcastle, Gateshead, Kirklees and North Stafford in England and Community Energy Partnerships in North and South Lanarkshire.

Carbon Emissions Reduction Target (CERT)

From April 2008 a new customer energy efficiency programme – the Carbon Emissions Reduction Target (CERT) will replace EEC. Under CERT, suppliers are obliged to deliver CO₂ savings of 154 million tonnes from 2008 to 2011, costing £2.75 billion.

Forty percent of the programme will be targeted at priority group customers, such as people on low incomes – and anyone over the age of 70, regardless of income.

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

Smart Meters

At present three UK suppliers, including ScottishPower, are working on energy demand research projects.

This involves researching customers' home energy use habits and determining which measures are effective in encouraging them to reduce their energy use.

The project was launched in April 2007 and runs until February 2010 when a report will be presented to The Department for Business, Enterprise and Regulatory Reform and Ofgem.

The research, involving a representative sample of around 2,600 customers, is part-funded by the Government. It will look at the influence of enhanced information on customers' energy use habits.

Our 12 Impacts | Climate Change and Emissions to Air

Performance Detail 2007 | continued

Interventions will include:

- ▶ Providing better information to encourage people to save energy, including historical comparisons of their energy use
- ▶ Providing a real-time visual display unit, and
- ▶ The installation of smart meters

Smart meters allow two-way communication between us and our customers. Once smart meters have been installed in the homes of our sample group, we will look at new tariff arrangements for these customers. For example, offering lower rates for customers who reduce energy usage at 'peak' times.

The results of the trials will provide invaluable evidence to support the future rollout of displays and smart meters, across our customer base, providing the potential to achieve significant reductions in energy demand and carbon emissions.

We believe Smart meters should work in a similar way to the traditional metering market. They would be installed by a third party who would charge the supplier for their use, meaning customers are not directly charged.

Green Energy

We continue to offer a range of green energy options in both the domestic and industrial and commercial sectors.

For domestic customers we offer two green energy products – Green Energy H2O, where our customers' energy use is matched with a supply of hydro power into the grid – and Green Energy Fund, which supports small scale renewable energy projects in UK communities. We also have an online green option – Online Energy Saver 4 Green Fund.

The Green Energy Fund enables customers to donate the dual fuel discount they would get for taking both electricity and gas into a Green Energy Trust, which is also supported by the company.

The Green Energy Trust is administered by an independent Board of Trustees which meets three times per year to award 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.

During 2007 the Green Energy Trust awarded a further £200,963 to 16 small renewable energy projects. At December 2007 the Trust had awarded a total of £926,860 to 91 community projects. See our Green Energy case study for more information.

Following initial scoping work in 2007 we have now commissioned the Edinburgh Centre for Carbon Management to evaluate our Green Energy Fund product, to quantify the actual CO₂ savings achieved. This will enable us to provide transparency to help customers make an informed choice.

Our 12 Impacts I Waste and Resource Use

Overview

Waste is a very significant issue – environmentally, socially and economically. Households and businesses in the UK produce more than 170 million tonnes of waste each year.

Currently, just over a third of UK waste is recycled – the rest is buried in landfill sites - which is not sustainable.

As well as the potential effects of waste and landfill sites on public health, landscape and biodiversity, there is a link between waste and the greenhouse gas emissions linked to global climate change. Degrading waste on landfill sites produces methane and CO₂, while waste management and transportation adds to the UK's carbon footprint.

Currently, the recycling of paper, glass, plastic, aluminium and steel in the UK saves an estimated 18 million tonnes of CO₂ annually, compared to primary material production. So reducing the amount of waste we produce, along with re-use and recycling, can play a major part in reducing the UK's carbon emissions.

In July 2007 the Waste Electrical and Electronic Equipment Directive (WEEE) came into force, which should reduce the volume of electrical equipment going to landfill. Both the UK and Scottish Governments published new waste strategies during 2007, which seek to increase recycling and explore energy recovery from waste through small Combined Heat and Power schemes. Targets for the recycling of packaging waste will increase from 2008 onwards to enable the UK to meet EU targets.

From April 2008 many of our infrastructure projects in England will become subject to requirements of new Site Waste Management Plans Regulations seeking to reduce waste by design, target recycling and introduce enhanced tracking and reporting. The Government sponsored Waste and Resources Action Programme (WRAP) will shortly announce tough targets to reduce and then eliminate construction waste going to landfill. Coupled with requirements for pre-treatment of wastes introduced in 2007 the direction for waste and resource management is firmly away from landfill.

From a business perspective, inefficient use of resources affects not only the environment, but also the prosperity of business and the national economy. Figures published by the Department for Business, Enterprise and Regulatory Reform (formerly the Department of Trade and Industry) suggest that inefficient use of resources costs UK businesses around £20 billion a year and that 30% of energy used in business is wasted – equivalent to £12 billion per annum.

Landfill Tax charges will increase between 2008 and 2011, providing an added incentive for businesses to minimise waste and increase recycling.

UK companies have improved their resource efficiency in recent years, but there is scope to do much more. The business community must lead the supply chain as responsible consumers, ensuring the efficient use of resources and the responsible reuse, recycling and disposal of waste.

Rupert Steele, Impact Leader

Our 12 Impacts | Waste and Resource Use

Approach

We aim to manage our resources efficiently to minimise environmental and economic impact, while complying with all relevant legislation. This includes avoiding or minimising waste, encouraging reuse and recycling and resorting to environmentally responsible disposal, only as a last resort.

We manage waste and resource use through our Environmental Management Systems and our businesses set targets, where appropriate, for reduction in annual Environmental Plans. We:

- ▶ Quantify and measure wastes
- ▶ Identify opportunities for minimising waste at source through targeted programmes
- ▶ Reduce waste sent to landfill by reusing and recycling as much as possible
- ▶ Audit staff and contractors to reduce the risk of non-compliance with legislation

Specific hazardous wastes, such as asbestos, are handled in line with the Special Wastes Regulations 1996 and other relevant legislation and procedures.

A European Review, the thematic waste review, is examining whether existing waste legislation allows the delivery of optimum environmental solutions in terms of reuse and recycling. We are maintaining a close interest in the outcome of the review, particularly in relation to the use of ash in construction products.

As well as minimising, reusing and recycling waste, we continually seek ways of reducing the resources used in our processes, including energy and water.

Our approach includes:

Waste

- ▶ **Reducing** – we seek ways of reducing the amount of energy, water, vehicle fuel and other raw materials used through process improvements and by encouraging employees to be waste aware. Waste minimisation and waste data systems are in place across Energy Wholesale and EnergyNetworks
- ▶ **Reusing** – we reuse various resources, such as refurbished meters and transformers and reconditioned oils. We also sell surplus equipment, such as power station plant, for reuse. We generate energy from Waste Derived Fuel (WDF) and biomass products. A new 25 MW biomass generating station is being built at Longannet Power Station which will increase the volume of this material used

ScotAsh, our award winning joint venture with Lafarge Cement, processes ash from our coal stations into products for the construction industry

- ▶ **Recycling** – we have segregation and recycling programmes in place for materials such as wood, metals, SF₆ gas, power station ash, transformer oils, paper and other office consumables, from toner cartridges and light bulbs to mobile phones

Another significant waste is spoil from excavation of roads and pavements to lay cables or carry out repairs to our distribution network. We have been involved in trials with others, including NGC, to stabilise and reuse road spoil as in-fill

- ▶ **Responsible Disposal** – where we cannot reuse or recycle wastes, disposal is carried out by certified contractors in line with all relevant regulations and with our duty of care obligations

Our 12 Impacts I Waste and Resource Use

Approach I continued

Resource Use

- ▶ **Resource Substitution** - we try to use non-hazardous materials whenever possible, for example eliminating Polychlorinated Biphenyls (PCBs) from transformer oils, using timber distribution poles treated with environmentally friendly materials and reducing the use of HFCs in air conditioning systems. Our green procurement policies offer a process to help us identify greener and safer alternatives to conventional substances and materials
- ▶ **Internal Resource Use** - we monitor energy and water use and have rolling targets in place across our businesses to reduce consumption by identifying process improvements. Examples include condensate recycling and the widespread use of low energy lighting

Contaminated Land

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 in to contaminated land registers

Policies

Internal Energy, Water and Waste, Contaminated Land, Environmental Transport, Environmental Purchasing Policy

Our 12 Impacts I Waste and Resource Use

Performance Summary 2007

- ▶ The amount of coal burned in our power station was 22% lower this year and gas use was 19% higher
- ▶ Waste volumes increased due to power station refurbishment and construction
- ▶ Internal electricity use was more than 35% lower, due to a reduction in power station works power
- ▶ EnergyNetworks pioneered a new, safe oil sampling technique, reducing the volume of transformer oil used and sent for recycling
- ▶ Rye House Power Station's rainwater harvesting scheme was recognised in the Environment Agency's annual report as an example of best practice
- ▶ The volume of ash recovered for use in construction products increased by more than 45% on the previous reporting period, to more than 580,000 tonnes
- ▶ ScotAsh, our joint venture with Lafarge Cement, sold a record 1.1 million tonnes of construction products manufactured from Longannet and Cockenzie power stations' ash

Key Waste and Resource Use measures summarised in the table below

	2007	2006 /07
Coal ('000 tonnes)	5,190	6,682
Oil ('000 tonnes)	10	10
Gas ('000 tonnes)	1,716	1,447
Biomass & WDF ('000 tonnes)	110	126
Internal Energy - electricity (GWh)	874	1,361
Townswater (million m ³)	5	3.63*
PFA ash by-product reused ('000 tonnes)	583	400
FFC oil containment losses (litres)	17,107	15,711

**townswater usage was under reported because Cockenzie had not reported water usage from the coal plant. This was spotted in the external data audit commissioned at the site this year.*

We use significant volumes of primary resources to generate electricity and supply gas to our customers, including more than five million tonnes of coal and nearly two million tonnes of natural gas.

The amount of coal burned in our power station was 22% lower this year and gas use was 19% higher. This was due to the collapse of a coal conveyor at Longannet in January 2007 which meant that the station was unable to burn coal for six weeks while remedial action was taken. During this outage, gas, which is normally only used for start up and shut down at Longannet, was used to operate Units 1 and 3 with a reduced load.

In 2006, the amount of coal used in generation was particularly high due to reduced out put from Scotland's nuclear stations, sustained high gas prices which made coal more economically favourable, and outages at Shoreham.

We also use oil for power station start-up and in electrical equipment, such as transformers.

Most of the townswater we consume is process water, which is converted into steam in the power station boilers to generate electricity. We also abstract significant volumes of water from the River Forth to be used as cooling water at Longannet and Cockenzie power stations. This is returned to the estuary after use.

Our 12 Impacts I Waste and Resource Use

Performance Summary 2007 I continued

The volume of resources we use and the amount of waste we produce depends on the number of large capital projects we are undertaking and varies from year to year. We place great emphasis on reducing, re-using and recycling resources in all our day-to-day processes and major projects.

This year we have started reporting our wastes in line with the European Waste Catalogue classifications, to be consistent with our regulatory reporting arrangements and with future reporting as part of the wider IBERDROLA Group.

Targets

Performance Targets 2007	Outcome
Embed updated environmental KPIs into business unit scorecards to enhance governance and environmental performance	Energy Wholesale reports monthly on 15 environmental KPIs and progress to complete key environmental plan targets. EnergyNetworks compiled a KPI template for business reporting, implementation has commenced
Implement revised policies on Transport and Internal Resource Use (energy, water, waste)	Ongoing
Update the integrated environmental performance and reporting criteria into the selected contracts within our EnergyNetworks business	EnergyNetworks have developed waste measures as part of their KPI matrix. Future waste and scrap contracts will include waste reporting criteria.
Review depot waste stream segregation in our EnergyNetworks business to maximise waste recovery and recycling activities	Internal audit reviews over many years have demonstrated that segregation of wastes could be better. We have directed the prospective future tender contractors to our desire for greater segregation in provision. We have Identified a voluntary sector service provider for Resin bucket recycling this is still under consideration. We have completed renewal of scrap contracts including refreshment of SF ₆ recovery and reporting to integrate new FGas regs. We have briefed the business on the new statutory requirement for SF ₆ recovery
To undertake waste minimisation reviews for PPC permitted sites within our Energy Wholesale business	Water and waste minimisation audits have been completed at all sites not just PPC ones

Performance Targets 2008

- ▶ Complete energy minimisation audits at PPC permitted sites within our Energy Wholesale business
- ▶ Implement new waste contract arrangements (SWmps) in our EnergyNetworks business

Our 12 Impacts | Waste and Resource Use

Performance Detail 2007

Resource Use

During 2007 we carried out several major capital projects in Energy Wholesale, EnergyNetworks and ScottishPower Renewable Energy that used significant quantities of materials, including steel.

These projects included the development of new onshore windfarms and environmental investments at our power stations, including Flue Gas Desulphurisation at Longannet and a project to replace more than 20 tonnes of reinforced glass panelling at Cockenzie.

EnergyNetworks are conducting a series of network reinforcements to enable electricity from new renewable energy projects to be transported to where it is needed. The construction of new power lines and substations involves using large quantities of metal, including steel and copper. The business has also carried out significant refurbishment of the distribution network to improve the security of supply in rural areas.

Serving 5.23 million customers, Energy Retail uses a significant volume of paper in customer billing and communication. In recent years, the amount of paper used has reduced due to streamlining the bill, and the increase in the number of customers who manage their accounts online - now around 12%.

Reduce

- ▶ Cockenzie Power Station has reduced the amount of carbon in ash (the amount of unburnt carbon lost from the combustion process) from 15% to 7% as a result of an overhaul of most of the station's pulverizing mills, airflow optimisation and development of an automatic control strategy. The improvements have reduced the use of fuel and works energy, and the volume of ash disposed of to settling lagoons
- ▶ A Business Transformation project implemented by Energy Retail's Customer Establishment has looked at ways of reducing paper consumption, including e-mail communication with customers, and setting targets for waste minimisation
- ▶ ScottishPower Renewable Energy's new Black Law extranet allows Habitat Management Groups and external stakeholders to access a wide range of documentation and reports on habitat management objectives and surveys at Black Law and other windfarms online. The extranet is one way we are disseminating information in an environmentally sensitive manner by reducing paper usage
- ▶ Since March 2007, coal deliveries to Longannet have been completed almost exclusively by freight train. Up to 10 coal train loads are delivered to the station per day from Hunterston, with approximately 1,000 tonnes arriving with each delivery – that's the equivalent of taking more than 30 fully-laden lorries off Scotland's roads per delivery
- ▶ A project team involved in reinstating the seawall at Longannet's Valleyfield Lagoon No.5 sourced 15,000 tonnes of Grade 1 Armour stone from a local quarry at Inverkeithing, considerably reducing the carbon miles involved in transporting 800 lorry loads of aggregate
- ▶ EnergyNetworks pioneered a new, safe method of sampling transformer oil, which enables oil to be tested to assess its condition. Previously, transformer oil would have been replaced according to the length of time it had been inside the transformer, regardless of its condition. The new testing process will result in transformer oil being replaced only if there is a need to, thus reducing the amount of oil used
- ▶ EnergyNetworks is significantly reducing the environmental impact of its cable laying processes through the use of ploughing methodologies that allow cable to be inserted underground with little or no excavation. The 'mole plough' system is quicker to operate, causes minimal disruption and does not produce spoil that has to be disposed of to landfill

Our 12 Impacts | Waste and Resource Use

Performance Detail 2007..I continued

Reuse

- ▶ ScotAsh, the company's joint venture with Lafarge Cement, reuses the ash output from Longannet and Cogenzie power stations in environmentally friendly construction products, including grouts and cements. During the year ash reuse increased by around 45% and ScotAsh achieved record product sales of 1.1 million tonnes. The company supplied several high profile projects during 2007 including cement for the turbine bases at Whitelee Windfarm, the new Upper Forth Crossing, the shaft isolation project at the Atomic Energy Authority's Dounreay plant in Caithness and Scottish and Southern Energy's Glendoe hydro project. ScotAsh was named as National Example of Excellence in Business in the Community's TCS Marketplace Innovation Award 2007
- ▶ A rainwater harvesting project implemented at Rye House Power Station during 2007 should result in a 25% reduction in townswater usage. Previously, all run-off rainwater from buildings and roads was collected in an underground retention reservoir before being discharged into the River Lea. The £100,000 project is now recovering this relatively clean water and treating it by means of a gravel/sand filter plant. The filtered water is then reused for plant processes instead of using townswater from the mains supply. The project was recognised in the Environment Agency's annual report as an example of best practice
- ▶ While awaiting the completion of a new, purpose-built biomass plant at Longannet, we continued to co-fire Waste Derived Fuel from SMW Limited's sludge drying facility near Glasgow, recovering useful energy. We also co-fire biomass fuels, including sawdust and peanut husks at Longannet and Cogenzie power station
- ▶ Longannet's Stores Team took delivery of a quantity of plastic pallets. These heavy-duty plastic pallets have a lifespan of around 10 to 15 years which will reduce the station's consumption of standard wooden pallets

Recycling

- ▶ A project team from EnergyNetworks identified recycling opportunities during the refurbishment of the Capenhurst 'A' 132 kV sub station. Demolition rubble was crushed on site to be used as a structural backfill layer for new foundations, also reducing transport and landfill costs, and the need to import new aggregates. Meanwhile, redundant cables were recycled and timber packaging was reused to store strategic spares at a nearby sub station
- ▶ In September 2007, Longannet conducted trials involving the recycling of marine debris that is gathered by the cooling water drum screen trash basket. As an alternative to disposal via landfill, this waste was collected by CEG of Auchterarder, to be composted for eventual use as a growing medium in gardens.
- ▶ ScotAsh, our joint venture with Lafarge Cement, supplied products made from power station ash to a sustainable roads project led by City of Edinburgh Council. ScotAsh's RSA/PT product is milled with road planings to stabilise it and enable it to be reused in road reconstruction instead of landfilled. The company also supplied its bedding mortar and joint filling grout to several local authorities. This enables setted roadways to be repaired using the original stone setts

Our 12 Impacts | Waste and Resource Use

Performance Detail 2007..I continued

UK general waste data*

	2007	2006/07
EU Waste Categorisation		
07 Wastes from organic chemical process		
Hazardous waste arising (tonnes)	0.76	0.28
08 Wastes from MFSU of coatings, adhesives, sealants and printing inks		
Hazardous waste arising (tonnes)	1.96	0.23
13 Oil waste and wastes of liquid fuels		
Hazardous waste arising (tonnes)	1,246	12,183
Hazardous waste recovered (tonnes)	1,041	11,598
15 Waste packaging		
Hazardous waste arising (tonnes)		4.26
Non hazardous waste arising (tonnes)	3.49	0.01
Non hazardous waste recovered (tonnes)	1.3	
16 Waste not otherwise specified in the list		
Hazardous waste arising (tonnes)	1,428.33	38.12
Hazardous waste recovered (tonnes)	1,427.22	38.12
Non hazardous waste arising (tonnes)	476.04	778
Non hazardous waste recovered (tonnes)	476.04	778
17 Construction and demolition wastes		
Hazardous waste arising (tonnes)	477.51	
Hazardous waste recovered (tonnes)	473.5	
Non hazardous waste arising (tonnes)	233,812	259,073*
Non hazardous waste recovered (tonnes)	233,812	
20 Municipal wastes (household and similar commercial and industrial)**		
Hazardous waste arising (tonnes)	124,454	36,204
Hazardous waste arising (litres)	560,576	79,905
Hazardous waste recovered (tonnes)	12.35	2,010
Hazardous waste recovered (litres)	210,565	83
Non hazardous waste arising (tonnes)	27,469	8,088
Non hazardous waste arising (litres)	64,627	414,384
Non hazardous waste recovered (tonnes)	6,933	1,330
Non hazardous waste recovered (litres)		-
IT equipment (recycled tonnes)	34	24
IT equipment (recovered for use - items)	1,548	855

*These figures do not include data from Core or waste arising from windfarm development programme

**Includes waste from power station refurbishment and construction projects

Our 12 Impacts | Waste and Resource Use

Performance Detail 2007..I continued

Generation (UK) Ash Data		2007		2006/07
Non hazardous ash arising (tonnes)				
FBA from Longannet and Cockenzie		73,226		79,549
PFA Cockenzie	274,685		234,537	
PFA Longannet	325,471		445,446	
PFA total		600,156		679,983
Ash recovered for sale (tonnes)				
FBA from Longannet and Cockenzie		67,446		79,549
PFA Cockenzie	343,960		269,552	
PFA Longannet	238,720		130,144	
PFA total		582,680		399,696
Net disposal of ash (tonnes)				
FBA from Longannet and Cockenzie		5,780		-
PFA Cockenzie	-69,275		-35,015	
PFA Longannet	86,751		315,302	
PFA Total		17,476		280,287

FBA – furnace Bottom Ash

PFA – Pulverised Fuel Ash

SF ₆ releases and quantities held	2007	2006/07
Total UK quantity held (tonnes)	92	80
Total UK number of switchgear units holding SF ₆	22,116	21,036
Total UK quantity of SF ₆ released (tonnes)	0.46	0.39
Total UK quantity of SF ₆ recycled / reused (tonnes)	0.276	0.154

Contaminated land site review	2007	2006/07
Phase I surveys	2	58
Phase II surveys	2	4
Remediation expenditure	£11,726	0

Oil Containment	2007	2006/07
FFC oil losses from underground cables		
Litres Lost	17,107	15,711
Transformer and switchgear oil containment data		
Total volume of oil held (litres)	91,917,505	92,195,410
Volume of oil lost (litres)	45,070	33,097
Total number of transformers banded to date	454	444
Annual investment in bunding (£'000)	223	91

PCB status of equipment	2007	2006/07
Number of samples tested - we currently have no programme to test equipment. Issues will be managed if they arise	0	0
Number of samples above 50 ppm	0	0
% equipment now tested for PCB levels (ground mounted equipment)	100	100

Our 12 Impacts I Waste and Resource Use

Performance Detail 2007..I continued

UK resource use total	2007	2006
Coal burn ('000 tonnes)	5,190	6,682
Oil burn ('000 tonnes)	10	10
Gas burn ('000 tonnes)	1,716	1,447
Townswater water use (million m ³)	5	3.63*
Tidal / river / bore hole water use (million m ³)	1,882	2,463
Biomass and WDF ('000 tonnes)	110	126

*townswater usage was under reported because Cockenzie had not reported water usage from the coal plant. This was spotted in the external data audit commissioned at the site this year.

Total business mileage	2007	2006/07
UK businesses	17,597,999	17,902,433
Vehicle Fuel Consumption for Main Group Fleets (estimated figures)		
Volume of unleaded and leaded petrol used ('000 litres)	461	138
Volume of diesel used ('000 litres)	5,901	6,613
Volume of Liquified Petroleum Gas (LPG) used ('000 litres)	14	3

Internal energy use	2007	2006/07
UK businesses		
Electricity (GWh)	874	1,361
Gas (GWh)	4	156
Gas/diesel oil (litres)	143,819*	146,568*

*this is diesel used in generators only. CO₂ has been accounted for in EU ETS CO₂ total.

Our 12 Impacts | Biodiversity

Overview

Our planet is rich in biological diversity. Around nine million species of animal and plant occupy their own special place in the world ecosystem. It's this richness of life that provides the support systems that sustain human existence – our food, medicine, clothing, clean soil, clear water, fresh air and quality of life.

However, the world is losing biodiversity at an ever increasing rate as a result of human activity. In the UK alone we have lost over 100 species during the last century, while many more species and habitats are under threat. [source [UK Biodiversity Action Plan website](#)]

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.

The Government published the UK Biodiversity Action Plan in January 1994. During its first five years, action plans were published to conserve 45 vulnerable habitats and 391 of our most threatened species.

These action plans were implemented by lead partner organisations or agencies while country-wide and regional Biodiversity Action Plans delivered biodiversity conservation at a local level, raising public awareness and promoting environmental education.

In June 2007, the UK Biodiversity Action Plan published its first full review of its priority species and habitats, based on comprehensive new information acquired over the past decade about UK biodiversity. As a result, the list has been radically revised to include 1,149 species and 65 habitats identified as priorities for conservation action. The governments of all four UK administrations have adopted the recommendations.

In October 2007, the UK Biodiversity Partnership published a new statement 'Conserving Biodiversity – the UK approach', that sets out a new vision and approach to conserving biodiversity within the UK's devolved framework.

The Offshore Marine Conservation (Natural Habitats, &c.) Regulations 2007 came into force in August 2007. The regulations will protect marine species and wild birds by managing activities that affect species and habitats in the offshore marine environment beyond 12 nautical miles from the UK coast.

The legislation also enables the designation and protection of areas that host certain important habitats and species in offshore areas. The Scottish Government is founding a 'Sustainable Seas Task Force' to consider proposals for a new Scottish Marine Bill.

This section of our report highlights the breadth of activity across our various UK operations, summarises the work of our Biodiversity/Habitat Management Plans and lists some examples of good practice.

Rupert Steele, Impact Leader

Our 12 Impacts | Biodiversity

Approach

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

ScottishPower has significant land holdings – power stations, windfarms and substations – ranging from southern England to the Scottish Highlands, many of which are rich in wildlife.

We recognise that our activities could have potential effects on biodiversity. As a key element of sustainable development, biodiversity has been an integral part of our Environmental Policy for many years. See our [Biodiversity Policy](#).

We work closely with statutory agencies such as Scottish Natural Heritage, Natural England, Fisheries Boards and non-governmental organisations, including the Royal Society for the Protection of Birds (RSPB), WWF and Wildlife Trusts, in respect of our present sites and future developments.

Our approach includes:

- ▶ Carrying out Environmental Impact Assessments for new build developments, such as overhead lines, and ensuring Environmental Management Plans are developed for projects where conservation issues are identified
- ▶ Following a Biodiversity Procedure to protect wildlife and habitats during overhead line or substation construction
- ▶ As a minimum standard, implementing Biodiversity Action Plans at our electricity generation sites
- ▶ Working in partnership with Fisheries Boards, particularly at our hydroelectric facilities, to protect and enhance the aquatic environment, and linking in to local authority biodiversity plans and projects
- ▶ Developing our windfarms in accordance with industry leading policies that focus on careful site selection, extensive consultation and proactive conservation management. For more information, see [Windfarm Sustainable Development Strategy](#) and [Biodiversity Conservation Strategy](#)
- ▶ Developing Windfarm Habitat Management Areas. Setting aside 3,426 hectares of land to promote biodiversity at four of our windfarms – Beinn an Tuirc and Cruach Mhor in Argyll; Black Law in Lanarkshire; and Beinn Tharsuinn in the Scottish Highlands
- ▶ Playing a key role in pioneering research into bird and bat interactions with windfarms, blanket bog and vegetation restoration, including tree-felling techniques, and supporting the development of best practice habitat management in a partnership with WWF, Scottish Natural Heritage and RSPB
- ▶ Much of our biodiversity work goes well beyond any statutory obligations or planning conditions. For example, the Habitat Management Plans at UK windfarms go beyond mitigation for the effects of the windfarm and aim to preserve special wildlife species such as Golden Eagles, Hen Harriers, Black Grouse and Otters

Our 12 Impacts | Biodiversity

Performance Summary 2007

As indicated in the Defra Environmental Key Performance Indicators – “Reporting Guidelines for UK Business”, there is no single, universally accepted method for measuring the impacts of company activity on biodiversity. ScottishPower’s approach has evolved over many years and goes beyond regulatory requirements. We consult experts such as regulatory bodies, non governmental organisations, wildlife and special interest groups on a regular basis to ensure our approach is in line with best practice.

Our key achievements in 2007 include:

- ▶ ScottishPower Renewable Energy’s Biodiversity Extranet site won the Best Innovation Award in the 2007 Scottish Green Energy Awards
- ▶ Continued to implement Habitat Management Plans at four UK windfarm sites, covering a total of 3,426 hectares
- ▶ Prepared Habitat Management Plans for five new or extended windfarm sites, totalling 2,527 hectares, to be implemented in 2008
- ▶ Continued our industry-leading research into the interaction of Golden Eagles and Hen Harriers with wind turbines and techniques to improve restoration of blanket bog and degraded heather moorland
- ▶ Published a new Biodiversity Action Plan at our ninth generating station - Blackburn Mill CHP, Lancashire
- ▶ Conducted trials of a fish “catch and release” system at Longannet Power Station’s Unit 1 to explore viable methods of reducing the number of fish entrained at the cooling water intakes
- ▶ Continued to engage ecological clerks of works for major projects and co-sponsored Countryside Rangers at key sites to monitor the effects of our operations on land and the aquatic environment
- ▶ Continued to implement a Biodiversity Protocol for major EnergyNetworks projects

Targets

Performance Targets 2007	Outcome
Produce outline Biodiversity Action Plans for all UK windfarm sites	Not achieved – ongoing.
Review and extend existing Biodiversity Action Plans for those sites in the final year of their existing Biodiversity Action Plans	There are no windfarm site Biodiversity Action Plans in their final year
Develop Habitat Management Plans for new windfarm sites within 12 months of commissioning	Habitat Management Plans for Hagshaw Hill and Dun Law extensions, Greenknowes and Whitelee windfarms have all been developed and approved

Performance Targets 2008

- ▶ Continue to revise current site Biodiversity Action Plans and review current biodiversity strategy within Energy Wholesale to identify key priorities for future work

Our 12 Impacts | Biodiversity

Performance Detail 2007

Biodiversity Actions Plans

Blackburn Mill CHP Biodiversity Action Plan was implemented in 2007 restoring the number of our generating stations that have published Biodiversity Action Plans to nine.

Biodiversity Management	2007	2006/07
Biodiversity Action Plans developed	9	9*
Hectares of land subject to habitat management	3,426	3,426

**ScottishPower sold its gas storage site at Knapton, Yorkshire, in 2007, which operated a BAP – so the net effect is to keep the number the same*

By publishing Biodiversity Action Plans, our sites are formalising their approach to biodiversity and setting out timeframes to implement measures to improve habitats and conditions for wildlife. The plans we have developed at our generation sites are not part of any statutory obligations or license conditions.

It is proposed to develop Biodiversity Action Plans for existing and new windfarm sites that are not covered by Habitat Management Plans.

Biodiversity Action Plans Site by Site	
Longannet and Valleyfield Lagoons	Habitats and key species: Wetlands, grasslands, breeding and roosting waders, farmland passerines. Key actions: Island creation, nestbox scheme, Ranger sponsorship
Cockenzie and Musselburgh Lagoons	Habitats and species: Wetlands, meadows, breeding and roosting waders and waterfowl, farmland passerines. Key actions: Creation of wader scrapes, woodland and meadows, nestbox scheme, Ranger sponsorship
Rye House	Habitats and species: Grasslands, Great Crested Newt. Key actions: Pond creation, bat and bird nest boxes
Damhead Creek	Habitats and species: Wetland, reedbeds, Water Vole, Barn Owl, roosting wading birds. Key actions: Creation of wader scrapes, control of water levels, nestbox scheme
Shoreham	Habitats and species: Vegetated shingle, wildflowers. Key actions: Fish monitoring, Peregrine nestbox.
Cruachan	Habitats and species: Native woodland, uplands, Pearl-bordered Fritillary. Key actions: Bird, bat and insect nest boxes, woodland creation, removal of non-native species
Lanark / Galloway Hydros	Habitats and species: Native woodland, wetlands, Willow Tit (Galloway). Key actions: Fish monitoring/management and support for salmon hatchery (Galloway), nestbox schemes, Ranger sponsorship (Lanark)
Blackburn Mill CHP	Habitats and species: Woodland. Key actions: Nestbox scheme, tree planting, coppicing
Hatfield Moor	Habitats and species: Grassland, heathland, Nightjar, Wood Lark. Key actions: Creating grassland, enhancing scrub, recreating sandy heathland and protecting aquatic habitats

Our 12 Impacts | Biodiversity

Performance Detail 2007 | continued

Blackburn Mill CHP

- ▶ Blackburn Mill CHP Launched its Biodiversity Action Plan in 2007 to establish the potential impact of operations on biodiversity. Staff worked with experts from the RSPB and Lancashire Wildlife Trust to identify priority habitats and species on site, and its adjacent mixed woodland. They are also working with local scouts to implement small-scale Biodiversity Action Plan habitat improvements, such as erecting nesting boxes and feeding stations for birds, tree planting, coppicing and general woodland management

Longannet

- ▶ Ongoing monitoring of invertebrates at Longannet's ash settling lagoons at Valleyfield has resulted in a new species of hoverfly for Scotland - *Callicera aurata* - previously unrecorded further north than Yorkshire
- ▶ Stonechats nested at Valleyfield Lagoons for the first time

For more information see our [Biodiversity Action Plans](#) case study.

Cockenzie

- ▶ A build-up of silt and organic deposits on the wader scrapes at Musselburgh Ash Lagoons was encouraging emergent vegetation, such as reeds and rushes. Tonnes of material were extracted from the scrapes, resulting in a significant improvement in water quality. In November 2007, trials to temporarily flood two scrapes with seawater as a method of vegetation control were facilitated. The results will be evaluated in spring 2008
- ▶ Continued to implement its Biodiversity Action Plan, with a project to plant native shrubs and plants, such as Bramble, Gorse and Nettle, at its coal plant's perimeter fence

For more information see our [Biodiversity Action Plans](#) case study.

Damhead Creek

- ▶ A pair of Marsh Harriers successfully raised four young at land set aside as a sanctuary for wildlife - the first time the protected species has nested on the extensive reedbed. Damhead Creek has an active nestbox programme for birds of prey and three pairs of Barns Owls raised up to eight owlets in 2007, while a pair of Kestrels nested successfully for the first time and raised five chicks. All the young birds were ringed by wildlife experts, working with station staff, so their progress can be monitored

Windfarm Habitat Management Plans

ScottishPower Renewable Energy is a leader in the field of developing Habitat Management Plans to mitigate for the impact of our windfarm developments. Some of this development is a statutory requirement of the planning process, however we also carry out significant work beyond what is legally required.

In December 2007, we continued implementing Habitat Management Plans at four Scottish windfarms – Beinn an Tuirc and Cruach Mhor in Argyll, Black Law in Lanarkshire, and Beinn Tharsuinn in the Scottish Highlands.

At each site, a Habitat Management Area has been set aside for biodiversity conservation.

By improving habitats, through measures such as removing commercial forestry and restoring blanket bog, we aim to demonstrate that our windfarms can live in harmony with wildlife and local people. Key species benefiting from our work include Golden Eagle, Hen Harrier, Black Grouse, Otter, Water Vole and wading birds.

Our 12 Impacts | Biodiversity

Performance Detail 2007 | continued

Windfarm Habitat Management Areas being implemented		
Site	HMA Area	Key Elements / Species
Beinn an Tuirc, Kintyre, Argyll	1,215 hectares	Removal of 450 hectares of forestry and management of upland moor to create feeding conditions for Red and Black Grouse, Golden Eagles. Ranger sponsorship
Cruach Mhor, Cowal, Argyll	577 hectares	Removal of 386 hectares of forestry and management of moor to create feeding conditions for Hen Harrier, Short-eared Owl, Black Grouse
Black Law, Lanarkshire	1,440 hectares	Removal of 400 hectares of forestry and restoration of opencast coal mine. Creation of wader scrapes and management of moor for waders. Water Vole, wading birds, Merlin and farmland passerines.
Beinn Tharsuinn, The Scottish Highlands	194 hectares	Planting of deciduous trees to regenerate native woodland and upland habitat to enhance the landscape character and improve conditions for Black Grouse, Capercaillie and Hen Harrier. Existing blanket bog and grassland to be managed for upland birds.

Black Law

- ▶ Four species of UK Biodiversity Action Plan birds have benefited from our initiative to create sacrificial crops for farmland passerines. Studies in winter 2006/07, the first time crops were left unharvested for small birds, show a rise in numbers to 100 birds of 13 species using the cropping strips. These included Bullfinch, Linnet, Yellowhammer and Reed Bunting. Prior to this, only six birds of five species were recorded using the area

Cruach Mhor

- ▶ The population of Black Grouse at the Habitat Management Area has increased since the windfarm began operating. We removed non-native conifer plantations to allow the regeneration of blanket bog and moorland. Just one lekking male was recorded in 2005 but studies in 2007 indicated three lekking males, plus one close to the Habitat Enhancement Area, were present
- ▶ Three pairs of Hen Harriers were present in 2007, however nesting attempts met with poor success due to a critical regional shortage of its main prey species, Field Voles. One pair hatched three young from a nest in the Habitat Enhancement Area but the chicks were predated, probably by a Fox. Nevertheless, 11 young have successfully fledged at Cruach Mhor since 2003. One pair of Short-eared Owls displayed at Cruach Mhor in 2007 but was not thought to have made a nesting attempt – again likely as a result of a shortage of its prey species

Beinn an Tuirc

- ▶ The resident female Golden Eagle was present throughout the year but due to the absence of a male no nesting attempt was made. A young adult male appeared at the site in November and its arrival was marked by flight displays and pair bonding activity, raising hopes breeding could take place in 2008. Supplementary feeding of the eagles began in winter 2006/07 to improve their breeding condition and this was continued in winter 2007/08

Beinn Tharsuinn

- ▶ Preparation work began to plant around 20,000 native deciduous trees, such as Scots Pine, Rowan, Birch and Alder in March 2008. This will be biggest tree planting exercise we have undertaken to date, and it is hoped it will improve the site's landscape character and biodiversity, particularly species such as Black Grouse. A survey in spring 2007 found four lekking males within the Land Management Area and two others nearby

Our 12 Impacts | Biodiversity

Performance Detail 2007 | continued

Future Developments

In 2008, a further five Habitat Management Plans will become active with the commissioning of Whitelee, Greenknowes and Wether Hill windfarms, plus extensions to existing windfarm sites at Dun Law and Hagshaw Hill.

At Whitelee, the proposed Habitat Management Area will cover 2,547 hectares – the largest area to be devoted to biodiversity conservation at any of our windfarms.

Our advanced consultation for Whitelee also identified a nationally scarce plant, Veilwort, within the proposed Habitat Management Area – representing the most northern records of the species in the UK. Monitoring to map the full range of the plant will commence in 2008 to provide information on the best management options. For more information, see our [Whitelee Windfarm Habitat Management Area](#) case study

At Greenknowes, an upland site similar to those at Cruach Mhor and Beinn Tharsuinn, we are proposing to plant 19,600 native deciduous trees to improve long-term conditions for key target species, Black Grouse, prior to commissioning.

Windfarm Habitat Management Areas to be implemented in 2008		
Site	HMA Area	Key Elements / Species
Whether Hill, Dumfries and Galloway	2.3 hectares	Black Grouse
Whitelee, south of Glasgow	2,480 hectares	Removal of 900 hectares of non-native forestry to promote blanket bog and moorland regeneration. Improving conditions for Black Grouse, Red Grouse, wading birds and upland wildlife
Greenknowes, Perthshire	24.5 hectares	Planting of 19,600 deciduous trees to regenerate native woodland and habitat for Black Grouse
Hagshaw Hill extension Lanarkshire	12.2 hectares	Black Grouse
Dun Law extension, Midlothian	8.4 hectares	Black Grouse, Merlin

Planning is continuing with a view to implementing Habitat Management Plans at future windfarm sites, including Arrecleoch, Harestanes and Beinn an Tuirc Phase II from 2009 onwards.

Biodiversity Procedure in EnergyNetworks

A comprehensive Biodiversity Procedure has been developed for major projects in EnergyNetworks, including the construction of overhead lines and substations. The procedure covers projects from the planning and consultation phase through to the development of site specific plans to protect biodiversity and habitats during construction. Staff and contractors receive training in the plans which include, where appropriate, identification of species and procedures that must be followed to minimise disturbance to wildlife or habitats. A key part of the procedure is follow up maintenance and monitoring when construction is complete.

Our 12 Impacts | Biodiversity

Performance Detail 2007 | continued

Key areas of work undertaken in 2007 were:

- ▶ Rerouted the cable connection for Whitelee Windfarm to avoid potential impact on Badger setts along its proposed path
- ▶ Worked with the local Countryside Ranger to relocate a colony of Six-spot Burnet moths during work to extend East Kilbride sub-station. Steps were taken to preserve the moths and their food plant, Bird's-foot Trefoil, to a secure area where the construction work would not affect them
- ▶ Plans were progressed to create habitat corridors for wildlife, during work to construct new sub stations at Coalburn and Elvanfoot, as part of the upgrade of the West Coast Interconnector. At Coalburn, it is proposed to plant mature trees, reinstate hedgerows and restore landscape features, while on the open moorland at Elvanfoot, we will plant trees and shrubs along water courses to enhance biodiversity and landscape character
- ▶ EnergyNetworks overcame major challenges to successfully lay cables under the Dovey Estuary to replace connections between Aberdovey and Aberywyth in Wales. The site is a highly sensitive habitat for breeding wading birds, comprising marshes, mudflats, sand dunes and sandbanks and has numerous designations including Natura, Ramsar, National Nature Reserve and Site of Special Scientific Interest. Part of the estuary is also a UNESCO (United Nations Educational, Scientific and Cultural Organisation) Biosphere Reserve

Our 12 Impacts I Sites, Siting and Infrastructure

Overview

Energy companies own and operate significant assets across the country in both urban and rural areas.

Infrastructure including power stations, windfarms, substations and overhead lines are often clearly visible to communities.

The Government has set new targets for renewable energy development, and in an effort to meet these stretching targets, many new projects are currently being planned or built.

Development activities can impact on society. Significant investments create jobs and support economies, but can also result in negative impacts, such as construction traffic, noise, visual impact and potential damage to habitats and ecosystems.

Responsible planning, that considers all the impacts of new energy projects on the environment and society, is fundamentally important, along with extensive, open dialogue with stakeholders to identify and resolve or mitigate any issues.

There is a need to improve coordination in the planning process for renewable generation developments with the associated networks projects to connect them to the grid, as soon as they are ready to start generating. The Planning Bill, which went before Parliament in February 2008 proposed a new system for nationally significant infrastructure projects to speed up planning decisions on strategic renewable energy and grid reinforcement projects. In addition, a Transmission Access Review, conducted jointly by the Department for Business, Enterprise and Regulatory Reform and regulator Ofgem is addressing the issue of connecting renewable energy projects to the grid in the medium and long-term. A report is expected to be published in May 2008.

An emerging area for energy companies is the development of marine energy projects, which will mean fully assessing the impacts of operating in a new environment to build wave and tidal projects and their network connections.

It is important that communities trust us to care for the land and respect the environment, as their cooperation is vital in planning successful projects. Energy companies in turn must work hard to maintain that trust by demonstrating a responsible approach in the planning, development and operation of their assets.

Alan Bryce, Impact Leader

Our 12 Impacts | Sites, Siting and Infrastructure

Approach

We aim to consult with our stakeholders when planning new developments, ensuring consideration has been given to landscape and ecological issues.

Consultation with community groups, wildlife, heritage and business organisations is a very important part of the planning process for new developments. The feedback we receive helps ensure our new developments are acceptable to the community and are built responsibly.

Many of our assets, such as pylons and windfarms are on land owned by other people, so it is important that we have effective policies in place to ensure we can maintain the safety and integrity of our plant, while respecting the needs of landowners and local communities.

At our power stations we host visits from community groups, maintain a number of visitor centres and run Local Liaison Committees which provide a forum for discussion between local management teams and community representatives.

Our approach includes:

- ▶ Careful site selection
- ▶ Ensuring all developments respect the environment and landscape where they are situated
- ▶ Consulting with communities, local authorities, landowners, wildlife and heritage organisations to ensure we avoid areas of ecological or heritage value
- ▶ Providing habitat management and enhancement programmes
- ▶ Establishing Community Trusts for local communities where we have renewable developments

We are also working to reduce the impact of our network operations in certain areas of outstanding natural beauty, including undergrounding sections of overhead lines. For some projects we install cables using a plough, which creates significantly less disturbance to the landscape and ecology than conventional trench excavation.

In addition, we have introduced a new wooden pole construction for 132 kV overhead lines. Besides offering various technical and environmental benefits, it is more aesthetically acceptable than conventional steel towers.

Our approach to windfarm development is covered in two policies that provide a benchmark of best practice for the industry. The documents: **Windfarm Sustainable Development Policy** and **Windfarm Biodiversity Conservation Strategy** were developed with input from Scottish Natural Heritage, the Royal Society for the Protection of Birds (RSPB), Friends of the Earth Scotland and WWF.

We recognise that our installations can adversely affect the environment and community, and we seek to minimise this through careful project planning and construction. The approach is to carefully work within environmental limits and bring about improvements where opportunities arise.

Our 12 Impacts | Sites, Siting and Infrastructure

Performance Summary 2007

- ▶ Six windfarms and two biomass plants were connected to the electrical network by EnergyNetworks, enabling additional renewable capacity of 520 MW
- ▶ Good progress was made with major projects to design an efficient upgrade to the transmission network in south west Scotland to which could potentially accommodate a further 800 MW of new renewable energy projects
- ▶ Extensive site works commenced to construct two new substations at Coalburn and Elvanfoot, which are fundamental to enabling Scotland's renewable energy aspirations by increasing the capacity of the Anglo-Scottish interconnector from 2,200 MW to 2,800 MW in 2010
- ▶ Conducted reliability improvement work, such as automatic circuit reclosing, on 2,000 km of overhead lines
- ▶ Rebuilt more than 200 km of 33 kV and 11 kV overhead lines
- ▶ Delivered more than 2,300 Network Controllable Points, which allow faster, automated restoration of electricity supplies after a fault
- ▶ Implemented a major security initiative in response to the national problem of copper theft from electricity substations
- ▶ A programme of undergrounding parts of the network was implemented in Snowdonia National Park
- ▶ Pioneered the use of a new wooden pole construction for use on 132 kV overhead lines instead of traditional steel towers
- ▶ Planning Consent was granted for a new 25 MW biomass plant at Longannet Power Station by Fife Council in December 2007. For more information, see **Waste and Resource Use**
- ▶ The Scottish Government granted consent for Harestanes Windfarm, a 213 MW development in Dumfriesshire. Consent was also granted for extensions to existing windfarms at Beinn an Tuirc in Argyll and Bute (38 MW) and Hagshaw Hill in South Lanarkshire (26 MW). For more information, see **Provision of Energy**
- ▶ Commissioned Wether Hill Windfarm, an 18 MW project in Dumfriesshire, Wolf Bog, a 10 MW project in Co. Antrim, Northern Ireland and acquired the remaining stakes in Carland Cross and Coal Clough windfarms. For more information, see **Provision of Energy**
- ▶ Erected the first wind turbines at Whitelee Windfarm near Glasgow, which at 322 MW, will be the largest onshore windfarm in Europe, and started construction at our 30 MW Greenknowes site in Perthshire

Targets

Performance Targets 2007	Outcome
No environmental prosecutions	Target met – no prosecution in 2007

Performance Targets 2008

- ▶ No environmental prosecutions
- ▶ Roll out of Environmental Management Plans into major projects in EnergyNetworks

Our 12 Impacts | Sites, Siting and Infrastructure

Performance Detail 2007

Transmission Investment in Renewable Generation (TIRG)

EnergyNetworks is planning to invest around £1.5 billion over the next five years in upgrading the electricity grid to support new renewable energy projects. During 2007 we completed connections to a further 520 MW of renewable energy, and we expect to connect another 218 MW of renewable capacity to our electrical network in 2008. We are also progressing site works and designs for a range of other generation sites. The additional portfolio across our licensed areas in Scotland, England and Wales over the next few years could potentially be in excess of 4,500 MW.

Key areas of work in 2007 included:

- ▶ The Public Inquiry process into the construction of a 220 km line between Beaulay, west of Inverness, to Denny, west of Falkirk dominated most of the year. The plan is to replace the existing 132 kV line with a 400 kV line to enable connection of the renewable potential in the north of Scotland, approximately 60% of which would be built on a route adjacent to the existing line. Around 10% of the line is in ScottishPower's territory – the remainder in Scottish Hydro Electric's area. EnergyNetworks would be required to build a new substation near Denny, as part of the project
- ▶ Work began on upgrades to the Anglo-Scottish interconnector – the power link between Scotland and England. The capacity of the interconnector is presently being upgraded from 2,200 MW to 2,800 MW. The major portion of the work involves two new substations being built at Coalburn and Elvanfoot and the line from Eccles to Stella conductor being upgraded
- ▶ Commenced public consultation on the new Coyllon-Dalmellington-New Cumnock transmission line in Ayrshire. The project would provide grid connection for planned windfarms in the area with a potential total of 800 MW. We aim to lodge the Section 37 consent application in summer 2008 following the extensive consultation and environmental assessment process
- ▶ Commenced public consultation on the proposed new substation and 132 kV line that would connect Markshall and Arecleoch windfarms in south west Scotland with the Moyle interconnector (the power link between Scotland and Northern Ireland)

Network Controllable Points

During the year, we installed 2,300 Network Controllable Points, which enable faults on the network to be detected and supplies to customers restored quickly and automatically with no need to wait for an engineer to travel to site. For more information, see our **Customer Experience** Impact.

Substation Security

ScottishPower have teamed up with police forces in Merseyside and Cheshire, to increase the number of police patrols at substations, following a spate of copper thefts. This has become a widespread problem throughout Europe, due to rising metal prices. Thieves risk their lives and cause serious damage to substations to steal copper.

We are also one of the first utilities in the UK to mark copper with SmartWater, which provides proof of ownership. It is hoped the additional security measures will deter thieves and aid the Police authorities in tracing the owners of stolen copper they recover. The copper is dipped in or sprayed with a uniquely coded liquid which is almost impossible to remove. It works by coding items of property with a forensic solution, similar to DNA profiling.

Snowdonia National Park

We have placed two overhead lines that were running parallel for 11 km in Snowdonia National Park underground. One of the lines had been in place for 40 years and was at the end of its serviceable life. The circuit suffered from frequent interruptions during bad weather (a regular occurrence in Snowdonia) due to the close proximity of trees.

Our 12 Impacts | Sites, Siting and Infrastructure

Performance Detail 2007 | continued

Whilst planning the re-build we agreed with local planning authorities and members of the Snowdonia National Park Authority that it would be more beneficial if the section running through the Coed –Y- Brenin forest, near Dolgellau was replaced with underground cable.

When carrying out this task we replaced another section of overhead line with underground cables. In total 22 kms of overhead line were replaced at a cost of approximately £1 million.

Sustainable Wooden Poles for 132 kV Transmission Lines

EnergyNetworks pioneered the design and the use of a new heavy duty wooden pole specification for the construction of 132 kV power lines. Following many months working on the design phase in collaboration with LS Transmission Consultancy, a trial line was built just south of Wrexham, north Wales, as part of Networks' Innovation Funding Incentive research programme.

The location of windfarms usually means that new lines need to be built, often in remote and scenic areas, to carry the power to the grid. Traditional steel towers raise concerns over visual impact, so ScottishPower decided to research a viable alternative.

The timber for this trial was sourced from sustainable forests in Nordic countries, which are accredited by the Forestry Stewardship Council. Nordic timber is strong enough to meet the resilience requirement of standard EN 50431.

The new construction can carry a higher capacity than traditional wooden poles or steel towers and it includes an earth wire, with embedded optical fibre to enable communications.

Like steel towers, the new poles can be used at altitudes of up to 400 metres – but they are approximately 12 metres lower in height which means they can be easily screened with trees.

The wooden poles are more aesthetically acceptable, cheaper and more environmentally sustainable than steel towers.

Our 12 Impacts I Employment Experience

Overview

Providing employees with a positive employment experience, which is fully supported by best practice Human Resources policies and procedures, is key to any corporate social responsibility agenda.

In an increasingly competitive recruitment marketplace, there is a relentless focus on attracting and retaining people with the right skills, knowledge and experience.

However, creating a positive employment experience is not simply about offering a competitive reward package.

It is also about the commitment to provide a safe and healthy working environment.

This should be supported by effective Performance Management frameworks, which encourage regular feedback as well as ensuring “fit for purpose” training and development across the whole workforce. Performance management and personal development improve the effectiveness of employees in their roles and ultimately enable the success of the wider organisation.

Leadership across our organisation is critical in creating a positive climate, leveraging employees’ capability and personal motivation to enhance business performance.

Communication, both at a corporate and a local level is also a key driver in developing a strong culture of respect and responsibility with a shared commitment to doing the right thing for the environment, the workforce and society as a whole.

Stephen Dunn, Impact Leader

Our 12 Impacts | Employment Experience

Approach

We aim to be an employer of choice by providing a positive employment experience for all employees.

We recognise that the success of the company depends on the efforts and commitment of our employees. Our approach to maintaining a positive employment experience includes the following areas of focus:

Health, safety and wellbeing – promoting and managing health and safety at work is one of our key priorities. We run many initiatives to take care of the physical and emotional health of our employees. These are described in more detail under the Health and Safety impact area.

Leadership – effective leadership is key to our success and there is significant investment in a wide range of Management and Leadership programmes, including the ScottishPower People Leader programme for team managers and the Emerging Leaders programme for the senior management talent pool.

Performance – employee performance is managed through transparent, consistent and fair Performance Management Frameworks, which recognise and reward the performance of both employees and the wider company. During the past year, there has been significant investment in the training of employees on Performance Management to ensure both the employee and the company benefit from the process.

Development – employees are provided with “fit for purpose” training and development, ensuring the right skills, knowledge and experience for optimum effectiveness in their role. Our goal is to enable employees to reach their full potential within the company.

Furthermore, our approach is to continuously improve and enhance the delivery of our development activity. For example, through ScottishPower Learning, employees are able to develop their skills via a range of innovative and inspiring community activities. Many of our employees, including frontline staff, team leaders and senior managers have participated on Community Based Development programmes, which have been directly linked to their training and development needs.

Employee consultation – employees are regularly consulted through established forums with both trade unions and employee representatives. These forums are used to manage employee relations, discuss business performance, consult business change, and to pro-actively develop employment policies. A new all-employee Consultative and Negotiating Council has been introduced which consists of employee and Trade Union representatives at a single table for the first time.

Frequent employee attitude surveys are also undertaken across the organisation, with a strong commitment to responding to feedback through the implementation of action plans.

Recognition and reward – we provide a fair, transparent and market competitive approach to pay and employee benefits, including salaries, bonus rewards, pensions and working hours. We also believe in providing ways for employees to share in the success of the business through the provision of employee share ownership plans. With the acquisition by **IBERDROLA**, we are currently working on the introduction of new employee share plan offerings.

Employee communication – we recognise the importance of communicating and engaging with employees and we have a strong culture of two-way communication. Leaders engage with employees through various channels, including local roadshows and presentations, business conferences, team briefings, teleconferencing, the Intranet, internal news releases and a monthly staff newspaper

Our 12 Impacts I Employment Experience

Approach I continued

Human Resource Policies

- [Policy Statement on Equal Pay](#)
- [Policy on Equal Opportunities](#)
- [Policy on the Management of Stress](#)
- [Policy on Smoking](#)
- [Policy on Racial & Religious Discrimination](#)
- [Policy on Harassment](#)
- [Policy on Alcohol and Drugs](#)
- [Policy on People with Disabilities](#)
- [Speaking Out and Whistleblower Protection Policy](#)
- [Policy on Sex & Sexual Orientation Discrimination](#)

Our 12 Impacts | Employment Experience

Performance Summary 2007

Employee statistics

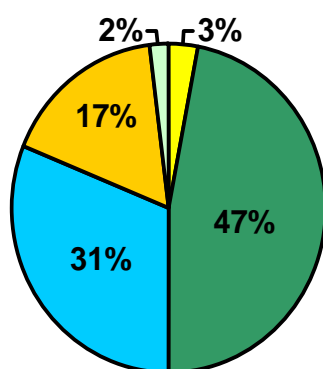
	2007	2006/07
Number of UK employees	9,487	9,884
Total payroll	£345 million	£408.5 million*

*This figure includes PPM Energy payroll

Diversity

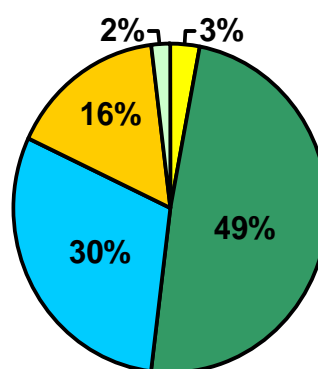
UK Employees	2007	2006/07
% male	65%	65%
% female	35%	35%

UK Age Diversity 2007



- employees under 20 years old
- employees 40 to 49 years old
- employees 60 years old and over

UK Age Diversity 2006/07



- employees 20 to 39 years old
- employees 50 to 59 years old

	2007	2006/07
Employee turnover		
UK	16%	14%
Sickness absence		
UK	4.8%	4.6%

Health, safety, wellbeing and work life balance

- ▶ Achieved successes in Scotland's Health at Work (SHAW) Awards – Energy Wholesale achieved the SHAW Gold Award and Energy Retail and EnergyNetworks achieved the SHAW Silver Award
- ▶ Integrated three health awareness programmes into a focused campaign: "Happy, Healthy and Here"
- ▶ Introduced new, family friendly shift options in customer services

Recognition, reward and working conditions

- ▶ Ranked 26 out of 100 in the Guardian Britain's Top Employers 2007 Award
- ▶ New Performance Management framework agreed for Personal Contract employees for performance year 2007
- ▶ Maintained "Your Choices" – a range of discounted products and services for employees and their families

Our 12 Impacts | Employment Experience

Performance Summary 2007 | continued

ScottishPower Development

A dedicated training and development function, ScottishPower Development (SPD) has been created to provide strategic people development as well as the delivery of ScottishPower's training and development. ScottishPower Development also includes ScottishPower Learning, our award winning initiative which provides employability training for young people in our communities as well as providing excellent personal development for ScottishPower employees.

Investor in People (IIP)

During 2007:

- ▶ Energy Retail retained accreditation
- ▶ Energy Wholesale retained accreditation
- ▶ HR received IIP accreditation

Leadership

- ▶ Launched a new development programme for emerging leaders
- ▶ Piloted a new, company-wide people leader programme

Ongoing development

- ▶ Continued to deliver a wide range of technical training from our two training centres at Dealain House, central Scotland and Hoylake, near Liverpool
- ▶ Our Learning4Work programme, which is open to all employees, continues to offer hundreds of programmes online

Employee engagement and communication

- ▶ Achieved best ever response rate of 80% to employee survey conducted in December 2007
- ▶ Employee newspaper, ScottishPower News, won the "Best Staff Magazine 2007" at the Periodical Publishers Association's awards

Diversity

- ▶ Provided diversity training across the company through an e-learning programme

Formal employee consultation

- ▶ We continue to recognise 5 Trade unions (Unison, Amicus, GMB, T&G, Prospect). Some 56% of employees are Trade Union members. The Company Agreement was revised during the year following the merger with **IBERDROLA**

Other team achievements

- ▶ Supported the restructuring of the company following the merger with **IBERDROLA**, while implementing a new HR system and meeting "business as usual" requirements
- ▶ Launched a new HR intranet service – Your HR Online and delivered training in its use across the company
- ▶ 1HR contact centre handled 43,000 calls – up by 40% on last year

Our 12 Impacts | Employment Experience

Performance Summary 2007 | continued

Targets

Performance Targets 2007	Outcome
Complete employee engagement survey	Target achieved. Employee survey conducted in December 2007
Increase response rate to employee survey to 61%	Target exceeded. Response rate of 80% achieved*
Develop employee action plans following 2006 employee engagement survey	Target achieved – plans developed and implemented

**survey was sent to employees who had access to a PC and a sample of field based employees (200 people)*

Performance Targets 2008

- ▶ Develop ScottishPower Employee Action Plans following analysis of the 2007 Employee Engagement survey results
- ▶ Devise new employee share plans following the integration with IBERDROLA
- ▶ Introduce performance management plans aligned with IBERDROLA reporting year

Our 12 Impacts | Employment Experience

Performance Detail 2007

Health, safety and wellbeing

Occupational health appointments

Appointment type	Number of appointments
Pre-placement	1,435
Occupational health monitoring	2,190
Management referrals	3,093
Self referrals	605
Voluntary health and lifestyle assessment	375
Counsellor	3,072
Physiotherapist	3,734

Specific information about the health and safety aspects of working at ScottishPower can be found in the Health and Safety Impact

Recognition, reward and working conditions

Family Friendly Shift Patterns

During a reorganisation in customer services in 2007 we worked closely with employees in the business to develop a range of shift options that would better accommodate working mums, elder carers and single parents. We increased the number of shift options from five shift variations to 11 part time and five full time shift options.

Pensions

ScottishPower provides employee retirement benefits that are in line with competitive market levels and governed by best practice standards in this area.

Our Defined Contribution pension arrangements, introduced in April 2006, provide new employees with a flexible, tax-efficient way to save for their retirement, with financial support and wider pension options increasing as they progress through their careers with the company.

Our final salary pension schemes, which are now closed to new entrants, allow longer-serving employees to build up valuable benefits with flexible, innovative options for topping up their scheme. Our schemes are well funded and managed by effective, responsible trustee bodies committed to safeguarding these pension schemes for all members.

During 2007, ScottishPower maintained a positive, open dialogue with our trustees and members on the implications of the IBERDROLA transaction on ScottishPower and its pension arrangements.

Our 12 Impacts I Employment Experience

Performance Detail 2007 I continued

Number of existing pension schemes	3
Number of employees eligible to join each scheme	Both final salary pension schemes ScottishPower Pension Scheme (SPPS) and ESPS Manweb Group are closed to new entrants. Number of employees eligible to join the ScottishPower Stakeholder Plan (Defined Contribution) is currently 2,600
Number of employees who have joined each scheme	Contributing Members to SPPS = 5,523, ESPS Manweb Group = 1,464 and ScottishPower Stakeholder Plan = 320
Percentage of salary contributed by the employer	SPPS = 15 % of Pensionable Salaries, ESPS Manweb Group = 20.3% of Pensionable Salaries, ScottishPower Stakeholder plan = 6% of Pensionable Salaries
Percentage of salary contributed by the employee	SPPS = 5 % of Pensionable Salaries, ESPS Manweb Group = 5.5% of Pensionable Salaries, ScottishPower Stakeholder plan = 5% of Pensionable Salaries

Pensions Performance in 2007

- ▶ Provided strong funding support for our final salary pension schemes and worked closely with their trustees to conclude their actuarial valuation processes in an efficient and collaborative manner.
- ▶ Achieved the right balance between security and achieving growth from the investment structures of our pension schemes
- ▶ Delivered efficiencies in the administration, management and governance of our pension arrangements
- ▶ Reviewed the implications of new UK Age Discrimination legislation to ensure compliance
- ▶ Increased employees' understanding and appreciation of their pension benefits and saving for retirement by raising the profile and accessibility of our employee support on pensions

We aim to ensure all our employees fully understand and value the pension elements comprising their total reward package. Our in-house Pensions Team provides professional, accessible support for employees and pension scheme members by helping them:

- ▶ Understand the benefits and options from our pension arrangements
- ▶ Answer their questions on pensions generally
- ▶ Benefit from wider education around the principles of saving and investing for retirement and increasing their awareness of tax advantages available through different retirement saving routes.

We use different approaches and media to communicate our pension arrangements in "plain English" to employees throughout their career at ScottishPower and at key milestones:

Our 12 Impacts | Employment Experience

Performance Detail 2007 | continued

Dedicated pensions helpline	1:1 on site pension surgeries	Annual pension scheme newsletters	Pensions Scheme AGMs
IHR Pensions Intranet site	Increasing pensions knowledge development goals for HR Teams	Pensions knowledge integrated into on-line induction programmes	Pre-retirement counselling
Annual Benefit statements incorporating State benefit forecasts	Easy, plain English guides to all pension arrangements	Retired Employee Associations with bi-annual pension scheme updates	Access to Individual Financial Advice providers

Leadership

ScottishPower Leadership Programme

Developing the skills and strengths of future leaders will be essential to effective succession planning and delivering ScottishPower's ambitious plans for growth.

Our ScottishPower Leadership Programme was launched in January 2007. The programme has four residential modules over 12 months, supported by individual coaching.

The 30 programme participants were identified through our talent management process as high performers who have potential to move into more challenging management roles.

ScottishPower People Leader Programme

During the year ScottishPower Development worked with representatives from our Corporate Office, Energy Wholesale, EnergyNetworks and Energy Retail businesses to develop a new People Leader Programme that could be rolled out across the company.

Previously each business had delivered separate programmes, and, while these were very successful, we decided a more streamlined, cohesive approach to people leadership training would ensure consistency of quality.

The objective of the programme is to develop leadership excellence, which is critical to success within our fast-changing business environment, by:

- ▶ teaching new skills
- ▶ enhancing existing skills
- ▶ building an agile and commercially aware culture

The new People Leader Programme was developed as a pilot, taking best practice from previous programmes and building on the successes of what had previously been delivered. It consists of four core modules for all participants, supported by specific modules identified by the businesses.

Working in partnership with Awards UK, each of these core modules were developed into a Customised Award. These are accredited through the external awarding bodies the Scottish Qualifications Agency (SQA) and EDEXCEL, providing formal recognition of learning.

A further range of elective modules provides individuals with role specific development opportunities to support Performance Management or Employee Development Review outputs.

Results

Twenty five participants completed and passed the formal Customised Award accreditation assessment, meaning that they now qualify for an externally awarded certificate of achievement.

The pilot materials are currently being updated to reflect feedback from participants and the programme will go live in 2008.

Our 12 Impacts I Employment Experience

Performance Detail 2007 I continued

Performance and growth

Number of Graduates and Apprentices taken on in 2007

Business	Graduates	Apprentices
Corporate	0	0
EnergyNetworks (including Core)	8	34
Energy Retail	0	0
Energy Wholesale	5	4
Total	13	38

Ongoing development

ScottishPower has 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 central Scotland 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.

Until recently the training centres primarily served EnergyNetworks. During 2007 they became responsible for delivering technical training across the company.

The training centres offer courses aimed at training ScottishPower staff, our external contractors and also offer a range of courses which are marketed externally. For more information on courses available see http://www.sppowersystems.co.uk/powerlearning/pdf/Powerlearning%202007_2008.pdf

The Number of people attending these courses in 2007

Type of course	Number of delegates	Number of delegate days
Internal	2,659	3,408
External contractors	3,243	2,615
External courses – from Technical Training Brochure	1,403	3,919
Total	7,305	9,942

Learning4Work

During 2007 we realigned our e-learning service to reflect more closely the needs of the business and re-branded it under the Learning4Work banner.

Our Learning4Work programme, which is open to all employees, continues to offer hundreds of programmes online.

Major programmes delivered during the year included diversity training and training in the use of the new service Your HR Online.

During 2007 more than 10,000 employees held e-learning accounts and 19,866 online courses were accessed by employees.

Our 12 Impacts | Employment Experience

Performance Detail 2007 | continued

Community Based Development

ScottishPower Learning, now part of ScottishPower Development, is our award winning initiative that provides employability training for young people in our communities. In recent years these programmes have been used to assist with the training and development needs of employees by engaging them in community based development opportunities.

Hundreds of ScottishPower employees - from frontline staff, to team leaders and senior managers have benefited by getting involved in community based activities through ScottishPower Learning – with 199 participating in programmes in 2007. It supports the work based skills development of employees by leveraging its community programmes to help develop their skills.

Employees are aligned with the programmes that most closely meet their current development needs and where their existing skills will have a positive impact on the programme and the community.

Examples of Community Based Development activities include the development of:

- ▶ Team leading skills through our Prince's Trust and Skillseeker programmes
- ▶ Leadership skills through Business in the Community's Partners in Leadership programme
- ▶ Enterprising skills as a mentor with Young Enterprise
- ▶ 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, helping the company understand the diverse needs of its customers. It is also used to develop teamwork within and between departments. See our case studies for further information.

Employee engagement and communication

In December 2007 we conducted an employee survey and achieved an 80% response rate. The survey was based on 17 key questions and included the opportunity for employees to provide comments.

The headline results show

- ▶ Achieved a response rate of 80% – 5,322 employees completed the survey. The survey was sent to employees who had access to a PC and a sample of field based employees – 200 people
- ▶ 82% of participants responded positively (agree/strongly agree) to the statement: "I am willing to go the extra mile to help ScottishPower succeed"

Detailed analysis of the results is being carried out and ScottishPower wide and business level action plans will be developed to address issues that arise.

During 2007 the businesses implemented action plans to address the focus areas for improvement which emerged from the company's participation in the Times Best Companies Survey during November 2006, when approximately 4,000 people (41% of our workforce) returned their views about satisfaction with ScottishPower as an employer.

Target areas for action were: Leadership and Listening, Personal Growth, My Manager and Giving Something Back. Solutions implemented included the introduction of roadshow presentations on performance in one area of the business, the formation of employee led improvement groups, along with "skip level" meetings, where a manager has the opportunity to skip an organisational level and hold a team meeting at the next level down as a means to develop additional feedback channels.

Our 12 Impacts I Employment Experience

Performance Detail 2007 I continued

During 2007 we improved our communication with staff.

- We re-launched ScottishPower News, our quarterly employee newspaper as a compact newspaper with distinct, business-driven news and features pages, a modernised design and increased its frequency to monthly

Following ScottishPower's merger with **IBERDROLA**, a number of new channels were introduced to ensure effective communication with our corporate headquarters in Spain. These included a dedicated Intranet portal, and regular email updates and webcasts.

Diversity

We delivered extensive training on the issue of diversity during 2007. An online course was delivered to 1,123 managers and 5,808 employees. Information packs were issued to field based staff who do not have access to a computer at work.

Formal employee consultation

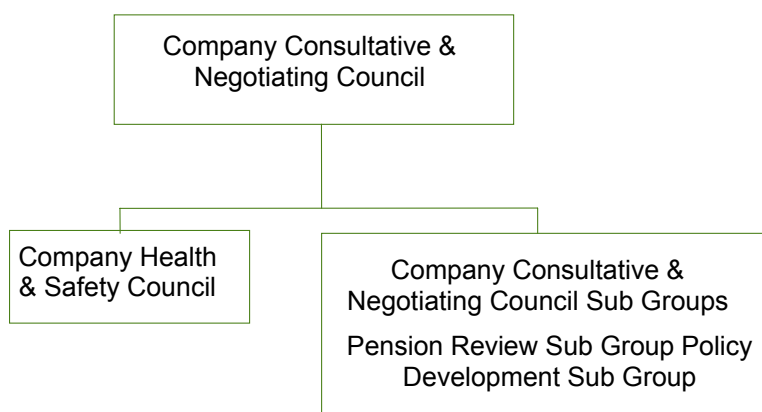
We continue to recognise 5 Trade unions (Unison, Amicus, GMB, T&G, Prospect). Some 56% of employees are Trade Union members.

During the year we reviewed the company consultation and negotiation framework and agreement.

The new framework, set up to allow 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.

A key change is the inclusion of employees who are on personal contracts, and who previously had not been represented in formal consultation arrangements.

The structure of the new framework is detailed below.



Our 12 Impacts | Employment Experience

Performance Detail 2007 | continued

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 in February and September, the CCNC will discuss:

- ▶ 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

The Company Health & Safety Council (CHSC) will have a similar membership to the CCNC but will include key Health and Safety Managers from each of the businesses. It will meet twice yearly in May and November, and will discuss and consult on 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 representatives
- ▶ 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 all arrangements for health and safety and revising them whenever necessary

Finally, in order to ensure that employees have an opportunity to be kept updated on pension issues or employment policy two Sub Groups have been set up to consult and discuss on these issues. These bodies will meet to discuss when there are key developments or issues that need to be addressed in these areas.

The Company Agreement was also reviewed and streamlined during the year. The Agreement details terms and conditions of employment and key employment procedures for collectively bargained employees.

Our 12 Impacts | Customers with Special Circumstances

Overview

Energy is essential for everyone, but it is particularly important for older people, those with certain medical conditions or the housebound. The UK energy supply industry recognises that some customers have special circumstances and offer tailored services to accommodate them.

There are processes in place to help people in other special circumstances, such as people with disabilities, those on low incomes and customers who don't speak English.

A Supply Licence Review conducted by Ofgem in consultation with UK energy suppliers between 2006 and 2007, resulted in a more focused obligation on suppliers to protect customers who have special needs. Suppliers must provide special services for the physically vulnerable, including a password scheme and a free meter moving service. The Review also tightened the criteria on eligibility for free gas safety checks, which will enable suppliers to focus their resources on customers who are most likely to be at risk.

Fluctuating energy prices continued to be an issue for energy suppliers and customers during 2007. The wholesale price paid by suppliers dropped briefly and as a result consumer prices reduced. However, there was upward pressure on energy prices again towards the end of 2007.

Affordability continues to be a key social issue for energy suppliers and their customers. The generally accepted definition of Fuel Poverty is when a household has to spend 10% or more of its income on energy and usually occurs as a result of three variables:

- ▶ The condition and thermal efficiency of the dwelling
- ▶ The disposable income of the householder
- ▶ The cost of fuel

Tackling fuel poverty effectively needs a combined and sustained effort from Government, who have responsibilities to ensure low income households receive the relevant benefits; housing providers, who have a responsibility to maintain the housing stock and report on its condition, and energy suppliers.

Outside any statutory requirement, the industry continues to play its part in addressing fuel poverty through measures such as the roll out of smart metering technology, targeting energy efficiency spend, and establishing charitable trusts or social tariffs. These steps, together with Government programmes and ongoing improvement of housing stock, should help to reduce fuel poverty over time.

Willie MacDiarmid, Impact Leader

Our 12 Impacts | Customers with Special Circumstances

Approach

We aim to meet the needs of all our customers, by offering a tailored service for those customers who have disabilities or other special needs and advice for people who are having difficulties paying their energy bills.

The key elements of our approach to customers with special circumstances include:

- ▶ Working in partnership with Government, housing providers and charities to alleviate fuel poverty. This included supporting the Department of Work and Pensions (DWP) with an Ofgem led initiative, to improve awareness among pensioners in England of the services that are available to them, such as benefit health checks, details of free insulation, energy efficiency advice and becoming a Priority Services Register customer
- ▶ Funding projects to address fuel poverty, especially in families with young children, through the independent charity, the [ScottishPower Energy People Trust](#)
- ▶ Working with [Citizens' Advice Bureau](#) (CAB) on energy debt prevention as well as the national fuel poverty charities - [National Energy Action](#) and [Energy Action Scotland](#)
- ▶ Setting our prices for customers on prepayment at levels below quarterly cash standard tariffs
- ▶ Advising customers who are in debt. We produced a 'Warmth Without the Worry' Customer Charter, a practical guide to help customers manage their energy bills. The booklet includes energy efficiency advice, explains what happens if you can't pay your bills and where to get further advice on debt counselling and money management. The booklet aims to encourage people to contact ScottishPower at an early stage if they are having payment difficulties
- ▶ Contributing to industry driven initiatives, such as the [Home Heat Helpline](#)
- ▶ Maintaining and promoting our [Carefree Priority Services Register](#) for customers with special circumstances
- ▶ Offering customer literature, including bills and advice leaflets, in a variety of formats and languages
- ▶ Maintaining a team of experienced Community Liaison Officers who undertake home and community visits
- ▶ Providing free energy efficiency audits for households

We have undertaken a significant project to develop a social tariff for our most vulnerable customers. With the progression of the Energy Bill through Parliament, Government targets to end fuel poverty approaching and the number of households in fuel poverty rising – the Government and energy suppliers are under increased pressure to deliver solutions. Lobbying groups are keen to see social tariffs introduced as part of the Energy Bill, as well as reduced pricing for prepayment customers and campaigns to encourage customers to switch to the best deals.

Our 12 Impacts | Customers with Special Circumstances

Performance Summary 2007

- ▶ Contributed a further £1 million to the ScottishPower Energy People Trust. During 2007, the Trust awarded funding of more than £1.45 million to 31 projects, helping 132,172 individuals in 42,633 households
- ▶ More than 550 calls were referred to ScottishPower from the Home Heat Helpline, an industry initiative to provide a free, UK-wide telephone service offering practical energy advice for people concerned about paying their energy bills
- ▶ ScottishPower's Community Liaison Officers made 7,220 home visits. In addition, the Carefree Team carried out more than 13,500 gas safety checks for domestic gas customers. This is one of the services that Carefree Register customers can benefit from
- ▶ We made significant investment in customer energy efficiency programmes to help achieve our energy saving target under the three-year Energy Efficiency Commitment (EEC2). Using energy more efficiently can dramatically reduce the cost of light and power in any home, helping to alleviate fuel poverty. For more information see [Climate Change and Emissions to Air](#)
- ▶ ScottishPower sponsored the National Energy Action Conference, which was held in the University of Chester in September 2007. The overall theme of the conference was 'Countdown to 2010' with workshops on NEA's European research into Fuel Poverty and microgeneration

Targets

Performance Target 2007	Outcome
Contribute a further £1 million to the ScottishPower Energy People Trust	Target met – we announced the donation of a further £1 million to the Trust at an event held at the Scottish Parliament in June.

Performance Targets 2008

- ▶ Develop and deliver a social tariff aimed at our most vulnerable customers on the Priority Services Register, Carefree, in early 2008
- ▶ Continue to support the ScottishPower Energy People Trust funding projects that help alleviate fuel poverty through crisis funding, income maximisation, energy efficiency measures and research
- ▶ Maximise the benefits to vulnerable people through our energy efficiency partnerships with local authorities, housing associations and our Warm Zone and Community Energy Partnerships. In the next three years we will invest over £200 million on improving the energy efficiency of homes across Britain under the Government's Carbon Emissions Reduction Target (CERT)

Our 12 Impacts | Customers with Special Circumstances

Performance Detail 2007

ScottishPower Energy People Trust

The [ScottishPower Energy People Trust](#) is an independent charity set up by ScottishPower to help end fuel poverty throughout Britain. The Trust awards grant funding to not-for-profit organisations and groups that represent some of the most vulnerable people in our society, with particular emphasis on projects that involve children or young people.

The widely accepted definition of fuel poverty is when a household spends 10% or more of its income on energy to maintain enough warmth for health and comfort. The number of households estimated to suffer from fuel poverty is approximately 543,000 in Scotland¹, 1.5 million in England and 243,000 in Wales².

Fuel Poverty occurs as a result of three variables

- ▶ The condition and thermal efficiency of the dwelling
- ▶ The disposable income of the householder
- ▶ The cost of fuel

The Government has set a target to eliminate fuel poverty in vulnerable households by 2010 and to end it completely in England and Scotland by 2016 and by 2018 in Wales. Fuel poverty usually occurs in low income households, and homes that are hard to heat and keep warm, due to the poor condition of the building and a lack of insulation.

Many of these homes are in the social housing or private rented sector. The cost of energy also plays a part. Decreases in the wholesale costs of gas and coal early in 2007 resulted in ScottishPower reducing prices to customers in June. However, wholesale prices began to rise again towards the end of the year, affecting retail prices going into 2008.

The ScottishPower Energy People Trust, established following a major research programme, is now in its third year. The Trust awards grants to not-for-profit organisations that are well placed to ensure the funding is targeted at those most in need. Visit the [ScottishPower Energy People Trust website](#), telephone 0141 568 3388, or email: enquiries@energypeopletrust.co.uk

Funding

During 2007 the ScottishPower Energy People Trust awarded grant funding of almost £1.45 million to 31 projects, helping 132,172 individuals in 42,633 households. Since its formation in November 2005 the ScottishPower Energy People Trust has awarded total funding of over £3.2 million to 82 projects, helping more than 206,000 individuals in 85,000 homes.

¹ Source: *The Scottish House Condition Survey 2005/06*

² Source: *The UK Fuel Poverty Strategy 5th Annual Report 2007*

Our 12 Impacts | Customers with Special Circumstances

Performance Detail 2007. | continued

Projects funded in 2007 included:

Deaf Advice Service

The Deaf Advice Centre in Sheffield received funding of almost £34,000. The money will be used to provide a dedicated part time Advice Worker to raise awareness of fuel issues and provide a comprehensive income maximisation service in British Sign Language.

The project will run for two years and provide much-needed support to a client group who are usually excluded from this kind of advisory service due to communication barriers.

Project Bright Spark

Project Bright Spark, run by Falkirk Council, received a grant of £10,000. The money will be used to help 18-21 year old adults who have just left care, lone parents and young families in the Falkirk area with a service that addresses each aspect of fuel poverty. Money from the Trust is used specifically for crisis funding. Other organisations provide energy efficiency advice and income maximisation checks.

Many of the projects funded by the ScottishPower Energy People Trust, including Project Bright Spark, focus on ensuring income maximisation for families and vulnerable individuals. This can be combined with maximising home energy efficiency by providing advice and installing energy saving measures, such as insulation and low energy light bulbs.

See our case studies for more information, or view a summary of [projects funded](#) on the ScottishPower Energy People Trust website.

How to Apply for Funding

Organisations and groups can apply for funding to support projects or schemes covering:

- ▶ Crisis funding, for example, women and children needing emergency accommodation and vulnerable young people setting up their first home
- ▶ Benefits health checks or income maximisation - for example, helping households that are not claiming all the benefits to which they're entitled; or people who are not eligible for current Government grants or funding because they don't receive the appropriate benefit
- ▶ Energy efficiency measures - for example, a scheme that aims to improve the energy efficiency of homes by draught proofing, insulating and energy efficiency advice
- ▶ Research – for example, a research project that aims to understand the link between fuel poverty and health
- ▶ A combination of the above

Home Heat Helpline

ScottishPower has for a second year supported the Home Heat Helpline, an independent telephone service funded by the UK's six largest energy companies. It was 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.

This year the helpline received more than 19,500 calls – 552 of these were referred to ScottishPower.

The free phone number is **0800 33 66 99**. For further information visit the [Home Heat Helpline](#) website.

Our 12 Impacts | Customers with Special Circumstances

Performance Detail 2007..I continued

Carefree Scheme

Customers who have special needs or senior citizens can sign up to join our 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. The password is given only to staff who need (and are authorised) to visit customers at home.

During the year we explored ways in which we could help Carefree customers to manage their fuel bills. We are planning to deliver a special tariff for qualifying Carefree Scheme customers in 2008.

The Carefree Team carried out 13,582 gas safety checks for domestic gas customers – one of the services that eligible customers on the Carefree Scheme can benefit from.

Community Liaison Officers

ScottishPower has a dedicated team of 13 Community Liaison Officers. These skilled and experienced employees have a key role in identifying and communicating with vulnerable customers.

Last year ScottishPower's Community Liaison Officers made 7,220 customer visits, including 1,372 relating to energy efficiency and 768 home visits to customers with special circumstances. They also attended 15 community events, resolved various customer complaints and provided advice and information on heating and the Carefree Scheme.

Our 12 Impacts | Community

Overview

Companies are corporate citizens and as such have special responsibilities to the communities where they operate – and to society as a whole.

Energy companies are an integral part of communities throughout the UK – from offices and substations, to power stations, windfarms and overhead line networks.

Building the trust of communities and being a good corporate neighbour is therefore essential to ScottishPower.

We have a strong employee presence in the community too, with hundreds of meter readers visiting homes across the country nearly every day of the year.

Communities can benefit economically from a company's presence - from employment and purchasing local goods and services. There can also be negative impacts too, from works traffic, noise, or even competition for parking space.

It is important that companies manage these impacts and build and maintain a relationship of trust with their communities. Often, we rely on the goodwill of communities to run our businesses effectively, or plan and build new developments.

Most companies today choose to give something back to the community and society, but it is rarely entirely philanthropic.

Companies tend to focus much of their community investment on cause related marketing programmes that deliver both business and community benefits, or by establishing partnerships that link community causes with the goals of the business.

Others are engaging their employees in community based volunteering programmes, simultaneously creating business benefit from employee development and community benefits from sharing their skills and resources.

Stephen Dunn, Impact Leader

Our 12 Impacts | Community

Approach

We aim to be a good corporate neighbour, trusted in the communities where we operate, by engaging with them and sharing our skills and resources to create real and lasting benefits

Building the trust of communities has been part of ScottishPower's core values for many years. We have a long track record of supporting communities not only financially, but also by sharing our resources and the skills of our employees.

We build trust by being open and honest, by encouraging two-way communication and fulfilling the promises we make. When we move in to a community, it is usually a long-term commitment. Likewise, we tend to favour community investment programmes where we can create real and lasting benefits.

Our approach is simple:

- ▶ We engage with communities across our operations, particularly where we are planning new developments, to ensure community groups can have a say in the planning process. For more information, see Sites, Siting and Infrastructure. At major sites, close to communities, we establish Local Liaison Committees. We have visitor centres at various sites to allow community groups and others to visit our operations
- ▶ We promote payroll giving and encourage staff development through community programmes. We believe enabling our employees to contribute to community causes has a positive impact on job satisfaction and performance. By using community programmes to develop leadership and other people skills, we create benefits for communities, employees and our business
- ▶ Our businesses run distinct community programmes linked to their strategies. Each programme is focused on helping young people and covers projects aimed at improving employability through educational projects, by increasing awareness about energy efficiency, the environment, science and safety
- ▶ We recognise our economic impact on local communities and we are committed to maximising local benefits from our projects wherever possible

Our 12 Impacts | Community

Performance Summary 2007

- ▶ **Overall Community Investment** - £4.9 million (2006/07 - £4.6 million)
- ▶ ScottishPower was awarded Scottish Business in the Community Large Company of the Year 2007
- ▶ **Employability** – ScottishPower Learning won the Prince's Trust Scotland Scottish regional Bombardier Partnership Innovation Award 2007, which is awarded to the partner who has demonstrated innovation in their support of the work of the Trust
- ▶ **Fuel Poverty** – almost £1.45 million funding was awarded by the ScottishPower Energy People Trust, helping 132,172 of society's most vulnerable people who find themselves in financial difficulty
- ▶ **Environment** – our Green Energy Trust awarded a further £200,963 to 16 small renewable energy projects. At December 2007 the Trust had awarded a total of £926,860 to 91 community projects
- ▶ **Safety** – over 55,000 primary school children benefited from PowerWise, our pioneering classroom safety education programme aimed at teaching children between the ages of four and eleven the potential dangers of electricity in the home and outdoors environment
- ▶ **Energy Efficiency** – around 13,000 young people benefited from school athletics sponsorship "Energising Scotland's Youth"
- ▶ **Science** – 62,000 school pupils benefited from our sponsorship of the Edinburgh International Science Festival's Generation Science Tour
- ▶ **Windfarm Community Trusts** – we donated almost £600,000 to Windfarm Community Trusts, which were set up to support local community projects and improve amenities
- ▶ **Community Based Development** - 199 ScottishPower staff participated in Community Based Development programmes which provide employability training for young people in our communities
- ▶ **Business in the Community Awards** – ScottishPower Learning was awarded a Silver Jubilee Big Tick. We were awarded a further eight Big Ticks for community learning and consultation and environmental projects

Targets

Performance Target 2007	Outcome
Involve 150 staff in community programmes as part of their development during 2007, through ScottishPower Learning	Target exceeded – 199 employees, including senior managers engaged in community based development
Develop and launch new EnergyNetworks public safety education programme	Target met – PowerWise was launched in 2007

Performance Targets 2008

- ▶ Involve 270 staff in community programmes as part of their development during 2008, through ScottishPower Learning

Our 12 Impacts | Community

Performance Detail 2007

Overall Community Investment

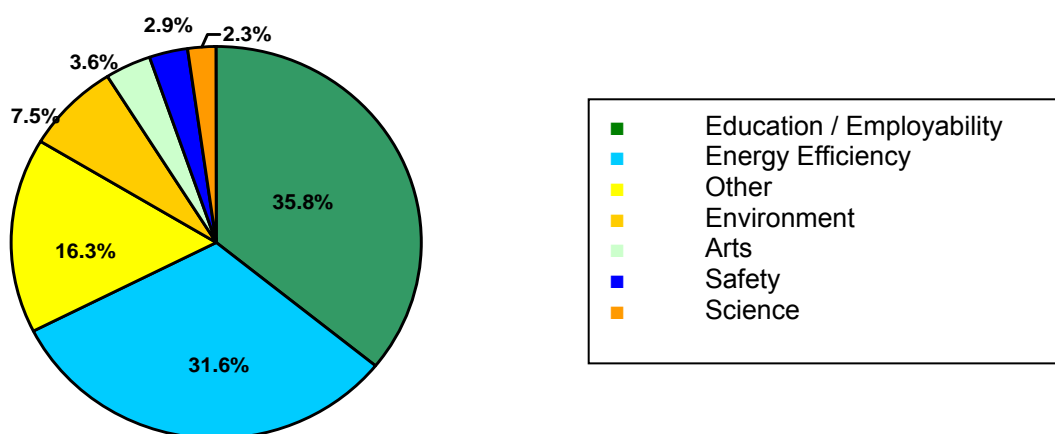
ScottishPower use the London Benchmarking Group model to evaluate community support activities. The model allows companies to report community contributions and achievements by measuring the total impact on communities rather than financial contributions alone. The LBG is the standard for community reporting 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 2007, ScottishPower contributed £4.90 million (2006/07 £4.60 million) in community support activities in the UK, of which £2.84 million was contributed to registered charitable organisations.

The total consisted of £1.58 million categorised by the LBG model as charitable gifts, £3.1 million classed as community investment and £230,250 categorised as commercial initiatives, given in cash, through staff time and in-kind donations.

Analysis of Community Investment



Community Investment Strategy

Two years ago we decided to align our community investment strategy with our business strategy and focus on a common theme – helping young people. Each of our businesses concentrate their community investment programmes on areas that fit naturally with their business strategy and day-to-day activities:

Corporate	Education / Employability
EnergyNetworks	Public Safety
Energy Wholesale	Science
Energy Retail	Energy Efficiency / Environment

Our 12 Impacts | Community

Performance Detail 2007 | continued

Education and Employability

ScottishPower Learning

ScottishPower Learning provides employability training for young, disadvantaged people in our local communities.

Since its inception in 1996, the venture has helped nearly 15,000 young people. The positive, long term impact of ScottishPower Learning's work was recognised in July with a Silver Jubilee Award from Business in the Community, as well as several Big Ticks across its range of programmes.

Delivering programmes in three distinct areas, school based, community based and work based, during 2007 over 1,500 young people benefited from ScottishPower Learning's programmes.

School Based Programmes - designed to help pupils prepare for the world of work by gaining a better understanding of the skills required. Our support concentrates on schools in deprived areas and links in with Government education strategy.

During 2007 926 pupils participated in a range of programmes, including School to Work, Young Managers and Looking Forward to Work.

In recognition of the success of the School to Work programme, Business in the Community awarded a Big Tick in the Merrill Lynch Raising Achievement in Young People category.

Community Based Programmes - designed to help unemployed young people build their skills in preparation for work. Community based projects include:

- ▶ We have an ongoing relationship as a Delivery Partner for The Prince's Trust Team programme. During 2007, ScottishPower Learning celebrated the 10th anniversary of its partnership with The Prince's Trust in Scotland and delivered its 100th Team programme in Scotland and also in our Merseyside and north Wales area. In this decade, more than 2,500 young people participated in the programmes. In 2007, we facilitated 16 Prince's Trust Team programmes involving 214 young people
- ▶ Continued to support Community Champions awards and recognition sponsorship, which honours community achievers in Merseyside and north Wales
- ▶ Our sponsorship of Project Scotland – an initiative that connects young Scots with full-time volunteering opportunities continued

Work Based Programmes – designed to provide young people with vocational training, high quality work placements and nationally recognised qualifications.

During 2007, 60 young people benefited from our Skillseeker programme. The programme's success rate has continued to improve over the last three years with more than 80% of participants moving into sustainable employment. To date over 1,300 school leavers have benefited from the programme

The Big Tick in the Investing in Education category that the Skillseeker programme received from Business in the Community in 2006, was reaccredited in 2007

Staff Development in the Community

ScottishPower Learning supports the development of employees by providing unique and inspirational community based activities. These experiential opportunities have a lasting impact for all those who participate. During 2007, 199 employees participated in Community Based Development (CBD).

Our 12 Impacts | Community

Performance Detail 2007 | continued

Now as an integral part of ScottishPower Development, ScottishPower Learning provides a range of innovative community development interventions designed to support employee development. Examples include:-

- ▶ Team leading skills through our Prince's Trust and Skillseeker Programmes
- ▶ Leadership skills through Business in the Community's Partners in Leadership Programme
- ▶ Enterprising skills as a mentor with Young Enterprise
- ▶ Presentation skills through our Young Managers Programme
- ▶ Interpersonal skills as a Prince's Trust Development Awards Assessor
- ▶ Hundreds of ScottishPower staff participate in Community Based Development Programmes each year (199 in 2007)

Community Based Development provides opportunities for employees to engage with a cross section of the communities we serve. Raising staff awareness helps the company understand the diverse needs of its customers.

Community Based Development is not just focussing on the development of individual employees as we are also providing 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. Employees say that working with their colleagues in a new environment is an excellent way to develop team spirit and gain an understanding of a range of social issues.

EnergyNetworks staff participated in the 'Grow Your Own Workforce' project, a partnership project between ScottishPower, United Utilities and the North West Development Agency, which encourages children in North West England to consider a career in engineering

During the year ScottishPower Renewable Energy launched an industry-leading Teacher's Windfarm

Support Pack and DVD to provide students with a visit to a windfarm and background information, as part of the curriculum studies, about renewable energy. Initially, the pack was aimed at schools near Black Law Windfarm in Lanarkshire but the pack has now been rolled out across the UK.

ScottishPower sponsors the National Theatre of Scotland, Transform project which is a collaborative project with ScottishPower Learning, Determined to Succeed (an organisation who develop enterprise in education) and local authorities that allows Schools of Ambition to transform their approaches to learning. By bringing these schools together with top theatre professionals, communities and groups of local primary schools, the partnerships produce a high impact theatre event that uses the local environment as a backdrop to tell compelling stories. *Transform* allows schools and creative communities to transform their approaches to learning

Public Safety

Public safety is the key issue that drives EnergyNetwork's community programme. We recognise that World Class Health and Safety should not be restricted to the confines of our workplace. Due to the very nature of our business we must be responsible for managing public safety.

PowerWise, our safety education initiative is driven by three specific programmes:

Our 12 Impacts | Community

Performance Detail 2007 | continued

PowerWise Classroom Education Programme

Formerly "Be Safe with ScottishPower", this is a pioneering safety education programme teaching primary school children aged four to eleven years the potential dangers of electricity in the home and outdoors environment. The programme is taught by qualified school teachers and is linked in with the school curriculum in our operating areas across Scotland, England and Wales. In 2007, 339 teaching days were utilised, reaching 55,260 pupils from more than 300 schools.

A PowerWise resource pack, 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 which have received the classroom education programme and on request via the website. In 2007, 379 resource packs were issued, 69 of these as direct telephone requests or via the PowerWise website.

The PowerWise website, at www.powerwise.org.uk is packed with lesson plans, interactive games and electricity information that both teachers and parents can use. In July the website was extended and now caters for secondary school children, as well as primary school children. There were over 38,000 hits to the website in 2007.

Safety Education Centres

Support is given to three innovative, dedicated safety education centres operated by local public authorities within ScottishPower's network areas. Centres are based at Priesthill in Glasgow; DangerPoint in North Wales; and a new centre called The Risk Factory in Edinburgh, which opened in January 2007. Designed to educate and raise awareness of accidents, injury prevention and personal safety, in a safe and controlled environment, these centres 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.

During the year,

- ▶ 6,998 children visited DangerPoint
- ▶ 4,599 visited The Risk Factory
- ▶ 3,151 visited Priesthill before its closure in June.

It is proposed that a new centre will open in Glasgow in autumn 2008 and EnergyNetworks will provide both financial and material support for the new venture.

Crucial Crew

Crucial Crew is a national experiential learning event 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 EnergyNetworks presented key safety messages to more than 10,000 children at eight Crucial Crew events across the UK. One of the highlights in 2007, was the 'Safe in the Park' learning event, which reached 1,226 primary pupils from 24 East Renfrewshire schools and provided information about the dangers of electricity, as well as transport, water, alcohol and drugs.

EnergyNetworks fought off fierce competition to claim the **National IOSH Zurich Municipal Supreme Safety Award** in recognition of outstanding contributions to public sector health and safety in September 2007.

In October 2007, the **DuPont International Safety Awards** recognised PowerWise as the one of the most significant projects in safety and awarded EnergyNetworks winners in the **Innovative Approach** category.

Industrial safety

As well as schools, EnergyNetworks provides electrical safety information and educational events to the public, including high-risk industrial sectors, such as farming, agriculture and leisure; and contractor associations and trade bodies.

Our 12 Impacts | Community

Performance Detail 2007 | continued

We recognise that electricity can present a potential hazard to other industries and have sent targeted mailshots/booklets to 509 trade groups and associations including local authority planners, agricultural groups, universities, boating and yachting marinas, leisure aircraft users and balloonists. For the first time in 2007, to increase the mediums used to deliver the safety messages, EnergyNetworks staff also sent out 308 'e-shots', by email, to key target groups, to provide information and link in with the safety section of its website.

Our staff also visited 79 recreational sites in our home territories, such as fisheries, camp sites and marinas, where a potential risk had been identified from overhead lines and/or ScottishPower equipment, and carried out discussions and dissemination of safety literature.

Energy Retail participated in, the 'Building Safer Communities Conference' in Glasgow organised by Strathclyde Police in July 2007. The seminar was aimed at volunteers and organisations who care for vulnerable people and staff from Energy Retail, the only external company at the event, delivered a presentation on the steps taken to ensure our 900 field workers or representatives act with honesty and integrity. For more information, see the [case study](#) on our website

Longannet Power Station and four of its key contractors continued to sponsor a vehicle used by Community Police in West Fife. The venture has been highly praised by Fife Constabulary and enables Community Police officers to instigate campaigns aims at promoting public safety and security. In November 2007, the partnership announced it would continue its sponsorship for a further three years.

For more information on our public safety initiatives, see the [Community Section](#) of our website

Science

ScottishPower is a business built on science and technology so it makes real business sense for us to support initiatives that encourage a greater interest and understanding of science among young people. During 2007 we supported an exciting range of interactive science projects across the UK. These included:

- ▶ Primary school pupils from all over Scotland got the chance to learn about science and energy as part of the Edinburgh International Science Festival's touring education programme. – Generation Science. ScottishPower sponsored the programme of 17 shows aimed at entertaining youngsters in the 7 to 11 age group, seen by more than 62,000 children from the Highlands to the Borders. For more information, see the Community Section of our website
- ▶ We continued to support the ScottishPower Planetarium at Glasgow Science Centre which aims to inspire, educate and motivate people by switching them on to science. ScottishPower has sponsored the ScottishPower Planetarium – one of the best equipped planetariums in the UK since 2001. Each day 15 presenters, supplemented by guest speakers from the world of science, deliver five shows. It has around 70,000 visitors each year, giving them the opportunity to explore the planets and the solar system within a 15 metre dome. For more information, see the Community Section of our website
- ▶ ScottishPower Renewable Energy sponsored the Royal Meteorological Society annual student conference, which took place at Heriot Watt University, Edinburgh, in September 2007

Energy Efficiency

Energy Retail's community sponsorships are designed to help children of all ages become more energy efficient.

- ▶ We supported participation in sport through our sponsorship of Scottish Athletics and the Scottish Schools Athletics Association. Under the "Energising Scotland's Youth" banner, we encourage children to switch off their televisions, computers and hi-fis and take part in sport instead. Our funding provides sports clinics, enabling young athletes to train with support from national champions, and supports athletics' meetings.

Our 12 Impacts | Community

Performance Detail 2007 | continued

More than 10,000 young athletes were put through their paces at a series of events, including the ScottishPower National Cross Country Championships at Falkirk's Callendar Park, the Secondary School Indoor Championships at Glasgow's Kelvin Hall International Sports Arena, the Celtic Cup Youth Festival at Grangemouth Stadium and primary and secondary schools cross country events. For more information, see our "Powering the Athletics Champs of Tomorrow" case study

- ▶ We continued our sponsorship of the North Welsh Rugby Union's youth rugby development for an eighth year. Through the 'Powering a New Generation' initiative, we help fund centres of excellence in Mid and North Wales to foster new talent and support summer camps, a healthy eating project and leagues for teenage players
- ▶ Read for the Future campaign with Friends of the Earth is not only encouraging children to switch off electrical gadgets in favour of reading, but is helping to improve literacy standards and raising money for energy efficiency projects. For more information, see Read for the Future case study
- ▶ Energy Retail teamed up with local radio station Clyde 1 to celebrate Scotland's National Green Day and raise awareness of energy efficiency. We gave away two energy-saving light bulbs to the first 500 visitors to our Green Day exhibition stand and ran a radio campaign to highlight energy saving tips

Environment

- ▶ ScottishPower, as Scottish Business in the Community Large Company of the Year, sponsored The Prince of Wales's May Day Business Summit on Climate Change in Edinburgh on 7 November 2007. This event followed the inaugural event in England in May 2007 and was unique in its emphasis on action. Companies were asked to make firm commitments to reduce their carbon emissions, leading Scotland to a low carbon economy, working not only in their companies, but with their employees, suppliers and customers. Over 100 of Scotland's top business leaders pledged to take action on climate change
- ▶ ScottishPower sponsored the Carbon Neutral Climate Dome, a six-metre inflatable Dome which tours around the region and aims to raise awareness of the climate change message among people who may never previously have given the matter much thought. Climate Dome aims to make the complicated subject of climate change simple, local relevant and immediate and asks people to make a written pledge to cut their carbon emissions
- ▶ ScottishPower sponsored WWF's Local Footprints project helping schools and local authorities cut their environmental impact. The Local Footprints project builds on innovative work already achieved in Aberdeen City, Aberdeenshire and in North Lanarkshire looking at how we can live well, and still live within our environmental limits
- ▶ ScottishPower Renewable Energy funded environmental improvements at St Patrick's Primary School in Shotts, North Lanarkshire, near Black Law Windfarm. The grant was used to fund a project to improve the school grounds undertaken in consultation with the council and RSPB. The project included safety improvements (a stream flows through the school grounds), ground levelling, the creation of new pathways and habitat enhancements through planting trees and shrubs and installing nest boxes
- ▶ ScottishPower Renewable Energy provided funding via The Prince of Wales Trust to Pont Bren, a group of farmers located north of Powys. The group previously received funding from ScottishPower to restore hedgerows, woodland and meadows on their land, creating environmental benefits such as improved carbon storage and reduced soil erosion. This year's grant funded marketing expertise to help the farmers secure a deal with a major supermarket chain for their produce
- ▶ ScottishPower Renewable Energy sponsored Llanidloes Community Energy Fair. Llanidloes is a community near Powys that aims to be carbon neutral. The annual Community Energy Fair took place in October 2007 to highlight energy conservation and small scale renewables

Our 12 Impacts | Community

Performance Detail 2007 | continued

- ▶ ScottishPower Renewable Energy provided funding for a small, Proven wind turbine at Forth Primary School, which is close to Black Law Windfarm. We previously funded a polytunnel greenhouse which was used by the school to grow plants for the Scotland in Bloom competition

Green Energy Trust

During 2007 the Green Energy Trust funded 16 small-scale renewable energy projects throughout the UK, totalling £200,963. The Trust's projects, many of them in schools, help educate people about the benefits of renewable energy while saving them money on fuel bills.

The positive impact these projects have on local communities was recognised in 2007 when the Green Energy Trust was recredited with a Big Tick from Business in the Community in its annual awards scheme. Here is a selection of some projects supported in 2007:

- ▶ The Trust helped with the restoration of a 15 Century stable block at Castlemilk House, Glasgow, which was once visited by Mary Queen of Scots. Trust funding provided a ground source heat pump system, which recycles heat energy from the ground to warm the building. The historic site is now owned by the community through the Cassiltoun Trust
- ▶ Funding from the Trust enabled the Earthship Fife Visitor Centre to install energy meters to highlight the amount of renewable energy used at the attraction. Attracting 4,000 visitors each year, the Earthship, the only one of its kind in the UK, is entirely self sufficient
- ▶ Glenkens Community and Arts Trust in New Galloway has installed a wood-pellet biomass boiler to heat the building thanks to a £20,000 grant from the Green Energy Trust. The former school has been transformed by volunteers as a hub for the entire community
- ▶ The Trust supported New Cumnock swimmers by awarding £20,000 to install a heat-store air pump to heat their outdoor swimming pool for the first time. The energy efficient system is also helping reduce the energy bills for the community-owned pool
- ▶ Partick Housing Association residents are benefiting from warmer homes and lower fuel bills after a £18,000 grant from the Trust helped provide energy efficient features at their Crathie Drive building. The new-build flats are insulated with wool and feature a water tank pre-heated by a solar panel

The Trust celebrates its 10th anniversary in 2008 and is on course to deliver funding worth £1 million to 100 different projects.

Community Consultation

We consult closely with communities early on in our development process for new projects, such as windfarms or upgrades to power lines, to ensure local people have an opportunity to comment on and input into our designs. In the last year, many of the key new developments we embarked upon were onshore windfarms. Before entering the formal planning process, we began extensive consultation with stakeholders, in particular those in the local community. This consultation continued throughout the planning process and beyond.

Here is a summary of the events undertaken by our Renewables business in 2007:

Hare Hill Windfarm extension, East Ayrshire, Scotland

- | | |
|---------------------|------------------------------|
| ▶ Cumnock Town Hall | Post application exhibitions |
| ▶ Kirkconnel | Post application exhibitions |
| ▶ New Cumnock | Post application exhibitions |
| ▶ Sanquhar | Post application exhibitions |

Our 12 Impacts | Community

Performance Detail 2007 | continued

P & L Windfarm, Powys, Wales

- ▶ Powys 3 exhibitions

Blacklaw Windfarm, Lanarkshire, Scotland

- ▶ 3 formal community consultation meetings
- ▶ 3 meetings with Community Development Trust
- ▶ 4 meetings with the Women's Rural Institute
- ▶ 5 school visits
- ▶ 9 visits to Black Law with Community Groups, Schools and Colleges

Whitelee Windfarm, South of Glasgow, Scotland

- ▶ 2 meetings with the Women's Rural Institute
- ▶ 3 school visits

Dersalloch and Arecleoch windfarms, South Ayrshire, Scotland

- ▶ Carrick, 2 joint meetings with all Community Councils for Dersalloch and Arecleoch
- ▶ 2 community meetings for Dersalloch
- ▶ 2 community meetings for Arecleoch

Wether Hill Windfarm, Dumfries and Galloway, Scotland

- ▶ 2 school visits (Moniaive Primary School and Penpont Primary School)

General Community Consultations

- ▶ 6 meetings with local Women's Rural Institute, Round Table, Probus etc
- ▶ 10 meetings with local schools
- ▶ 3 schools careers events (18 schools in all)

EnergyNetworks held public meetings and spoke to community groups in respect of several proposed works on overhead lines and new grid connections. These included:

Manweb area (Merseyside, Cheshire and North Wales)

- ▶ Legacy Oswestry 132 kV Overhead Line Modernisation (OHL)
- ▶ Rhyl Flats Windfarm
- ▶ Tirgwynt Windfarm

Scotland

- ▶ Ewe Hill Windfarm - Newfield Windfarm 132 kV OHL grid connection
- ▶ Devol Moor - Erskine 132 kV OHL
- ▶ Earlshaugh Windfarm 132 kV OHL
- ▶ Arecleoch and Markhill Windfarm 132 kV OHL
- ▶ Harrows Law Windfarm Community Council meeting
- ▶ Langholm Community meeting(s) for the Craig Windfarm connection
- ▶ Dollar Community Council meeting for Greenknowes Windfarm Connection

Another major ScottishPower project advanced in 2007 was plans for a custom-built biomass-to-energy plant at Longannet Power Station in Fife. The project team instigated a Community Engagement Programme that involved public exhibitions, meetings with local community councils, and the distribution of leaflets and newsletters.

The Programme was successful in addressing the questions and concerns of communities near Longannet. Feedback from the Community Engagement Programme, along with responses to a Scoping Report issued to other key stakeholders, was used to help develop the design of the biomass plant and complete an environmental impact assessment. The development successfully gained planning consent from Fife Council in December 2007.

Our 12 Impacts | Community

Performance Detail 2007 | continued

At major sites close to communities, such as Longannet and Cockenzie power stations, we have established Local Liaison Committees that meet regularly to discuss topics of mutual interest. At these sites, we have close links with the local community.

Visitor Centres

We also 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. A new visitor centre is planned at our Whitelee Windfarm.

Arts Sponsorships

Celtic Connections

ScottishPower is principal sponsor of Celtic Connections, which has over 100,000 attendees per annum, takes place over 19 days during January. Fifteen venues across Glasgow host the series of 47 free and 220 paid for events. Over 1,500 musicians and singers from all over the world took part.

The Celtic Connections Education Programme is also a huge success, with 15,000 school children – many experiencing live music for the first time – benefiting from a series of 10 school concerts at the Glasgow Royal Concert Hall. Sixty free workshops also took place in schools.

ScottishPower Pipe Band

Our award winning pipe band continues to be among the top 10 in the world. Over the years the band has won European and British titles, and twice achieved second place in the World Championship.

Peter Pan

In December we supported performances of Peter Pan at the Citizen's Theatre, Glasgow, making the arts more accessible to everyone, particularly the young.

In total, 24,500 people attended performances of the classic story, based on the play by J.M. Barrie.

An educational support programme run by the Citizens' TAG Theatre Company gave 1,200 nursery and primary school children a free workshop and tickets to see the production for only £1. Many local school groups attended the pantomime and a number of ScottishPower employees' children took part in the theatre workshops.

Royal Scottish National Orchestra (RSNO) School Proms

The RSNO School Proms engages those already interested in music and reaches out to young people who have never had the opportunity to become involved with music as a creative, expressive art form.

A total of 103 schools took part in the education programme, which was aimed at children in primary six and seven. Royal Scottish National Orchestra musicians held 134 hour-long musical workshops, and six teacher training sessions.

Following the workshops, 4,228 children attended three concerts performed by the Royal Scottish National Orchestra in Glasgow and Edinburgh.

Since this sponsorship started in 1997, it has reached over 70,000 young people in over 1,500 schools and delivered more than 2,300 workshops. The workshops and prom makes music accessible, interesting and fun for all.

Our 12 Impacts | Community

Performance Detail 2007 | continued

Edinburgh International Book Festival

The sponsorship of the Edinburgh International Book Festival supports literacy workshops and outreach work that boosts literacy, confidence and personal development in young people. This is the first year we have sponsored a venue - The ScottishPower Studio Theatre.

The event, held over 17 days at Charlotte Square Gardens during August, brings together 800 authors, philosophers, poets and entertainers from 40 countries in an extravaganza of books, lectures, workshops, children's events and live music. The 2007 Book Festival attracted more than 200,000 visitors

For more information on any of our Arts sponsorships, go to the **community section** of our website.

Our 12 Impacts I Procurement

Overview

Companies are expected to understand the social and environmental risks in their supply chains and take action to manage these as part of their commitment to corporate responsibility.

Sustainable procurement has been defined as “the process by which an organisation meets their needs for goods and services in a way that achieves value for money on a whole life basis, in terms of the benefits to the organisation, society and the economy, while minimising damage to the environment.” – [Source “Procuring the Future”, published by the Government’s sustainable procurement taskforce in June 2006]

Moving towards sustainable procurement means understanding what we do now – who we buy from and how much we spend – and scrutinising the integrity of suppliers at various levels in the supply chain, then exploring how we can make improvements.

Sustainable procurement is absolutely fundamental to responsible business practice. However, with increasingly complex global supply chains, companies need increasingly robust procurement processes to manage risks.

We will be reviewing our supply chain even more to ensure that the goods and services we buy are produced sustainably, ethically, safely and with respect for human rights and indigenous communities.

There is no magic formula for sustainable procurement as every company is different, but large organisations like ours must use their purchasing power wisely to help and drive suppliers to provide more responsible products and services.

Adrian Coats, Impact Leader

Our 12 Impacts | Procurement

Approach

We aim to source goods and services of an appropriate quality and at market competitive prices, while ensuring we assess the environmental, social and ethical credentials of suppliers.

The UK Procurement Team ensures that procurement activity is compliant with the increasingly complex range of UK and European legislation and codes. General guidance for employees is provided by ScottishPower's Red Book on: *Compliance Behaviour and the Law*.

We have an **Environmental Purchasing Policy** which is underpinned by our environmental principles, where we commit to meeting or exceeding our regulatory requirements, as well as minimising the environmental impact of our activities.

Electricity companies are faced with legal constraints on procurement via the EC Utilities Directive that do not apply to other private companies. The Directive regulates the procurement of public and private utilities with the aim of opening up their procurement markets to European wide competition.

Most of our procurement staff are members of the Chartered Institute of Purchasing and Supply (CIPS) and are bound by its Code of Conduct.

The Procurement Team have no responsibility for fuel procurement. Fuels such as coal and gas, are purchased on the commodities markets by specialist teams within our Energy Wholesale business. Fuel procurement activities are governed by the Group Energy and Risk Committee and overseen by the Executive Team.

Our approach to procurement includes:

- ▶ Implementing a standard approach to supplier pre-qualification and tender evaluation that includes assessing the environmental, social and ethical credentials of potential suppliers, as well as ensuring good financial value
- ▶ Using the Achilles UVDB (Utilities Vendor Database) and their *Verify* scheme (a supplier verification and assessment tool) to check supplier probity in the areas of safety, health, environment or quality (SHEQ). Achilles are signatories to the UN Global Compact
- ▶ Ensuring contract award letters include a requirement for health and safety induction training for all contractors working on our sites
- ▶ Conducting supplier audits
- ▶ Paying suppliers and contractors on time

Looking ahead, we will be seeking to make greater use of e-procurement processes in line with our parent company **IBERDROLA's** current practices.

Coal Procurement

Due to our low sulphur coal strategy it has been necessary to source a large proportion of our coal from non-EU countries.

Factors reviewed with coal producers when negotiating coal contracts include:

- ▶ 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

Our 12 Impacts I Procurement

Approach I continued

In addition, we examine the way mine operators treat the local community, the environment and restoration plans following the end of the life of a mine.

Assessing new, potential suppliers not covered by the Achilles database, can involve visits to overseas mining operations.

We also deal with traders who source coal from multiple mines, making the supply chain more difficult to monitor. However, we only deal with reputable traders and incorporate anti corruption and anti bribery clauses into our contracts.

ScottishPower are members of the Basic Services Human Rights Network, facilitated by Human Rights Consultancy "twentyfifty". During the year company representatives worked with a consortium of UK generators to examine key issues relating to ethical coal procurement.

Our foreign coal purchases are delivered to the Hunterston terminal and the Port of Leith and onward by rail to our power stations.

The installation of FGD on three units at Longannet will allow us to look at increasing the volume of coal procured in the UK, subject to price and quality, potentially considerably reducing the number of coal miles accumulated in supplying the station.

Biomass Procurement

Longannet and Cockenzie also co-fire biomass products. During 2007 these were mostly sunflower husk pellets imported from Russia and the Ukraine and peanut husk pellets imported from the United States. Imports are shipped to Leith, Burntisland and Rosyth docks then transferred to lorry for the short journey to the power stations.

Burning these by-products of the farming industry has proven the practicality of co-firing at Longannet and Cockenzie and the Coal and Biofuels team are now seeking contracts with farmers in the UK with a view to growing energy crops locally as well as exploring opportunities to develop energy crops abroad.

Natural Gas Procurement

We obtain natural gas from a number of sources in the international markets. During the year we started taking delivery of gas from Norway under a new, 10 year contract with Statoil.

Our 12 Impacts | Procurement

Performance Summary 2007

- ▶ Procurement spend during 2007 was approximately £1 billion (excluding fuel) with around 63% of total spent with 50 key suppliers
- ▶ First tier suppliers included major engineering and construction companies in the EnergyNetworks, Energy Wholesale and Renewable Energy businesses, along with telecoms and IT providers
- ▶ Energy Retail's key suppliers included manufacturers of low energy lightbulbs and home insulation providers, to support customer energy efficiency programmes, along with IT services for data management and billing and Royal Mail for customer communications
- ▶ During the year we formed a consortium with EdF and Scottish and Southern Energy to explore the issues around the procurement of coal from global sources
- ▶ Our Coal and Biofuels Trading Manager undertook a fact-finding visit to a mine in Indonesia that we identified as a potential supplier, to carry out checks on its operations
- ▶ ScottishPower Renewables specified Trojan cement from ScotAsh for the turbine bases at Whitelee and Greenknowes windfarms – reducing the carbon burden of the cement by at least one third
- ▶ ScottishPower Renewables examined the feasibility of procuring a hydrogen powered bus to transport visitors on site tours of Whitelee Windfarm
- ▶ EnergyNetworks was involved in pioneering a new wooden pole for use in 132 kV overhead transmission lines as a sustainable alternative to steel towers. The pole is manufactured from Forestry Stewardship Council accredited timber
- ▶ We conducted over 300 supplier and contractor audits covering areas such as operations, safety and compliance and site visits
- ▶ Two UK suppliers were recognised in our parent company IBERDROLA'S annual supplier awards in Madrid – Office Integrations, an independent Glasgow-based office supplies company and Clydesdale, which supplies gloves for live line working

Targets

Performance Targets 2007	Outcome
Make Verify membership a mandatory requirement for all high risk suppliers	Ongoing. In talks with Achilles to ensure all high risk suppliers are members of Verify
Strengthen our relationships with suppliers by introducing a category management strategy	EnergyNetworks have a category management approach and have implemented a category management strategy, for high value, high risk areas like cable and transformers
Extend the safety and environmental auditing of suppliers currently taking place in Energy Wholesale to other businesses	Ongoing. Procedures being implemented to ensure supplier audits in all businesses include health, safety and environmental requirements

Performance Targets 2008

To produce a publicly available Responsible Procurement Policy

Our 12 Impacts | Procurement

Performance Detail 2007

Ethical Fuel Procurement Consortium

During the year we worked with Human Rights Consultancy “twentyfifty” and other UK generators to examine the key issues relating to ethical coal procurement.

The consortium, which included EdF and Scottish and Southern Energy, examined the material human rights and environmental issues in the coal supply chain and supplier policies/practices and industry actions to manage these issues in the key coal exporting countries – Colombia, Russia, Australia and South Africa.

An initial report was produced following a data gathering exercise, involving feedback from mine operators and traders. We are now seeking to develop the consortium into an enlarged group, including other UK and European utilities, to move the project forward.

The next stage will be raising awareness of the issues with other generators and persuade a critical mass of companies to sign up to a framework of ethical coal procurement principles. The consortium would then communicate with key suppliers to highlight requirements that must be met as a condition of doing business with consortium members.

The World Coal Conference, to be held in Prague, in October 2008, may serve as a platform to raise the issue with suppliers, traders and other utilities.

Visit to Gudang Hitam Coal Mine, Indonesia

Indonesia has been identified as a potential new source of coal for our power stations.

During the year our Coal and Biofuels Trading Manager visited the Gudang Hitam Coal Mine near Samarinda, capital of East Kalimantan, to see if the mine operated to acceptable standards, in terms of employee welfare, health and safety, terms and conditions and environmental stewardship.

This initial visit found that the mine was well-run with an on-site medical centre and canteen. Employee terms and conditions included health insurance, a pension plan and a range of welfare provisions that included family members.

Environmental stewardship, including transportation of the coal was also scrutinised. Coal is taken a short distance by lorry and then shipped on barges 50 km down the Sanga Sanga River to the coast, where it is placed onto bulk carriers for delivery to customers around the world.

PFA-based Cement in Wind Turbine Bases

ScottishPower Renewable Energy specified cement containing Pulverised Fuel Ash (PFA) for the turbine bases of Whitelee and Greenknowes windfarms. The PFA-based cement, manufactured by ScotAsh, our joint venture with Lafarge Cement, reduces the carbon burden of the cement by about one third.

The use of PFA in cement also helps to conserve natural aggregates and avoids the need to dispose of ash to landfill. In addition, PFA-based cement provides important long-term strength and durability benefits and because it reduces the amount of heat given off when concrete is mixed, it reduces the risk of early age thermal cracking, which can occur occasionally when conventional cement is used.

Our 12 Impacts | Procurement

Performance Detail 2007 | continued

Sustainable Wood Poles for 132 kV Transmission Lines

EnergyNetworks pioneered the use of a new wooden pole specification for use in the construction of 132 kV transmission lines associated with renewable energy projects.

The location of windfarms usually means that new lines need to be built, often in remote and scenic areas, to carry the power to the grid. Traditional steel towers raise concerns over visual impact, so ScottishPower decided to research a viable alternative.

Following many months of design work in collaboration with LS Transmission Consultancy, a trial line was built on Forestry Commission land, south of Wrexham in north Wales.

In addition to being more aesthetically acceptable than steel towers, the new pole design is more sustainable. Steel is energy intensive to produce and has a high carbon burden. The timber for this trial was sourced from sustainable forests in Nordic countries, which are accredited by the Forestry Stewardship Council. The use of Nordic timber is largely because growing conditions provide it with the strength that is necessary for the pole to meet the resilience requirement of standard EN 50431.

The new construction can carry a higher capacity than traditional wooden poles or steel towers and it includes an earth wire, with embedded optical fibre to enable communications. Like steel towers, the new poles can be used at altitudes of up to 400 metres – but they are approximately 12 metres lower in height.

Hydrogen Powered Bus

ScottishPower Renewable Energy is investigating the feasibility of using a hydrogen powered bus to take visitors to Whitelee Windfarm on site tours. The new Visitor Centre planned for Whitelee will be a model of sustainable development – and the company is keen to ensure that site transport is environmentally friendly too.

The bus would use hydrogen produced by NEL, whose site at Mersehill is adjacent to Whitelee. The hydrogen would be produced by electrolysis – passing an electric current through water to create hydrogen and oxygen.

Just 7 kg of hydrogen could fuel the bus for a day. That can be made from 63 litres of water – less than two bathfuls.

Through using our expertise in renewables, we hope to demonstrate that a renewable transport sector is a possibility – and help to influence markets for this emerging technology

Our 12 Impacts | Economic

Overview

Companies are society's wealth creators. Their investments, growth performance, and purchasing power create significant economic impacts at regional, national and global levels.

However, many of these financial benefits to society are not measured or reported through traditional financial accounting.

With thousands of employees on our payroll, we generate tax revenues for public services through Pay As You Earn (PAYE) and National Insurance contributions. We also contribute to the public purse through collection of Value Added Tax from customer accounts.

In addition, we indirectly support employment through extensive use of various specialist contractors. The spend of our employees and contractors in turn supports a whole range of businesses and services.

The purchases we make from supplier companies directly benefit another tier of businesses and employees, and generate further tax revenues for Government.

Energy plays a critical role in national and global economies. Rising gas and electricity prices can have a profound impact on the cost base of a business and lead to price increases for other commodities and services. It influences the retail price of energy, which in turn affects the amount disposable income people have to spend on other goods and services.

Although our parent company **IBERDROLA** is not listed on the London Stock Exchange, it is included in the main European stock indices. Thus, many of the UK's largest pension funds have holdings in **IBERDROLA**, so many thousands of people in the UK benefit from our strong financial performance through their pension fund.

Ramón Fernández Olmedo, Impact Leader

Our 12 Impacts | Economic

Approach

We aim to do business in a way that considers the economic effects of our policies and actions on all our stakeholder groups and maximise the benefits we can bring to the economy.

Shareholders

As part of the **IBERDROLA** Group, we believe that operating our business responsibly and meeting our commitments to employees, the environment and society in general is the best way of generating long-term shareholder value and reducing business risk.

Customers

We recognise the impact of energy prices on our customers, and we report the measures taken to minimise that impact within our **Customer Experience** and **Customers with Special Circumstances** impacts.

Employees

We aim to make ScottishPower an employer of choice by offering employees a competitive salary and benefits package to help them achieve a decent standard of living. For more information, see **Employment Experience**.

Suppliers and local economies

We work in partnership with many suppliers to achieve progress and mutual benefits over the long- term

Examples of our approach include:

- ▶ Large-scale environmental projects at our power stations are creating demand for plant components and contracting engineers, fitters and other labour to install them
- ▶ Major investments in our networks to support renewable energy projects is creating demand not only for plant, but for numerous specialist services, from electrical contractors and construction crews, to environmental impact studies, ecological monitoring and even night security services
- ▶ Our Renewables business is committed to ensuring our wind, wave and tidal developments provide economic opportunities for local businesses, which has led to a project in this area for FREDs – the Forum for Renewable Energy Development in Scotland
- ▶ All our customer service centres are UK based – in Scotland, the northwest of England and in Wales – and we remain committed to supporting the economies of the communities we serve
- ▶ For the last 11 years we have provided employability training for disadvantaged young people through our award-winning ScottishPower Learning programme which has trained more than 15,000 young people from communities in Scotland, north Wales and north west England
- ▶ We have established Community Trusts Funds at some of our windfarms and provide regular wayleaves income to farmers and landowners who have turbines or pylons on their land

Our 12 Impacts | Economic

Performance Summary 2007

- ▶ During 2007, ScottishPower contributed £4.9 million in community support activities, including money given to our windfarm community trusts. For more information see **Community Impact**
- ▶ We supported farmers in rural areas through wayleave payments of £950,000 to landowners who have wind turbines on their property
- ▶ We announced a strategic plan for 2008-2010, with planned investment of €4.2 billion (£2.8 billion) in the UK, with €1.2 billion (£0.8 billion) of this being invested in the renewables business
- ▶ At 31 December 2007 we employed 9,847 people in the UK. For more information, see our **Employment Experience Impact**
- ▶ We provided employability training to 60 Skillseekers during the year, of which 80% secured sustainable employment. For more information see **Community Impact**
- ▶ In Gateshead and Newcastle Warm Zones, where we are the energy partner, every £1 donated from the ScottishPower Energy People Trust has helped households secure an additional £20 in benefits. To date, that amounts to £400,000 of additional income for vulnerable people
- ▶ For information on ScottishPower's contribution to the **IBERDROLA** group, see [IBERDROLA's results 2007](#)

Our Investment Plans

- ▶ We plan to spend €3.5 billion (£2.4 billion) on our electricity transmission and distribution systems over the next five years. This includes major upgrades to the transmission system to support renewable energy projects and work on our distribution systems to improve reliability of supplies for customers
- ▶ We plan to invest €0.9 billion (£0.6 billion) in improving the efficiency, reliability and environmental performance of our power stations from 2008-2010
- ▶ Our Renewable energy business plans to invest €1.2 billion (£0.8 billion) in new windfarms and other renewable projects between 2008 and 2010

Note: Exchange Rate from **IBERDROLA** Strategic Plan 2008 – 2010 announced in October 2007

Independent Assurance Statement



Scope and objectives

ScottishPower commissioned **csrnetwork** to undertake an independent assurance engagement over the information and data within the online version of the ScottishPower 2007 Corporate Responsibility Report ('the Report'). The objectives of the assurance process were to check claims and the systems for collection of data, and to review the arrangements for the management and reporting of sustainability issues. The assurance process was conducted in accordance with the AA1000 Assurance Standard, and we have commented on the report against the principles of materiality, completeness and responsiveness. Any financial information contained within the Report is excluded from the scope of this assurance process, as are case studies and any information or claims relating to **Iberdrola**. The scope of our work did not include a review of the Report against the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines.

Responsibilities of the directors of ScottishPower and the assurance providers

The directors of ScottishPower have sole responsibility for the preparation of the Report. In performing our assurance activities, our responsibility is to the management of ScottishPower, however our statement represents our independent opinion and is intended to inform all of ScottishPower's stakeholders including the management of ScottishPower. We were not involved in the preparation of any part of the Report. We have no other contract with ScottishPower. This is the sixth year that we have acted as independent assurance providers for ScottishPower. We adopt a balanced approach towards all ScottishPower stakeholders and a Statement of Impartiality relating to our contract with ScottishPower will be made available on request. The opinion expressed in this assurance statement should not be relied upon as the basis for any financial or investment decisions. The independent assurance team for this contract with ScottishPower comprised Jon Woodhead, Todd Cort, Louise Hawson and Judith Murphy. Further information, including a statement of competencies relating to the team can be found at: www.csrnetwork.com

Basis of our opinion

Our work was designed to gather evidence on which to base our conclusions. We undertook the following activities:

- We conducted interviews with a selection of directors and senior managers responsible for areas of management and stakeholder relationships covered by the Report. The objective of these discussions was to understand ScottishPower's governance arrangements and management priorities;
- We discussed ScottishPower's approach to stakeholder engagement with relevant managers;
- We conducted a top level review of issues raised by external parties that could be relevant to ScottishPower's policies to provide a check on the appropriateness of statements made in the report;
- Subject to the exclusions set out below under 'Observations', we reviewed data collated at the corporate level, and claims made in the Report. We undertook verification of selected data and claims through meetings with managers responsible for gathering data within the Credit 360 system, reviewed their processes for gathering and ensuring the accuracy of data, and requested supporting evidence.
- In addition to our review of consolidated corporate data we reviewed the business level controls and assurance processes in place.
- The scope of our work included a site visit to Warm Zones to review their work in delivering domestic energy efficiency measures funded by ScottishPower to meet their EEC commitments, as well as benefits advice funded by the ScottishPower Energy People Trust.
- We undertook an assessment of the company's reporting and management processes against the principles of materiality, completeness and responsiveness as described in the AA1000 Assurance Standard.

Independent Assurance Statement

- We reviewed claims and data contained within the Report presented to us on 18th April 2008 with the understanding that this material would be published on the ScottishPower website.

Observations:

Materiality – has ScottishPower provided information on material issues to enable stakeholders to make informed judgements?

- In our opinion the Report includes information on ScottishPower's main corporate responsibility performance issues and should enable stakeholders to make informed judgements.
- In our statement last year we commented on ScottishPower's approach to reporting on prices, targets for emission level reductions, and the impact areas of procurement, and waste and resource use. In our opinion, reporting in these areas has improved this year in terms of identification of material issues and provision of information on issues of concern to stakeholders.
- The report includes improved analysis on two key issues in particular; progress against atmospheric emissions reduction targets, and the company's approach to managing the impact of price volatility on vulnerable customers. We recommend that future reports should set out a clear vision for how the company expects to manage its carbon footprint for the period up to 2012, the possibilities for the period 2012-2020, and how this outlook compares with the published targets for CO₂ emission reductions and increases in generation from renewables for the UK and Scotland. We also recommend that future reports provide further information on the company's work on social tariffs, and the impact of the scheme planned for introduction in 2008.
- We recommend that future reports should include further information on ScottishPower's contribution to local economies, through its employment and supply chain activities.

Completeness – does ScottishPower have systems in place to understand changes to stakeholder expectations and to provide complete and accurate information against the issues identified as material for inclusion in the Report?

On the basis of the method and scope of work undertaken and the information provided to us by ScottishPower:

- For **environmental performance data**, nothing came to our attention to suggest that these data have not been properly collated from information reported at divisional level. Systems for reporting waste data have continued to improve, and new emissions data have been included relating to CO₂ from coal shipments.
- For **health and safety performance data**, nothing came to our attention to suggest that these data have not been properly collated from information reported at divisional level.
- For other **social performance data**, nothing came to our attention to suggest that these data have not been properly collated from information reported at divisional level.
- In our statement last year we recommended that future reports include data on all complaints received by the business in addition to those received via Energywatch. These data have now been included in this report.
- Credit 360 software is used to manage and approve Corporate Responsibility data and text. In some areas where there have been changes in staff during the year Credit 360 has not been used effectively. We suggest training is undertaken for new staff and refresher training provided where necessary.

Independent Assurance Statement

Responsiveness – how does ScottishPower demonstrate that it has responded to stakeholder concerns?

- In our statement last year we recommended that the report would be improved through specific recognition of how the company understands the concerns of its stakeholders, and explicit links to where the report provides information on the company's response. We re-state this recommendation.
- The report is notable for its inclusion of data and information on issues relating to coal procurement, including the Indonesian mine case study. We understand that the corporate responsibility implications of sourcing raw materials for generation activities such as coal, gas and biomass are under active review by ScottishPower. We recommend that consideration be given to providing more systematic information on these issues in future reports, including where possible, reporting on the findings of independent verification of social and environmental impacts and supplier management standards.

Csrnetwork Ltd
U.K. April 2008



Jon Woodhead
Director



Todd Cort
Principal Consultant

csrnetwork is an international corporate social responsibility consultancy organisation.
www.csrnetwork.com

