



CSR Annual Review 2008

Prototype
Carbon Capture
Test Unit at
Longannet
Power Station

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Welcome

Welcome to the CSR Annual Review 2008. During the year our business aim was to build on last year's successful integration with **IBERDROLA**, where ScottishPower was one of the main drivers and principle engines of growth.

In line with **IBERDROLA's** "multi local" approach, ScottishPower continues to provide details on its social and environmental performance against the 12 impact areas identified back in 2005, while also reporting our enhanced CSR credentials globally as part of the wider **IBERDROLA** group.

Being a good corporate citizen is even more important in these times of economic uncertainty. Investment, whether in our assets, our existing and future workforce, our local communities, or the environment at large is key to helping the UK and global economies out of the current recession.

IBERDROLA and ScottishPower have invested £1.8 billion in the UK in the last two years and £1.1 billion in 2008 alone.

We have announced plans to spend £39 million over the next three years to protect our most vulnerable customers and we contributed a further £1 million to the ScottishPower Energy People Trust, an independent charity set up to help end fuel poverty in Britain. At the end of 2008, the Trust had awarded over £4.5 million to 103 projects helping over 243,000 individuals in over 105,000 households across Britain.

In addition to the trust we also launched a social tariff called "Fresh Start" in December 2008. 50,000 customers are now benefiting from lower prices via the tariff - in many cases saving more than £200 per year.

Our community investment strategy has always focused on providing training and employability skills to young people and this will be a key focus for our business going forward.

Like a lot of businesses, we have highly skilled staff and we need to ensure we have the skills and capabilities to sustain our future business growth. We must therefore attract young people into the industry as well as train existing staff to fulfil our succession planning requirements.

During 2008, over 1,600 young people benefited from ScottishPower Learning's programmes. Furthermore, 224 staff members participated in these programmes as part of the company's commitment to Community Based Development.

ScottishPower is committed to Carbon Capture and Storage (CCS), recognising the tremendous opportunity the UK has to lead the world with this technology and create new skills, jobs and opportunities for growth in the low carbon sector. We have announced plans to install the technology on two of Longannet's four units to extract CO₂ from the flue gases, liquefy it and transport it via an existing pipeline for secure storage beneath the North Sea. For further information, see [Carbon Capture and Storage](#).

Furthermore, the ScottishPower Green Energy Trust celebrated its 10th anniversary on World Environment Day, highlighting the invaluable support given by the Trust to over 100 community based renewable energy projects in the UK.

During the year we held stakeholder feedback sessions to canvass opinions on our 2007 CSR Report. We have taken on board many of your comments in terms of content and style, and this year's annual review aims to bring our activity to life through an innovative video-focused CSR TV model.

The style of updating you on our CSR activity this year is therefore very much led by the community groups that we work with and I hope that you will enjoy hearing first hand from some of them as they tell their story about working with us throughout 2008.

I look forward to hearing your feedback.

Nick Horler
Chief Executive Officer

View [IBERDROLA Sustainability Report 2008](#).

Performance Summary 2008

Provision of Energy

- A ScottishPower-led consortium qualified as a entrant to the Government's competition to develop the UK's first commercial scale Carbon Capture and Storage (CCS) project – helping to secure a future for clean coal power
- Invested a record £456 million in upgrading and refurbishing our electrical network
- Committed £20 million investment, over two years, to our hydro-electric plant

Health and Safety

- Lost time Accidents (LTA's) rate across the company reduced in 2008 for the fifth successive year – a reduction of 20% over five years
- PowerWise, our children's safety education programme won two major awards – the Utility Industry Achievement Award for Community Initiative of the Year and Best Health and Safety Achievement in a Utility by the Safety & Health Practitioners/Institution of Occupational Safety and Health
- Longannet Power Station's Flue Gas Desulphurisation project was selected by the National Joint Committee for the Engineering Construction Industry for its Safety in Engineering Construction Award

Customer Experience

- Achieved highest satisfaction rating for online energy service in the market in a uSwitch survey for the third consecutive year – and ranked third overall for customer satisfaction in the sector
- Ranked second UK gas supplier for customer satisfaction in J.D. Power and Associates survey
- At December 2008 we had 5.43 million electricity and gas customers, an increase of 4% on the previous year

Climate Change and Emissions to Air

- Our Green Energy Trust, which celebrated its 10th Anniversary on world Environment Day, awarded a further £232,809 to 20 small renewable energy projects
- Announced two year deal with Debenhams to supply all 178 UK properties with electricity generated from green source
- Met 57% of three-year Carbon Emissions Reduction Target (CERT) through customer energy efficiency programmes

Waste and Resource Use

- The volume of waste generated remained higher than normal due to power station refurbishment and construction
- We increased our investment in oil containment bunding more than six-fold to £1.7 million
- ScotAsh received a Queen's Award in the Sustainable Development category – the company's second Queen's Award in three years – and became a two-time National VIBES (Vision in Business for the Environment of Scotland) Award winner

Biodiversity

- A viewing gallery was established in summer 2008 at Cruachan Power Station where members of the public could gain close-up views of nesting Ospreys
- Lanark Hydro-electric Scheme funded and laid cabling for a high-definition video link to enable pictures from a Peregrine nest to be beamed to a screen at the Falls of Clyde Scottish Wildlife Trust Reserve
- A 1.5 km route for a cable pipeline was drilled beneath the Dovey Estuary by Energy Networks to avoid disturbance to a Site of Special Scientific Interest for wading birds and wildfowl

Sites, Siting and Infrastructure

- Completed connections to a further 388 MW of renewable energy capacity to our electrical network
- Work completed on 2 new substations at Elvanfoot and Coalburn as part of the ongoing project to upgrade the Anglo-Scottish interconnector
- A programme of undergrounding parts of the network was implemented in Snowdonia National Park

Employment Experience

- At 31 December 2008 we employed 8,958 people in the UK
- Launched two new All-Employee Share Plans, achieving increased employee take-up and contribution
- 224 ScottishPower staff participated in Community Based Development programmes which provide employability training for young people in our communities

Customers with Special Circumstances

- Contributed a further £1 million to the ScottishPower Energy People Trust. During 2008, the Trust awarded funding of more than £1.2 million to 21 projects, helping 36,145 individuals in 19,485 households
- Launched a new social tariff, Fresh Start, that combines low prices with energy efficiency advice and measures to lift vulnerable customers out of fuel poverty
- Supplier Voluntary Social Programme spend totalled £7.457 million in 2008

Community

- Over 58,000 primary school children benefited from PowerWise, our pioneering classroom safety education programme
- Around 13,000 young people benefited from our school athletics sponsorship “Energising Scotland’s Youth”
- ScottishPower announced sponsorship of ground breaking drama project, Outspoken for young people who stammer

Procurement

- Procurement spend during 2008 was approximately £1 billion (excluding fuel), with the majority of this being spent on goods and services in the UK
- Working with colleagues in **IBERDROLA** to develop a group-wide responsible procurement policy in 2008 that will be rolled out during 2009
- Spent £74 million on customer energy efficiency measures, including home insulation, energy efficient boilers and energy efficient lightbulbs

Economic

- Our UK payroll expenditure for 2008 was £286 million
- We spent £75.4 million delivering energy efficiency in the domestic market through measures such as cavity wall insulation, loft insulation, low-energy lightbulbs and more efficient electrical appliances
- Provided employability training to 68 Skillseekers during the year
- Net capital investment in 2008 was £741 million

Managing our Responsibilities | Our Approach

Corporate Social Responsibility is not just the right thing to do – it enhances one of our business's most valuable assets –our reputation.

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

This is the fourth year where we detail our performance against 12 key impact areas, which we 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 social responsibility and strategic objectives are aligned – at operational level and in our future plans.

ScottishPower Executive Team bonus objectives are comprised of a variety of factors. Alongside the financial metrics there is equal weighting given to objectives such as delivery of customer targets, engagement with external stakeholders, achieving excellence in Health and Safety and engaging with regulatory bodies to be compliant with the requirements of its principal regulatory authorities (Environmental, Health and Safety and Financial). If the quantitative measures of an objective are not met then there will be no bonus award for this element.

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 2009, we will continue with the ongoing review of our Corporate Social Responsibility activity, 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 ScottishPower Executive Team consists of

Nick Horler	Chief Executive Officer
Alan Bryce	Director, Energy Networks
John Campbell	Director, Energy Wholesale
Adrian Coats	Director Treasury and Purchasing
Sheila Duncan	HR Director (appointed March 2009)
Ramón Fernández Olmedo	Director, Finance
Matthew Harwood	Director, Strategic Market Development
Willie MacDiarmid	Director, Energy Retail
Rupert Steele	Director, Regulation
Marion Venman	Head of Legal and General Secretary

In June 2008, **IBERDROLA** Chairman and Chief Executive, Ignacio Galán, announced the creation of a new ScottishPower Executive Committee of the Board. Ignacio Galán will be the Chairman of this new five-member Executive Committee, which includes the following ScottishPower Board members: José Luis del Valle, Nick Horler, Francisco Javier Morras Zuazo and José Miguel Alcolea.

ScottishPower have 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 integration with **IBERDROLA**. The members of the Advisory Board are Ignacio Galán, Nick Horler, 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 Luis del Valle. Samantha Barber was also appointed as an independent director to the **IBERDROLA** group Board of Directors on 1 August 2008.

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 Social Responsibility strategy and performance. He is assisted in this task by members of the Executive Team, who also act as Impact Leaders.

A Corporate Social 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, reviewing and advising Impact Leaders and business heads on Corporate Social Responsibility.

On 21 January 2009, Amparo Moraleda, Sir Tom Farmer and Lord Macdonald of Tradeston were appointed as members to the ScottishPower Board.

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 social 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 CSR Annual Review.

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 detailed within the 12 impact areas that make up our overall CSR Annual Review. We have designed these areas to ensure they are compatible with the 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:

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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

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

As part of the **IBERDROLA** group, one of the world's top five electricity companies by market capitalisation, and the global leader in renewable energy, we have very strong environmental credentials. We are committed to achieving sustainable growth across our activities, considering the economic, environmental and social effects of our business growth strategy.

The **IBERDROLA** group Environmental Policy is available on its website – www.iberdrola.com. Due to the diversity of **IBERDROLA's** businesses and differing environmental regulations in the 40 countries it operates in, each business is responsible for managing its own environmental performance which is aligned to the group policies and procedures.

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.

ScottishPower's businesses have their own environmental vision which are outlined below:

Energy Networks

- 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

Environmental Governance

ScottishPower's Chief Executive Officer 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 Group (UK) is the key vehicle for environmental governance and policy development. The Group, which is chaired by the Energy and Environment Director, also monitors compliance and performance issues.

Environmental issues are incorporated into the company's risk and control management framework, to 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 Environmental 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 Environmental Forum meets at least twice each 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, energy services development, marine and tidal energy development, smart metering and developments in environmental markets.

Minutes from the latest Environment Forum Meetings are available to download.

[Minutes 9 May 2008](#)

[Minutes 3 October 2008](#)

[Environmental Management Systems](#)

[Longannet Power Station EMAS Statement 2008](#)

[Damhead Creek EMAS Statement 2006](#)

Managing our Responsibilities | Stakeholder Engagement

The success of every business is dependent on its relationship with all of its stakeholders. 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 2007 Corporate Social Responsibility Report. As a results, we have taken on board some of this feedback in terms of the content and style of this CSR Annual Review.

Additionally we decided that we would engage with a selection of our stakeholders and ask them to be part of this years review. The style has therefore changed to a video focused CSR TV model – to bring what we've done throughout the year to life.

A summary report of the feedback from the Stakeholder Sessions is available here [Stakeholder Session Feedback](#).

We engage on a regular basis with our many stakeholder groups which helps build positive relationships and allows an insight into their opinions on our business.

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 at least 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.

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 review deals with the performance of the UK operations of ScottishPower against 12 impact areas that were identified in consultation with stakeholders in 2005.

In 2008 our CSR Annual Review no longer includes details about ScottishPower Renewables as this is now part of Iberdrola Renovables which was floated as a separate company on the Spanish Stock Exchange in December 2007.

To get more information about ScottishPower Renewables CSR performance, please view the [Iberdrola Renovables Sustainability Report 2008](#).

For comparison purpose we have restated our figures for our 2007 performance to remove ScottishPower Renewables information, unless otherwise stated. We have noted this where this has not been possible.

Core, is now included in our figures, unless otherwise stated.

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

This Annual Review covers the calendar year 2008 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.

We have continued to track developments in good reporting practice and review our reporting against corporate social responsibility performance indicators including the AA1000AS (2008).

Except where otherwise stated, performance information is selected, measured and reported using recognised standards and protocols, in many cases set by our regulators: Ofgem (Provision of Energy; Customer Experience; Customers with Special Circumstances; Health and Safety); Environment Agency and EU ETS (Waste and Resource Use; Climate Change and Emissions). Employee data is collected and reported in line with the GRI G3 guidelines. ‘

The audience for our Corporate Social Responsibility Annual Review is internal and external stakeholders: employees, shareholders, investors, analysts, customers, Government, non-governmental organisations, community groups, corporate social 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:

Business in the Community



- 2007 BitC CR Index – Platinum Company (>95%)
- 2007 Business in the Environment Index – Platinum Company (> 95%)
- Member of the BitC CR Index Leadership Group

Business in the Community Awards for Excellence 2008



4 of our existing Big Ticks received reaccreditations

- HBOS Responsible Marketing, Commonsense from ScottishPower
- Merrill Lynch Education, ScottishPower Learning School to Work
- Tata Consultancy Services Marketplace Innovation for ScotAsh
- Lafarge Cement UK Eco Efficiency for ScotAsh)

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

Carbon Disclosure Project



ScottishPower provides information to **IBERDROLA** for their submission to the Carbon Disclosure Project's Climate Leadership Index of top 50 global companies. We are pleased to report that for the second year **IBERDROLA** outperformed all other utilities and was ranked as the world's top utility in the 2008 index. 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/



In December, PowerWise, our children's safety education programme won the Utility Week Industry Achievement Award for Community Initiative of the Year



In October PowerWise was awarded the Best Health and Safety Achievement in a Utility by the Safety & Health Practitioners/Institution of Occupational Safety and Health



In June we were awarded the Payroll Giving Silver Quality Mark by HM Government/Institute of Fundraising

Managing our Responsibilities | Benchmarking and Recognition

- In December ScottishPower Pipe Band won the Scottish Pipe Band of the Year at the Scots Traditional Music Awards
- ScotAsh, our joint venture with Lafarge Cement was also given a VIBES (Vision in Business for the Environment) Management Award
- In October, Barry Wilson, the Principal Drummer with the ScottishPower Pipe Band was awarded the Royal Scottish Pipe Band Association (RSPBA) World Solo Drumming Champion
- In September ScottishPower Learning was awarded Overall Employer of the Year for Apprentice training by Liverpool Chamber of Commerce
- In July, ScottishPower was awarded the Healthy Working Lives Gold Award
- In May, ScotAsh, our joint venture with Lafarge Cement was awarded a Queen's Award for Enterprise in the Sustainable Development Category
- In May, ScottishPower Fleet Business was awarded the Royal Society for the Prevention of Accidents (RoSPA) Managing Operational Road Risk Award
- Core was given an award by West Lothian Council Considerate Contractor Scheme for the Most Improved Contractor
- The following ScottishPower businesses were also awarded RoSPA safety awards
 - Energy Wholesale, Rye House Power Station Presidents Awards
 - ScotAsh Gold Award
 - Energy Wholesale, Shoreham Power Station Silver Award
- In April 2008 ScottishPower's Energy Retail business scooped a hat-trick of awards at the ninth Annual International IQPC Process Excellence Awards. They were awarded:-
 - Best Design for Six Sigma Project – Final Debt Reduction
 - Best Project Contributing to Innovation – Long Term Vacants
 - Best Improvement Programme – Energy Retail Business Transformation

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 CSR 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 CSR 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 | Provision of Energy

Overview

Major investments in new generation and transmission infrastructure are required over the next few years to provide secure and sustainable energy to power our homes and economy, as a third of the UK's generation fleet reaches the end of its operational life. This presents a significant challenge for the UK power industry, which operates in a highly competitive market dependent on skilled resources to meet increasing demands for energy.

A number of the UK's coal and oil-fired power stations have 'opted out' of the "Large Combustion Plant Directive" and will close by the end of 2015. In addition, some nuclear power stations are also reaching the end of their operational lives.

The environment is high on the agenda for power companies, the UK Government and the European Union (EU). New generation projects must respond to the threat of climate change whilst also providing secure, flexible and affordable energy supplies.

EU Security of Supply

Following a second strategic energy review, Europe is looking to achieve its core energy objectives of sustainability, competitiveness and security of supply. This means substantial change in Europe's energy system over the next few years, with public authorities, energy regulators, infrastructure operators, the energy industry and citizens involved. It means choices and investments during a time of change in global energy markets and international relations. The European Commission has proposed a wide-ranging energy package, which includes:

- Putting forward a new strategy to build up energy solidarity among member states and a new policy on networks to stimulate investment in more efficient, low-carbon energy networks
- Proposing an Energy Security and Solidarity Action Plan to secure sustainable energy supplies in the EU and looking at the challenges that Europe will face between 2020 and 2050
- Adopting a package of energy efficiency proposals which aims to make energy savings in key areas, such as reinforcing energy efficiency legislation on buildings and energy-using products
- An EU stimulus package has recently been made available, aimed at increasing gas and electricity interconnection across the Baltic interconnector, southern EU gas corridor, liquid natural gas network and new North Sea offshore grid, as well as offering financial support in the form of €500m for offshore wind and €1.25bn for carbon capture and storage

"Clean Green" Energy

The European Commission's new "Green Package" of legislation on climate change and renewable energy sets targets that represent a step-change in the energy market. This includes 20% energy savings, increasing the share of renewable energy to 20%, and cutting greenhouse gas emissions by at least 20%, all by 2020. Renewable energy remains central to the UK Government and Scottish Governments' energy and climate change strategies. The UK Government consulted on the development of its renewable energy strategy in 2008 and will report its findings in spring 2009.

The UK is currently seeking to meet 20% of its energy needs from renewables by 2020, while the Scottish Government aims to meet half of Scotland's energy demand from renewables in the same time-scale. These ambitious targets require a step-change in the deployment of renewable energy, requiring investment of around £50-£100 billion. This will be helped by the Government's announcement in November of an extension to the Renewables Obligation (which provides support for renewable energy projects) from 2027 until at least 2037.

The full deployment of renewable energy to these timeframes, including onshore and offshore wind and marine energy projects, will be made more difficult if projects to upgrade the UK's electricity network continue to meet extended planning delays.

Our 12 Impacts | Provision of Energy

Overview | continued

Maintaining Base-load Capacity

The UK must maintain adequate thermal capacity, to provide a level of security that cannot be achieved solely by renewable energy. An increasing windfarm fleet, whose supply of energy can be variable, currently dominates our renewable energy supply. The challenge of meeting base-load demand necessitates:

- Investment in existing thermal power stations, including coal-fired power stations, as a bridge to low carbon technologies, including potential for carbon capture
- Use of Combined Cycle Gas Turbines, to help close the medium term energy gap
- Development of the role for nuclear as a low carbon source of generation
- Development of gas storage facilities and the need for the UK to increase storage substantially from today's levels

Investment Environment

Investing in base-load power stations is required despite the challenging economic conditions that look set to prevail until at least the end of 2009. However, energy companies need a stable regulatory environment in order to plan and have confidence in the significant investments that are made on behalf of customers and shareholders.

There is uncertainty surrounding emerging European environmental legislation, including the proposed Industrial Emissions Directive (IED). The implications of the Directive are far reaching and it is necessary to ensure there is a balance in terms of environmental improvements and the minimum requirements of the UK's energy infrastructure.

With business and domestic customers feeling the effects of the recession, policy makers and energy companies need to be more mindful than ever of the need to balance environmental concerns with providing secure power supplies at prices customers can afford.

John Campbell, Impact Leader

Our 12 Impacts | Provision of Energy

Approach

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

Our approach includes investing in lower-carbon generation, investing in networks and working with customers to improve the energy efficiency of their homes.

Investing in Generation: Our investment strategy is geared towards replacing and refurbishing generation plant and reducing our emissions footprint, to build a diverse portfolio that meets the needs of our customers.

Hydro & Biomass: We have commenced works on a new biomass to energy plant at our Longannet Power Station in Fife and we continue to use biomass fuels mixed with coal at Longannet and Cockerzie. We continue to invest in renewable energy production at our hydro-electric schemes in Galloway and Lanark and our pumped storage power station at Cruachan.

Clean Coal: Clean coal will have an important role to play in maintaining security of supply and keeping electricity prices affordable. We are investing in clean coal technologies at our coal stations, including Flue Gas Desulphurisation to reduce emissions of sulphur dioxide and Boosted Overfire Air to reduce emissions of oxides of nitrogen. An engineering study into Selective Catalytic Reduction is now underway to further reduce emissions of oxides of nitrogen over and above reductions achieved by boosted overfire air. We are finalising a bid to build the UK's first, commercial scale, Carbon Capture and Storage project at Longannet Power Station, which will reduce CO₂ emissions to air by liquefying the gas and transporting it by pipeline to depleted North Sea gas fields for storage.

Gas: We operate three large combined cycle gas turbine (CCGT) power stations in England and aim to build another CCGT adjacent to our Damhead Creek Power Station in Kent. We are examining further opportunities for CCGT developments, and extending our gas storage capabilities at Hatfield Moor.

Wind & Marine Renewables: The large-scale deployment of renewable energy has an important role to play in reducing the carbon impact of electricity production. Our parent **IBERDROLA** is the world leader in renewable energy with more than 9,300 MW of renewable generation worldwide. Our sister company, ScottishPower Renewables continues a programme of major investment in onshore and offshore wind, tidal and wave energy projects. The programme aims to secure 1,800 MW of new renewable energy by 2012 and includes the extension and repowering of existing windfarms.

Nuclear: Through our parent company, **IBERDROLA**, we have formed a joint venture with GDF SUEZ and Scottish & Southern Energy to pursue the development of new nuclear power stations in the UK. The partnership will also seek to purchase divested assets, if appropriate. Nuclear energy has played a pivotal role in meeting base-load energy demand for decades and in future will ensure the UK can produce sufficient low-carbon electricity to meet customer demand.

Securing Fuel Supplies

Coal: The installation of environmental technologies at our coal stations means that we are now able to use a greater proportion of Scottish coal. Two new coal deals have been signed, with Scottish Coal and ATH Resources, for the next three years.

Gas: We have contracts in place with Statoil for Norwegian gas and our parent, **IBERDROLA**, has re-gasification capacity at the Isle of Grain Liquefied Natural Gas importation terminal in Kent. In addition, we operate a gas storage facility at Hatfield Moor, near Doncaster. We plan to develop a second reservoir to the west of our existing site to expand our gas storage capability.

Our 12 Impacts | Provision of Energy

Approach | continued

Investing in Networks

Investments in new network technologies help improve the security and reliability of electricity supplies in rural areas served by overhead line networks.

We are investing hundreds of millions of pounds each year in our transmission and distribution networks to support the development of new renewable energy projects, such as windfarms, which will enable energy to be transported from generation sites to population centres.

We are also investing heavily in infrastructure that will support development in towns and cities across central and southern Scotland and Cheshire, Merseyside and North Wales.

We are committed to putting customers at the heart of our business and want to ensure all interested parties are given the opportunity to be involved and influence decisions. To view presentations from our stakeholder events, or to leave feedback, please see our [Energy Networks](#) website

Working with Customers

Energy efficiency has a significant role to play in managing energy demand, reducing CO₂ emissions and helping customers to reduce their energy bills.

We have a strong track record in customer energy efficiency programmes providing energy efficiency advice and measures. Much of this activity is delivered through “Warm Zones”, Community Energy Partnerships and alliances with social housing providers.

For further information on energy efficiency, see the [Climate Change and Emissions to Air](#) impact area. Details of our work to tackle fuel poverty can be found in the [Customers with Special Circumstances](#) impact area.

Our 12 Impacts | Provision of Energy

Performance Summary 2008

Energy Wholesale/Generation

- Commenced work on a new 20-25 MW biomass power station at Longannet, in Fife
- Announced a five-year coal contract with Scottish Coal
- Committed £20 million investment, over two years, to our hydro-electric plant
- Set plans in motion for the construction of a new combined cycle gas turbine power station adjacent to our existing site at Damhead Creek in Kent
- Our parent, **IBERDROLA**, formed a partnership with GDF Suez and Scottish & Southern Energy to participate in the development of new nuclear power stations in the UK and explore the acquisition of divested assets
- Announced plans to extend our existing gas storage facilities at Hatfield Moor in Yorkshire
- A ScottishPower-led consortium qualified as an entrant to the Government's competition to develop the UK's first commercial scale Carbon Capture and Storage (CCS) project, helping to secure a future for clean coal power

Energy Networks

- Invested a record £456 million in upgrading and refurbishing the network, including:
 - Commissioning of two new substations at Coalburn and Elvanfoot, South Lanarkshire, to support an increase in the 2,200 MW capacity of the Anglo-Scottish power interconnector to 2,800 MW by 2010. This was a significant step forward in this £84 million project
 - Invested £12 million to upgrade underground power cables in the Wishaw area, to improve reliability and pave the way for future economic development at the former Ravenscraig steelworks site
 - Conducted two major line upgrades in the Scottish Borders, between Kelso and Heiton and Hawick and Morebattle, to provide a robust, more dependable network
 - Continued the roll-out of Network Controllable Points technology, reducing the length of time it takes to reconnect customers after a fault
 - Started a £680,000 upgrade of the electricity network between Stranraer and Barrhill, to improve reliability and support new windfarm connections
 - Replaced, by means of an impressive directional drilling technology, 1.5 km undersea cables under the Dovey Estuary between Aberdyfi and Aberystwyth
 - Supplied grid connections to provide 388 MW of capacity to various windfarms, including Whitelee, near Glasgow, currently Europe's largest windfarm
- Formed a research partnership with the University of Strathclyde to develop smart network technologies
- Worked with Scottish and Southern Energy on design and pre-construction environmental work for the Beaulieu-Denny line upgrade that will be critical for the transmission of new, renewable energy from Scotland to the rest of the UK
- Commenced significant tunnelling work to replace cables that link to a major substation refurbishment project serving the commercial centre of Edinburgh
- Started work to develop a major new grid supply point for the West End of Glasgow
- Began scoping electricity infrastructure requirements for the Glasgow 2014 Commonwealth Games

Energy Retail

- Continued to perform well on customer energy efficiency programmes. Company had met over half of its target under the Government's Carbon Emissions Reduction Target (CERT) by the end of December. CERT runs from April 2008 until March 2011

Our 12 Impacts | Provision of Energy

Performance Summary 2008 | continued

Targets

Performance Targets 2008	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	Customer Interruptions target achieved across Energy Networks. Although the Customer Minutes Lost target was not quite achieved, there is a continued improvement observed from the previous year
Complete installation of Flue Gas Desulphurisation plant at Longannet by summer 2008	Ongoing

Performance Targets 2009

- Develop and agree a Galloway hydro scheme trial protocol with SEPA to inform the technical and economic feasibility of the measures being considered under the CAR licence review process
- 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

In 2008 our CSR Annual Review no longer includes details about ScottishPower Renewables as this is now part of Iberdrola Renewables which was floated as a separate company on the Spanish Stock Exchange in December 2007. For comparison purpose we have restated our figures for our 2007 performance to remove ScottishPower Renewables information, unless otherwise stated. We have noted this where this has not been possible.

Our 12 Impacts | Provision of Energy

Performance Detail 2008

Group Fuel Mix

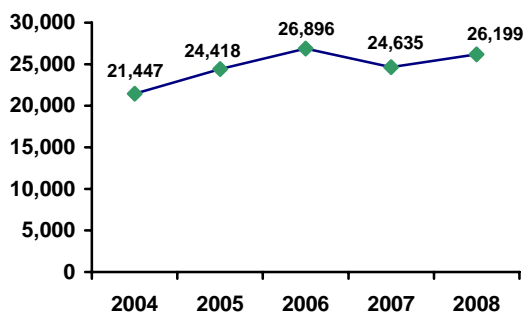
In 2008, our Group Fuel Mix does not include generation from wind, as ScottishPower Renewables is now part of Iberdrola Renovables which was floated as a separate company on the Spanish Stock Exchange in December 2007. For comparison purposes, generation from wind has been removed from our 2007 generation mix.

	GWh 2008	GWh 2007
Coal	10,835	12,830
% fuel source mix	41.4%	52.1%
Gas	13,948	10,003
% fuel source mix	53.2%	40.6%
Hydro	1,190	1,154
% fuel source mix	4.5%	4.7%
Other	226	648
% fuel source mix	0.9%	2.6%
Total	26,199	24,635
% fuel source mix	100%	100%

In 2008, the total amount of electricity generated increased with a reduction in the percentage generated from coal and an increase in the percentage generated from gas. This was due to the ongoing outages for the installation of Flue Gas Desulphurisation (FGD) on three units at Longannet, and a further unplanned outage on Unit 4 following a turbine gland failure and the development of a fault in a 160-tonne alternator, as well as planned maintenance outages at Cockerzie.

Coal burn at Longannet during 2008 reduced to 2.49 million tonnes, down by 12% on the 2.83 million tonnes consumed in 2007 and less than half of the 4.46 million tonnes consumed in 2006.

Total Energy Generated



The electricity sold by our Retail business comprises our own generation and electricity purchases, which include all of the generation output from ScottishPower Renewables and 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

Gas Supply

We supplied 1,250 million therms of gas to customers during 2008, a slight increase on last year.

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Our 12 Impacts | Provision of Energy

Performance Detail 2008 | continued

Investment in Renewable Technology

Renewable Energy UK	2008	2007
Total generation from renewables (GWh)	542	534
% of total generation from renewables	2.1 %	2.1%

Renewable Energy Obligation UK	2008	2007
Obligation redeemed	(2007/08) 72%	(2005/06) 99%
CHP/renewable electricity supply contracts (TWh)	0.73	0.51

In 2007/8 ScottishPower was required to meet 6.7% of customer energy demand in the UK from eligible renewable sources.

Investment in Clean Coal

We are making major investments in clean coal technologies to extend the life of Longannet Power Station in Fife – the second largest coal-fired power station in the UK. This will enable us to use plentiful, indigenous coal supplies to provide secure and affordable energy, while supporting the Scottish economy.

We are progressing towards completion of a £170 million project to install Flue Gas Desulphurisation (FGD) on three of the stations units to reduce emissions of sulphur dioxide (SO₂) by up to 94%. The Seawater Scrubbing FGD technology works by using seawater's inherent alkaline properties to absorb and neutralise acidic SO₂.

We are also installing Boosted Overfire Air (BOFA) technology that reduces the amount of thermal NO_x formation during the combustion of coal.

We have also been examining the options for achieving further reductions in NO_x emissions at Longannet Power Station, in preparation for meeting the tighter emission limits for NO_x from the end of 2015. A feasibility study has been conducted into fitting Units 1, 2 and 3 with Selective Catalytic Reduction (SCR) technology and an engineering design study is now underway.

ScottishPower is leading a consortium to bid in a Government competition to build the UK's first large-scale Carbon Capture and Storage (CCS) project.

Longannet Power Station will be the venue for the UK's first trial to capture carbon from flue gases, a major step in its bid to become a centre of excellence for CCS. A small-scale Mobile Test Unit (MTU) will arrive on site in spring 2009 to capture a proportion of CO₂ from one of the station's three units that have been fitted with FGD.

The results of the test will support ScottishPower's submission to the UK Government's CCS Competition. For further information, see [Carbon Capture and Storage](#).

New Gas Station

We are planning to build a new 1,000 MW Combined Cycle Gas Turbine (CCGT) power station on a site adjacent to our Damhead Creek Power Station on Kent's Hoo Peninsula.

Public consultation on plans for the £500 million station has started and we hope to submit a planning application to the Department of Energy and Climate Change (DECC) in early summer 2009.

Plans for the new station will ensure that carbon capture technology can be accommodated.

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Our 12 Impacts | Provision of Energy

Performance Detail 2008 | continued

Biomass Power Station

We have commenced works on a new 20-25 MW Biomass Power Station to the west of Longannet Power Station.

The station, which received planning approval in December 2007, will use a mixture of Waste Derived Fuel (WDF) produced at SMW Ltd's Daldowie fuel plant, along with waste wood to generate electricity.

Enabling works began on the site during 2008 and it is expected that the new station will be completed in late 2011/early 2012.

Investment in Hydro

During the year we committed to invest £20 million over two years in our hydro-electric schemes at Galloway and Lanark and at Cruachan pumped storage/hydro power station near Oban. The money will be invested in engineering projects to repair and maintain pipelines, tunnels and dams, as well as upgrading equipment within the power stations.

The investments will help to ensure the power stations continue to operate safely and reliably for the next 25 years.

Participating in UK Nuclear Programme

Our parent company, **IBERDROLA**, has formed a partnership with GDF Suez and Scottish & Southern Energy to participate in the development of new nuclear power stations in the UK. The consortium will also consider the acquisition of assets that will be divested following the completion of the takeover of British Energy by EDF.

New Coal Supply Contracts

The installation of Flue Gas Desulphurisation (FGD) at Longannet Power Station will enable us to use greater volumes of indigenous Scottish coal from 2009.

In July 2008 we signed a five-year agreement with Scottish Coal, which could be worth up to £700 million. It is the largest ever coal supply contract in Scotland.

In January 2009, just outside the reporting period, we signed a further three-year contract with ATH Resource's worth up to £40 million, for the supply of 800,000 tonnes of coal. The majority of this coal will come from ATH's new surface mine in Fife.

The two new deals mean that by 2010, one third of our coal requirement will be met from Scottish sources.

Hatfield Moor Gas Storage Extension

We have started public consultation over plans to utilise an empty natural gas field to store gas, extending our gas storage facilities.

The proposed gas storage reservoir is close to our existing gas storage facility at Hatfield Moor, near Doncaster in Yorkshire.

North Sea gas reserves are in decline and the UK is becoming increasingly reliant on imported supplies of gas. The development of the gas storage facility will enable ScottishPower to store additional supplies and provide flexibility in the supply chain.

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Our 12 Impacts | Provision of Energy

Performance Detail 2008 | continued

Investing in Networks

During the year we invested a record £456 million in upgrading and refurbishing the network.

Major Grid Upgrades

- Commissioned two new substations at Coalburn and Elvanfoot, South Lanarkshire. The project is part of ongoing works to support an increase in the capacity of the Anglo-Scottish power interconnector from 2,200 MW to 2,800 MW by 2010. The upgrade will be vital in strengthening the grid to ensure that the UK as a whole can benefit from renewable energy generated in Scotland
- During the year we worked with colleagues in Scottish & Southern Energy on the design for upgrades to the Beaully-Denny line, which will run from west of Inverness, to west of Falkirk. The upgraded 400 kV power line will be crucial for the transmission of new, renewable energy from the Highlands of Scotland, to Central and Southern Scotland and the rest of the UK. The Beaully-Denny project Public Inquiry process concluded in February 2008 and a decision is expected from the Scottish Government during 2009

Windfarm Connections

During the year we completed grid connections for various windfarms, including ScottishPower Renewables' Whitelee Windfarm, south of Glasgow. Total renewable capacity increased in our area by 388 MW.

Plans for network upgrades to support new windfarms in Dumfriesshire, including a new substation near Beattock, will be the subject of a Public Inquiry.

Other Network Upgrades

During the year we invested £12 million to upgrade underground power cables in the Wishaw area to improve reliability and pave the way for future economic development at Ravenscraig.

We also conducted two major line upgrades in the Scottish Borders, between Kelso and Heiton and Hawick and Morebattle, to provide a robust, more dependable network.

The £1.4 million Hawick to Morebattle upgrade involved replacing 31 km of an old tower line with 297 wooden poles. A more robust specification was used, which will help to reduce the number of supply interruptions due to storms during the winter.

The re-build of the 13 km Kelso to Heiton line also involved the provision of a spur line to Springwood village.

Upgrades were carried out to the electricity network between Stranraer and Barrhill in south west Scotland. More than 200 poles were replaced on the 18 km line. The new line will be better able to withstand high winds that have caused problems on the network in south west Scotland in recent years.

All of these new lines in the south of Scotland have been fitted with technology that enables faults to be isolated with minimal disruption to customers.

We also completed a project to replace two 1.5 km undersea cables in the Dovey Estuary between Aberdyfi and Aberystwyth in Wales, in one of the longest subsea cabling projects in the UK, to safeguard local electricity supplies.

Elsewhere in Wales, we connected the village of Abergeirw to the electricity network for the first time, in time for Christmas.

We continued the roll-out of Network Controllable Points technology, which reduces the length of time it takes to restore supplies to customers after a fault. Major projects were completed in the Cumbernauld, Bonnybridge and Lesmahagow areas during the year.

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Our 12 Impacts I Provision of Energy

Performance Detail 2008 I continued

Supporting Commercial Development

During the year we started work on a project to replace cables between the outskirts of Edinburgh and a major substation that serves the capital's commercial centre.

Due to the density of traffic in the area and the location of the main railway line between Haymarket and Waverley stations, the final lengths of cable had to be laid in a tunnel, which is 23 metres below street level at its deepest point.

We also started work to identify a suitable site for a major new grid supply point to serve the West End of Glasgow, where demand for power has been increasing, and we began early stage scoping of the electricity infrastructure requirements for the Glasgow 2014 Commonwealth Games in Glasgow's East End.

Research Partnership

In June 2008 we formed a research partnership with the University of Strathclyde.

We will provide funding of £150,000 annually to the Department of Electronic and Electrical Engineering, the largest academic centre of electrical power and energy expertise in Europe, to develop new technologies that can be used on our energy networks.

The research will focus on three key areas – power network development, asset engineering and asset strategy – and will seek to deliver network benefits ranging from environmental efficiency to improved system performance.

Network Reliability

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

Working with Customers

Energy Efficiency

Energy efficiency continues to play a major role in managing demand for electricity and gas.

At the end of December 2008 our Energy Retail business had met 57% of its three-year Carbon Emissions Reduction Target (CERT), which runs from April 2008 until March 2011.

CERT is a Government obligation on energy suppliers to achieve targets for reducing CO₂ emissions in homes across the UK. It replaces the previous Energy Efficiency Commitment, under which we achieved energy savings of 14 terra watt hours over three years from 2005 to March 2008.

The savings achieved during 2008 are equivalent to providing insulation in 380,000 homes.

For further information, see the [Climate Change and Emissions](#) impact area.

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Our 12 Impacts | Health and Safety

Overview

The UK electricity industry has improved its health and safety performance significantly since privatisation nearly 20 years ago, with a marked reduction in the number of fatalities and injuries.

We can be proud of that achievement, but we can never be complacent. Good health and safety performance can only happen through continually managing risks, maintaining and operating our plant to high standards, respecting good working practices and reinforcing the shared commitment by our people and contractors to work safely and responsibly.

Health and safety is about ensuring that our people and the general public are as well protected from harm as possible. That simple philosophy is fundamental to a well-run business and a productive workforce.

Some media commentators believe that health and safety at work has gone too far. We in the electricity industry do not believe that to be the case.

Health and Safety statistics for 2007/08, published by the Health and Safety Executive for all UK industries, make sobering reading. In the context of this report, a total of 229 people in the UK were killed at work and there were 299,000 reportable injuries. Across UK industry as a whole, 34 million working days were lost due to accidents or work-related illness – six million working days due to workplace injury and a further 28 million as a result of work-related ill-health.

Clearly, in the UK as a whole, much more can be done to prevent death, injury and ill-health in the workplace. Each one of those statistics represents human suffering.

At ScottishPower we will continue to give health and safety top priority. We believe a positive health and safety culture is enabling, rather than constraining – and that good health and safety performance goes hand in hand with optimum productivity and strong financial results.

Nick Horler, Impact Leader

Our 12 Impacts | 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 Governance

Our Health and Safety Policy is approved by the Chief Executive and complemented by local policies at site level. We measure our performance annually against [12 Health and Safety Standards](#) that are designed to promote world-class performance.

An executive Health and Safety Governance Committee provides executive level focus and drive, and we have a Health and Safety Council, comprising union appointed safety representatives, trade union officials, employee representatives and managers.

Most sites and key departments have health, safety and environment committees, which meet regularly.

Health and safety is integrated into our management processes, including business planning. It is embedded in our business risk and control framework and is one of the key criteria used to measure managers' performance.

Health and Safety Management

A central safety department and occupational health team provides specialist support to the businesses on matters ranging from occupational hygiene to public safety. Several of our businesses and some individual sites have health and safety management systems certified to the Occupational Health and Safety Assurance Standard - OHSAS 18001. Other businesses expect to achieve the standard by the end of 2009.

We continually review our working practices and processes to ensure they remain in line with best practice and to assess new risks that may arise from new areas of business.

Training

Safety training is given high priority, especially for staff requiring 'authorisation' for technical safety-critical roles. We operate two technical training centres and offer a wide range of safety training from NEBOSH (The National Examination Board in Occupational Safety and Health) and IOSH (Institution of Safety and Health) courses, team leadership training, behavioural safety, First Aid and refresher courses on risk assessment. Site-level courses cover a wide range of subjects from working at height and working in confined spaces to electrical safety and defensive driving.

Employee Involvement

We have a network of health and safety committees throughout the company and operate a safety suggestion scheme in several of our businesses to encourage employee contribution and feedback. We have union appointed safety representatives in all businesses, as well as workplace safety co-ordinators.

Public Safety

Public safety is a top priority for ScottishPower. Our network assets are maintained in line with the standard Publicly Available Specification (PAS55) to ensure safety. Our PowerWise award-winning public safety programme works with schools, the general public and groups such as farmers, anglers and the construction industry, to highlight the safety risks of electrical equipment.

Our 12 Impacts | Health and Safety

Approach | continued

Occupational Health

Our Occupational Health team is led by a specialist occupational physician and 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.

All employees can access a free “Wellscreen” health check and consult the occupational health department on a wide range of health issues. Other services offered include physiotherapy and confidential counselling. Larger sites have well-equipped fitness centres and health and wellbeing are promoted through a Wellbeing Programme, with campaigns on a wide range of issues.

Key aspects of our approach include:

- Annual assessment and reporting of management performance within the Group Health and Safety Standards Framework
- Managing occupational health and safety risks through Risk Registers to identify and evaluate potential risks. This is monitored through a comprehensive health surveillance programme
- Investing in Health and Safety training for team leaders to ensure strong leadership on Health and Safety, and involving all employees through training, communication and behavioural safety programmes
- Ensuring robust compliance systems for all stages of work including the design, construction, operation and maintenance of our plant, networks and offices
- Enforcing Health and Safety Golden Rules and strict adherence to health and safety policies such as our Alcohol and Drug Policy
- Enforcing strict Permit to Work procedures, where applicable
- Proactive employee health and safety communications programme including news articles, an annual First Aid competition and a Safety Representatives’ conference
- Benchmarking our performance against similar companies, and communicating our achievements to our stakeholders
- Collaborating with the Health and Safety Executive (HSE) on a programme to promote best health and safety practices on workplace hazards including noise, musculoskeletal disorders and stress
- Supporting consultation and research on industry wide issues, such as electro-magnetic fields (EMF)
- Participating in award schemes, such as the Annual Royal Society for the Prevention of Accidents (RoSPA) and Healthy Working Lives Awards

Our 12 Impacts | Health and Safety

Performance Summary 2008

- Lost time Accidents (LTA's) rate across the company reduced in 2008 for the fifth successive year from 0.51 per 100 employees in 2003, to 0.31 (29 LTAs) – a reduction of 20% over five years
- No fatalities on our sites or to members of the public as a result of our operations
- Established a new Company Health and Safety Governance Committee to provide additional senior management focus on health and safety
- Established a new Company Health and Safety Council, comprising employee and trades unions representatives, full-time union officials and ScottishPower management
- PowerWise, our children's safety education programme won two major awards – the Utility Industry Achievement Award for Community Initiative of the Year and Best Health and Safety Achievement in a Utility by the Safety & Health Practitioners/Institution of Occupational Safety and Health
- Announced plans to develop a new policy for preventing occupational hazards across all companies in the group
- ScottishPower was awarded the Healthy Working Lives Gold Award (formerly the Scotland's Health at Work Awards)
- Longannet Power Station's Flue Gas Desulphurisation project was selected by the National Joint Committee for the Engineering Construction Industry for its Safety in Engineering Construction Award
- Gained various RoSPA (Royal Society for the Prevention of Accidents) Awards including:
 - Silver Award (Shoreham Power Station)
 - Gold Award (ScotAsh joint venture)
 - Two prestigious President's Awards (Rye House Power Station and the Energy Wholesale Business)
- Fleet business won RoSPA's top award for Managing Occupational Road Risk

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

Reportable Injuries	2008	2007	2006/07	2005/06
Reportable Injuries	18	24	24	17
Fatal Injuries	0	0	1	0
Work related diseases	3	9	2	9
Dangerous Occurrences	14	6	1	n/a
Enforcement actions	0	0	1	0

Our 12 Impacts | Health and Safety

Performance Summary 2008 | continued

Targets

Performance Targets 2008	Outcome
Establish a set of unified indicators that will allow appropriate monitoring of OHS results in each company and business, as well as analysis/comparison between them	OHS metrics agreed by required date and exchanged throughout 2008
All ScottishPower businesses to produce project plans to attain and maintain OHSAS 18001 standard for health and safety management	Preparations for ScottishPower businesses to obtain/maintain OHSAS 18801 in progress
Reduce ScottishPower's annual accident rate of 4% average over the past 4 years	Achieved – LTA in 2008 was 26% below target
Define an action plan to control and avoid any risks related to asbestos.	Asbestos Plan completed and submitted
Review ScottishPower Health & Safety Governance arrangements and define a plan to establish guidelines and procedures to optimise each business OHS operating Plan	Executive Health & Safety Governance Committee arrangements approved by ScottishPower Executive Team
All ScottishPower businesses to implement and achieve 95% of their individual Health & Safety Plans	Energy wholesale = 100%, Energy Networks = 95% and Energy Retail = 95%
Document ScottishPower businesses 2008 Health & Safety Plans using the IBERDROLA template and identify common objectives	Business plans submitted in approved format
Prepare plans and management procedures for IBERDROLA group wide best practice health and safety standards	Proposals agreed for 2009 best practice standards

Performance Targets 2009

- A 2% reduction in lost time accident rate equal based on the average of the past four year rate which equates to a target of 0.36 LTA's per 100 employees
- All ScottishPower businesses to attain and maintain OHSAS 18001 standard for health and safety management
- The transfer of agreed best health and safety practices between ScottishPower and IBERDROLA Spain
- Completion of business health and safety annual plans

Our 12 Impacts | Health and Safety

Performance Detail 2008

Health Monitoring

Work related ill-health can emerge over many years and is often referred to as the “slow accident.” At ScottishPower we aim to prevent job-related ill-health through a programme of preventative measures and health surveillance. Several years ago our occupational hygienists conducted an evaluation of the potential health risks involved in 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 2008 we conducted health monitoring of 2,628 employees on the occupational health risk register.

Occupational health and wellbeing

Our occupational health department provides a comprehensive service, including health surveillance, treatment, preventative medicine through health campaigns, voluntary wellscreen health checks, and measures such as flu jabs and counselling, and the promotion of wellbeing. We also offer rehabilitation and support for employees returning to work after illness or injury.

The service appointments provided in 2008 were:

Pre-employment assessments	1,059
Management referrals	3,244
Self-referrals	734
Health Surveillance	2,628
Physiotherapy	3,789
Counselling	2,084
Voluntary health and lifestyle screening	569

Total appointments **14,107**

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 company and each year we hold an internal First Aid competition. The Annual First Aid Conference and Competition was held at our Dealain House Training Centre in January 2008. It was attended by 120 First Aiders and provided an opportunity for the first aiders to gain new information and refresh skills on the treatment of injuries and medical emergencies in the workplace.

Health and Safety Standards

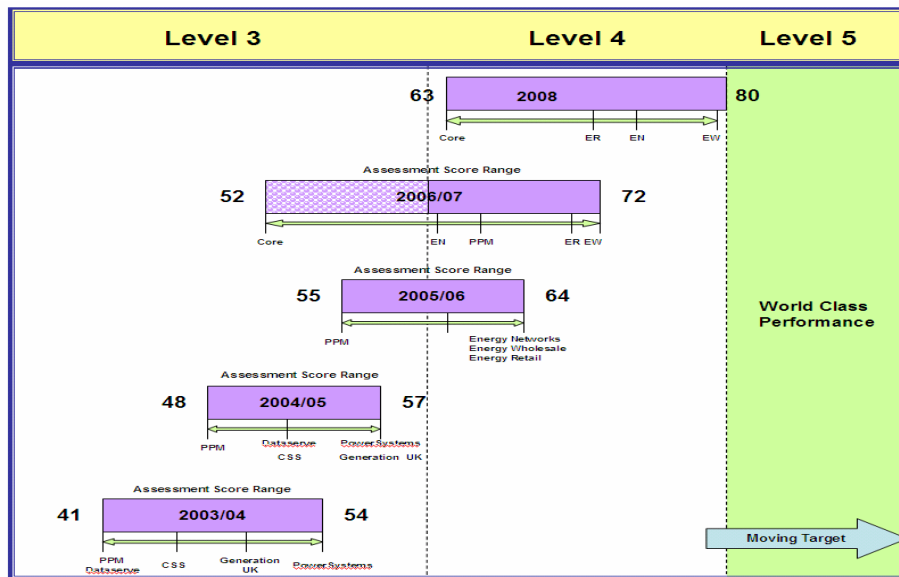
Our Health and Safety Department makes an annual assessment of each of our businesses against the company's 12 Health and Safety Standards. The results are used to drive management plans and objectives within the businesses and the reports have provided a strong impetus for continuous improvement in health and safety performance.

Achieving Level 4 (60-80%) is considered to be a strong performance and Level 5 (80% or above) is moving towards world class. Specific health and safety auditing and inspections are undertaken regularly by the businesses, as part of their health and safety management systems.

Energy Networks have been conducting a rigorous programme of audits of field operations for the last four years. Over that period they have reduced the monthly average of findings deemed “unsatisfactory” from 7% in 2005/06 to 1.6% in 2008.

Our 12 Impacts | Health and Safety

Performance Detail 2008 | continued



A summary of the assessment against the company's Health and Safety Standards is shown in the table below.

Standard	EN	ER	EW	Core	SPBP
	2008				
1. Leadership	81.7%	79.1%	85.4%	80.2%	85.4%
2. Employee Involvement	71.4%	64.0%	77.1%	61.6%	77.1%
3. Risk Management	72.2%	74.8%	80.1%	62.6%	80.1%
4. Training & Competence	75.8%	71.8%	80.2%	63.1%	80.2%
5. Occupational Health	70.6%	67.8%	79.3%	56.6%	79.3%
6. Information & Communication	80.4%	79.2%	88.5%	69.1%	88.5%
7. Rules & Procedures	78.1%	73.4%	80.2%	69.9%	80.2%
8. Contractor & Supplier Safety	77.5%	68.9%	87.9%	58.9%	87.9%
9. Accident Investigation & Analysis	79.3%	62.2%	78.4%	55.8%	79.3%
10. Change Management	40.5%	58.0%	50.5%	42.5%	58.0%
11. Public Safety & Stakeholder Relationships	81.9%	78.9%	70.7%	54.8%	81.9%
12. Audit & Review	77.0%	71.8%	91.4%	77.0%	91.4%

Public Safety

We continued to conduct public safety campaigns during the year with a particular focus on children, through our award winning PowerWise programme. This consists of health and safety education in schools, supported by visits to custom built safety centres in Flintshire, North Wales and The Risk Factory in Edinburgh.

In addition, our Galloway Hydro-electric scheme hosts safety based visits for schools at its visitor centre at Tongland power Station in Kirkcudbright (by appointment only) and released a safety DVD during the year focusing on water safety.

Although children are our main focus, we also run safety campaigns aimed at others, such as construction and agricultural workers and sporting groups, such as anglers.

Our 12 Impacts | Health and Safety

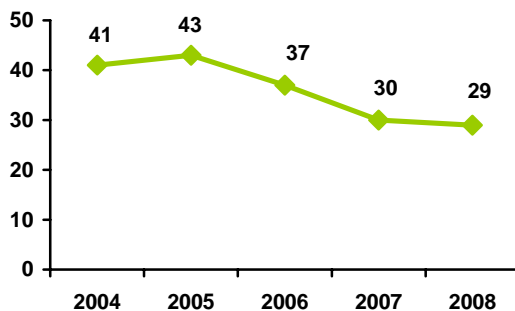
Performance Detail 2008 | continued

Just over a year ago we stepped up measures to prevent thieves from breaking into electricity substations to steal copper cables. This dangerous activity creates serious risks of electrical injury – which can be fatal. We have worked with the police to increase patrols at substations and rolled out the use of SmartWater on our equipment, which creates a unique and permanent mark that is visible under UV light, as a further deterrent to thieves. For further information on Public Safety, see our [Community](#) impact area.

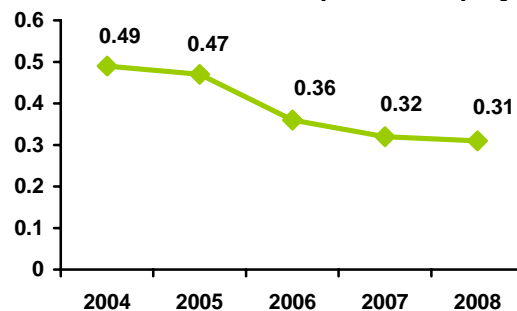
Lost Time Accidents

There were 29 Lost Time Accidents (LTAs) during 2008 – compared to 30 in calendar year 2007. LTA rates are based on all accidents resulting in lost work time (as distinct from the RIDDOR reportable injuries > 3 days).

Actual lost time accidents



Lost time accident rate per 100 employees



The LTA rate of 0.31 per 100 employees continues the downward trend of recent years.

RIDDOR rate (per 100 employees) comparison

ScottishPower	0.19
UK Electrical Utility Industry	0.50
UK All Industry	0.41

ScottishPower outperformed the UK electricity sector and UK industry as a whole, by a significant margin. A campaign was launched during 2008 to focus efforts on preventing and eliminating slips, trips and falls.

There were no fatalities at our sites or to members of the public as a result of our operations during 2008.

However, in January 2009, just outside the reporting period, there was a serious incident at Rye House Power Station, when three contractors were injured – one very seriously – following an escape of hot water from the boiler feed system.

We are conducting an internal inquiry and cooperating fully with the Health and Safety Executive and the police as they conduct their investigations. We will report publicly on the outcome of those investigations and any additional measures or safeguards we intend to introduce to prevent a similar incident occurring in future.

Behavioural Safety

Behavioural safety programmes have played a significant role in helping to reduce the number of accidents and injuries within the business and maintaining high levels of safety awareness among employees and contractors.

Our Energy Wholesale business pioneered behavioural safety, launching its “Focus on Health & Safety” programme in 2003. 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 use STOP risk assessments – the Safety Training Observation Program, using STOP cards – a pro forma checklist, while smaller locations use similar behavioural auditing techniques, but in a less formal way.

Behavioural safety programmes have now been rolled out in Energy Networks and Core, while Energy Retail launched behavioural safety techniques in its field operations, mainly for meter readers, during 2008.

Our 12 Impacts | Health and Safety

Performance Detail 2008 | continued

Process Safety

Following the collapse of a coal conveyor at Longannet Power Station in January 2007, we adopted a renewed focus on asset management to ensure plant safety and to protect its operational integrity. Energy Networks has achieved PAS55 accreditation for asset management and Energy Wholesale is on course to meet the standard by spring 2009. New systems are being installed, to provide engineering managers with a much better and clearer overview of the plant and its condition.

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 Energy Networks and workplace stress with Energy Retail.

Workshops on each of these areas were held at our annual Health and Safety conference in 2008.

Absence / lost days

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

Business	2008 %	2008 Days/person*	2007 %	2007 Days/person
Energy Wholesale	2.4	6.3	2.1	4.8
Energy Networks	3.5	9.3	3.3	8.8
Core	3.5	9.1	3.2	8.6
Energy Retail	6.8	17.7	6.5	17.2
Corporate	2.8	7.4	3.5	9.1
ScottishPower	4.8	12.7	4.8	12.3

* Increase may be due to improvements in data collection during 2008

During the year our businesses continued to support employee attendance through various initiatives and Occupational Health helped employees with return to work programmes after long-term absence through ill-health.

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

(CBI AXAPPP Workplace Absence Survey 2006)

Employee Engagement

We have a network of Safety Coordinators across the company, as well as 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 Health & Safety conference in 2008 was held in two venues – our Dealain House (Scotland) and Hoylake (England) training centres – bringing identical events to over 200 people, including Safety Reps, Safety Coordinators and management representatives from across the company.

Personal Safety and Safety Communication

Effective communication on health and safety issues is crucial to employee engagement. We communicate on health and safety through numerous channels, including team briefs, our intranet site, health and safety newsletters and a monthly double-page spread in the company newspaper, *ScottishPower News*.

During the year we rolled out plasma screens that will be used to convey important safety information at our power stations and launched a new Wellbeing intranet site.

Our 12 Impacts | Health and Safety

Performance Detail 2008 | continued

External Engagement

Participation in Industry Bodies

We have good working relationships with the national health and safety authorities and many of our health and safety practitioners participate in professional bodies including the Electricity Industry Occupational Health Advisory Group, British Occupational Hygiene Society, Institution of Occupational Safety and Health, Royal Society for the Prevention of Accidents and the Society of Occupational Medicine.

The Occupational Health Department sponsors the British Occupational Health Research Foundation, which undertakes research to derive evidence-based guidance for occupational health practice.

Governance and Consultation

During the year we established a new Executive Health and Safety Governance Committee, Chaired by the Managing Director of Energy Networks, to provide additional senior management focus on health and safety.

We also established a new Company Health & Safety Council, comprising employee and trades unions representatives, full-time union officials and management. The council held met twice in 2008, during May and November.

Health & Safety Management Systems

We remain committed to obtain and maintain certification to OHSAS 18001 for health and safety management systems in all business units. In some cases certification of a whole business has been most appropriate, such as in Energy Networks and Core, which undertake national field operations.

However, In the Energy Wholesale and Energy Retail businesses, which have more diverse operations, a site-based approach to certification has been adopted.

Around half of the businesses/sites have achieved certification to OHSAS 18001 and the remaining businesses/sites are on course to achieve certification by end 2009.

IBERDROLA group Policy on Prevention of Occupational Hazards

ScottishPower continued to work with IBERDROLA colleagues to improve health and safety across the group.

One area being considered is the implementation of a group wide policy on the prevention of occupational hazards.

The new policy, which will be aimed at offering the highest possible levels of protection for employees, will cover the areas such as:

- Compliance with legal and company health and safety standards
- Assessment and control of work-related risks to prevent injury and disease
- Systematic health assessments and safe working environments
- Monitoring the effectiveness of health and safety controls
- Obtaining and maintaining OHSAS 18001 accreditation for health and safety management
- Integrating health and safety into all aspects of operations
- Promoting safe behaviours and providing safety training
- Encouraging employee involvement in prevention processes
- Contractor health and safety requirements
- Close collaboration with the health and safety authorities

Several exchange visits took place during the year between ScottishPower health and safety professionals and IBERDROLA colleagues in Spain with a view to sharing best practice and establishing common systems and approaches, where practicable.

Our 12 Impacts | Customer Experience

Overview

Energy prices continued to dominate the headlines in 2008, as prices to customers not protected by capped price deals rose on average by 45-50%, reflecting sharp hikes in the wholesale costs of oil, gas and coal.

UK energy suppliers were forced to increase prices to customers to cover the rising cost of gas and coal, which shot up by 65% and 45% respectively, between February and August 2008.

Rising energy prices, combined with higher food and living costs and reduced access to credit, made 2008 a challenging year for householders and small businesses.

Energy suppliers, including ScottishPower, launched a series of measures designed to help both vulnerable and ordinary customers. These are outlined in the Approach section of the Customer Experience impact area and in the Customers with Special Circumstances impact area, which sets out our policies and actions on fuel poverty.

Despite a difficult year, gas and electricity prices in the UK (at November 2008) were the fourth and fifth lowest, respectively, in Europe, despite the relative weakness of the pound to the Euro. [Source: House of Lords debate]

Ofgem, the energy industry regulator, completed a review of the UK energy markets in 2008, including pricing, following allegations of a cartel between the UK's six main energy suppliers.

The regulator concluded, after thorough investigation, that there was no evidence of prices increasing by more than could be justified by rising wholesale costs, or of the time lapse between wholesale price movements and tariff changes to customers being longer when prices are falling than when they are rising.

Ofgem was satisfied that there is no pricing cartel operating and also found that the level of customers actively switching supplier to obtain the best deal was among the highest of any retail energy market in the world.

Switching rates compare well with other retail services in the UK such as fixed and mobile telecommunications, insurance products and mortgages.

Following its market probe, Ofgem published a set of 20 recommendations, which it believes will improve the customer experience in the energy supply market.

It is consulting suppliers on the proposed reforms which include pricing structures, the information shown on the bill, the potential preparation of an annual statement for every customer and the roll out of smart meters that provide customers with 'real time' information on their energy use.

Another change in 2008 was the merger of industry consumer champion, energywatch, with the UK's consumer councils and Postwatch, to form a new customers' rights organisation, Consumer Focus. Part of energywatch's former remit in resolving complaints or disputes between energy suppliers and customers has also been taken over by Consumer Direct. Throughout 2008 ScottishPower liaised with frontline agencies to help during the transition period, providing direct access to specialist staff in order to help vulnerable customers.

During the year the Government increased the amount of money energy suppliers will spend on customer energy efficiency programmes through the Carbon Emissions Reduction Target (CERT) by 20%, taking funding to almost £4 billion from 2008-2011.

In the 2008 Budget the Chancellor announced an increase in suppliers' collective expenditure on their voluntary social programmes to at least £150 million a year by 2011. This expenditure can be directed at areas including social tariffs, rebates or trust funds which provide direct assistance to customers in, and vulnerable to, fuel poverty.

The Government also pledged that every home in Britain would benefit from smart metering technology by 2020 – helping to reduce carbon emissions and fuel bills.

Willie MacDiarmid, Impact Leader

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, offering a range of energy packages, product innovation and competitive pricing.

We have 5.4 million electricity and gas customers and provide network connections for 3.5 million customers in our home territories of south and central Scotland, Merseyside, Cheshire and north Wales.

The utility sector generally has not been recognised for its great service in recent years so, in 2008, we have put a major effort into making improvements.

We continue to measure customers' opinions of our service, compare our performance with other energy suppliers / network operators, and use feedback from customers to make improvements.

Our approach includes:

- Offering a range of products and payment options to suit customers' needs, including Prepayment, Online, PriceSure (fixed price until January 2010) and Green Energy deals
- Maintaining UK Call Centres (including a Welsh language centre) and investing in staff training to ensure high levels of knowledge
- Investing in our electricity networks to reduce the number and duration of interruptions to customers' electricity supplies, particularly in rural areas
- Encouraging customers who are having payment difficulties to tell us, so that we can help
- Promoting free energy efficiency services as widely as possible to help customers reduce their energy bills
- Urging customers to take the "ScottishPower Savings Challenge" to ensure they are on the best package for their needs
- Protecting vulnerable customers through a Social Tariff, that includes discounted energy prices, energy efficiency measures and benefits entitlement checks
- Making major investment in home energy efficiency measures, with local authority and social housing partners through Community Energy Partnerships, Warm Zones and other initiatives
- Establishing a specialist Vulnerable Customer team, following stakeholder feedback, to work alongside groups such as Citizens Advice Bureau, Energy Action Scotland, National Energy Action and other organisations that help people in fuel poverty
- Striving to achieve accurate customer bills based on actual meter readings and reviewing direct debit account payments regularly to avoid a build up of debt
- Continuing to ensure our Prepayment tariffs are set below our standard quarterly tariffs
- Relocating Energy Networks' call centre staff to the same building as emergency control room staff to improve communication and achieve speedy resolution of faults
- Embedding zonal working in Energy Networks to improve response times to incidents on the network
- Conducting customer attitude surveys and acting on the results to make improvements
- Rapid roll out of key meters, helping to ensure customers on prepayment are paying the right amount more quickly after price increases or reductions, or after paying off debt

For more information on our approach to vulnerable customers and fuel poverty, see our [Customers with Special Circumstances](#) impact area.

Our 12 Impacts | Customer Experience

Performance Summary 2008

Customer Satisfaction

- Achieved highest satisfaction rating for online energy service in the market in a uSwitch survey for the third consecutive year – and ranked third overall for customer satisfaction in the sector
- Ranked second UK gas supplier for customer satisfaction in J.D. Power and Associates survey
- We were ranked second of the big 6 suppliers in a Which! Survey conducted in November and December 2008

Quality of Supply – Energy Networks Performance

- Significant investments in the electricity network, increased automation and faster response to network faults have shown continued improvements in the reliability of supply to our customers.

Customer Minutes Lost

	Change in the period	2007/08	2006/07
SP Distribution	-22%	60.6	77.5
SP Manweb	-13%	54.7	62.7

Customer Interruptions

	Change in the period	2007/08	2006/07
SP Distribution	-10%	58.6	64.9
SP Manweb	-7%	43.1	46.1

These are the latest figures available from Ofgem

Customer Numbers

At December 2008 we had 5.43 million electricity and gas customers, an increase of 4% on the previous year. The number of customers signed up for our online energy service grew by 36% on 2007 to 919,790.

Acting on Fuel Poverty

- Donated a further £1 million to the fuel poverty charity, the ScottishPower Energy People Trust, taking funding to date to £5 million
- Introduced new social tariff, Fresh Start, for vulnerable customers in December 2008
- Laid the groundwork for the launch of a new Vulnerable Customer team, to bring together the company's expertise and provide a single point of contact for vulnerable customers and the agencies that help them

Energy Efficiency

- Met 57% of three-year Carbon Emissions Reduction Target (CERT) through customer energy efficiency programmes
- Launched a new customer environmental website dedicated to energy efficiency and green energy: www.scottishpowergreen.co.uk

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.
- Achieved the roll-out of nearly 300,000 key meters, allowing a faster response to the amount prepayment customers pay following price changes or the clearance of a debt

Green Energy

- Celebrated the 10th anniversary of our Green Energy Trust
- Signed a major green energy deal with Debenhams to supply their 178 UK properties

Our 12 Impacts | Customer Experience

Performance Summary 2008 | continued

Targets

Performance Targets 2008	Outcome
A 10% improvement in customer feedback against the Voice of the Customer (VoC) research question "How would you say the way staff handled your enquiry has influenced your perceptions of ScottishPower".	Target improvement not achieved, with lower satisfaction levels attributed to industry wide price increases across the energy sector.
To achieve a further 20% reduction in complaints being escalated to energywatch and the ombudsman	Energywatch changed over to Consumer Direct and Consumer Focus at end of September 2008 and at that stage we were on track to achieve the 20% reduction target.
To meet quality of supply targets set by Ofgem	Customer Interruptions target achieved across Energy Networks. Although the Customer Minutes Lost target was not quite achieved, there is a continued improvement observed from the previous year

Performance Targets 2009

- A 10% improvement in customer feedback against the VoC research question "How would you say the way staff handled your enquiry has influenced your perceptions of ScottishPower"
- To achieve a 20% reduction in customer complaints being escalated to Consumer Direct
- To meet quality of supply targets set by Ofgem

Our 12 Impacts | Customer Experience

Performance Detail 2008

Customer Satisfaction

uSwitch

We were ranked top for online services for the third successive year in an independent survey of UK energy suppliers conducted for consumer organisation uSwitch in September 2008. In the same survey, we were ranked third, scoring 60.6% for overall customer satisfaction in the UK energy supply sector.

Voice of the Customer

To provide the best customer experience we can, we ask our customers what they think about the service we provide through regular Voice of the Customer (VoC) surveys. We then use the results to drive improvements in our business.

The research involves interviews with approximately 2,000 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 51 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, 23 have remained steady over the last year, 22 have declined and six have shown improvement.

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

Energy Retail Customer Complaints

During the year the consumer organisation energywatch was disbanded and replaced with two new organisations – Consumer Direct and Consumer Focus.

Consumer Direct is a Government-funded, online and telephone advisory service that provides impartial advice to energy customers. If a customer has a complaint that is not being resolved to their satisfaction, Consumer Direct can raise a formal referral to their energy supplier.

Consumer Focus was formed by the merger of the National Consumer Councils, energywatch and Postwatch and has strong new legislative powers. These include the right to investigate a consumer complaint if they are of wider interest, the right to request information from energy suppliers, the power to conduct research and the ability to make an official super-complaint. Much of Consumer Focus' work will be on behalf of customers who face the threat of disconnection.

As a result of the changeover from energywatch to the new consumer organisations, complaint figures are only available until September 2008. The energywatch complaints figures at the end of the nine month period, for direct selling and transfers per 1,000 transfers and account and billing per 1,000 customers all showed a reduction.

- Direct Selling complaints per 1,000 transfer dropped from 0.0150 (2007) to 0.0000 (to September 2008)
- Transfer complaints per 1,000 transfers reduced significantly from 0.14 (2007) to 0.048 (to September 2008)
- Account and Billing complaints per 1,000 customers reduced significantly from 0.019 (2007) to 0.005 (to September 2008)

For further information on our performance, see the [Consumer Focus](#) website

In addition, new standards for complaint handling among UK energy suppliers were introduced by the regulator, Ofgem.

6 Sigma Award

ScottishPower Energy Retail enjoyed a hugely successful evening at the ninth annual International IQPC Process Excellence Awards in winning three out of the seven award categories. They won:

- Best Design for Six Sigma Project - Final Debt Reduction
- Best Project Contributing to Innovation - Long Term Vacants
- Best Improvement Programme - Energy Retail Business Transformation

Our 12 Impacts | Customer Experience

Performance Detail 2008 | continued

J.D. Power and Associates

We were ranked second for gas and fourth for electricity in the J.D. Power and Associates 2008 survey of UK energy suppliers, an improvement on our position in 2007.

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.

Action on Bogus Callers

During the year we worked with police in Strathclyde and Sussex by sharing with them information on how customers can guard against bogus callers, who prey on vulnerable people in their own homes. For further information, see our Customers With Special Circumstances impact area.

Energy Networks Performance

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

Improvements were achieved in both areas during the year, despite several severe storms. This reflects the investment we have made in our networks to make them more robust and better able to withstand storms. Investments such as; the installation of equipment that can enable certain faults to be restored remotely from our control centres at Kirkintilloch and Birkenhead and other devices including the roll-out of satellite navigation and vehicle tracking devices to frontline operational staff, to ensure they are equipped to respond to faults quickly.

A Network Controllable Points (NCP) project started three years ago, selects circuits and puts intelligent automatic re-closers 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.

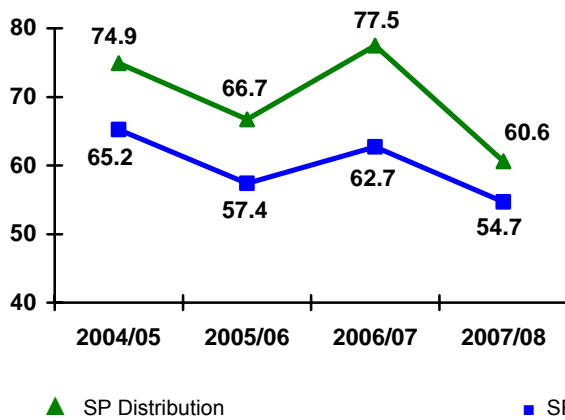
The move to Zonal working, where teams of customer service agents and engineers work together locally to provide services to specific geographical zones also helped to improve our response to faults during 2008.

Our £4 million annual investment in tree management alongside 6,500 km of overhead lines was also a factor in our improved performance – there has been a 90% reduction in tree-related power disruption over the last five years.

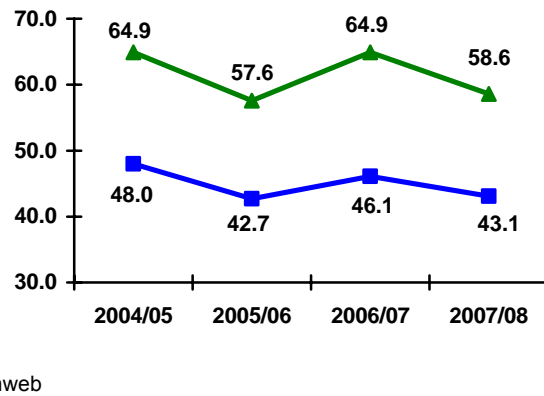
Our 12 Impacts | Customer Experience

Performance Detail 2008 | continued

Customer Minutes Lost



Customer Interruptions



As a result of increased training and commitment to proactively address customer issues, complaints to the independent consumer watchdog energywatch relating to our Energy Networks business dropped dramatically to 5 during calendar year 2008, from 67 in 2007

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

Energy Efficiency

During the year the Energy Efficiency Commitment (EEC2) – an obligation on suppliers to achieve energy savings through customer energy efficiency programmes – was replaced by the Carbon Emissions Reduction Target (CERT) programme.

CERT came into effect on 1 April 2008 and will run until 2011. It is an obligation on energy suppliers to achieve targets for reductions in carbon emissions in homes across the UK.

In September the UK's six major energy suppliers, including ScottishPower, agreed to the Government's plans to increase the initial investment in the CERT programme by 20% between 2008 and 2011. This amounted to an extra investment of £560 million across the industry – a total energy efficiency spend of almost £4 billion over three years.

Before the changeover to CERT, we had met our EEC2 target of achieving 14 Terra Watt Hours of energy savings by 31st March 2008 a full year early. We were able to carry forward our additional savings to CERT and, as at the end of 2008, we had met 57% of our three-year CERT target, or 48% of our 2011 target, taking the extended programme into account.

The energy efficiency measures we have carried out includes loft and cavity wall insulations, the installation of energy efficient boilers and the distribution of low energy light bulbs.

A high proportion of our energy efficiency work is targeted at priority groups, such as older people and those on low incomes.

Over the three years of CERT we will spend approximately £240 million on making customers' homes more energy efficient and saving CO₂ emissions.

In addition to CERT, our generation and supply businesses will be funding the Community Energy Savings Programme (CESP), which is designed to lift households out of fuel poverty through energy saving measures and advice. For further information, see our Customers With Special Circumstances impact area.

During the last year we have:

- Insulated 89,532 cavity walls and 67,587 lofts
- Given out more than 6.6 million energy efficient light bulbs

Our 12 Impacts | Customer Experience

Performance Detail 2008 | continued

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.

Vulnerable Customer team

During the year we laid the groundwork for the launch of our new Vulnerable Customer team, which provides a single point of contact for vulnerable customers and the agencies that help them. For further information, see [our Customers With Special Circumstances](#) impact area.

Product choice

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

In December 2008 we launched a new social tariff, Fresh Start, which combines lower prices, debt assistance energy efficiency advice and measures and income maximisation – see our [Customers with Special Circumstances](#) impact area for further information.

We offer a complete online energy service – which has been rated first in the UK sector in three consecutive uSwitch surveys. In addition, customers who prefer to receive a paper bill through can still make payments or send us meter readings online.

We continue to offer Capped Price products to customers to provide the certainty and 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. In 2008, ScottishPower supplied 1.7 TWh of green energy to business customers.

During the year we secured a major commercial green energy deal with Debenhams to supply their 178 UK properties with green energy.

ScottishPower is developing a number of propositions aimed at helping our business customers save energy. We have been discussing potential solutions and business models with a sample of our customers to ensure our response meets their needs.

The ScottishPower Green Energy Trust committed a further £232,809 in funding during the year towards 20 small scale renewable energy projects, including mini wind turbines, ground source heat pumps and solar panels.

The Green Energy Trust celebrated its 10th anniversary on World Environment Day in June. Since its launch, the Trust has granted funding totalling £1,126,231 to 108 projects. For more information on the ScottishPower Green Energy Trust, visit their website at www.scottishpowergreentrust.co.uk

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

During the year we also launched a new customer environmental website dedicated to energy efficiency and green energy: www.scottishpowergreen.co.uk

Our 12 Impacts | Customer Experience

Performance Detail 2008 | continued

Price and Value

There were two price increases during the year, as a result of the rising wholesale costs of coal and gas. However, by the end of 2008, wholesale prices fell back a little and we put plans in place to reduce prices to customers. This was implemented, just outside the reporting period, in February 2009.

During the year we stepped up our efforts to help customers mitigate price increases by encouraging them to switch to more competitive tariffs, such as dual fuel direct debit, online energy and capped price offers.

We continued efforts to educate customers about the benefits of energy efficiency measures through our mainstream advertising and customer communications.

In addition, customers on our priority services register were given a rebate of £85 in December.

We have maintained prepayment prices at levels below standard quarterly tariffs for a number of years now. During 2008 we accelerated the roll-out of modern key meters, which can be set remotely – allowing a faster response to the amount prepayment customers pay following price changes or the clearance of a debt.

This avoids a build up of debt due to delays in implementing price changes, or ensures the customer is not over-paying for their energy by reducing regular collection payments once a debt has been cleared.

Our 12 Impacts | Climate Change and Emissions to Air

Overview

During 2008, the UK adopted a leading position on climate change by becoming the first country to introduce a legally binding vehicle to reduce greenhouse gas emissions, through the Climate Change Act.

The Government also established the Department of Energy and Climate Change, with three overall objectives: to ensure secure, affordable and efficient energy; to bring about the transition to a low-carbon Britain; and to achieve an international agreement on climate change at Copenhagen in December 2009.

Climate Change Committee

The Committee on Climate Change (CCC) is an independent body established under the Climate Change Act to advise the UK Government on setting carbon budgets, and to report to Parliament on the progress made in reducing greenhouse gas emissions.

The UK Government has acknowledged the recommendations of Lord Turner's Climate Change Committee (CCC), set out in their report of December 2008, aiming to reduce greenhouse gas emissions by 80% on 1990 levels by 2050 and to substantially decarbonise the electricity system by 2030. The cuts will be achieved by setting a system of five-year carbon budgets, the first of which will be announced in June 2009. Government will also publish policies and proposals to meet the carbon budgets during summer 2009. The Scottish Government is pursuing its own Climate Change (Scotland) Bill that could see the introduction of a statutory target to reduce Scotland's greenhouse gas emissions by 80% by 2050, with an interim target of 50% emissions reductions by 2030.

European Agreement

At European level, leaders reached agreement in December 2008 to reduce greenhouse gas emissions by 20% by 2020, compared with 1990 levels. This may be increased to 30% via future international agreements.

It is hoped that a global agreement on climate change can be reached at the United Nations Climate Change Conference in Copenhagen, which will bring together 200 world leaders in December 2009.

During 2008, Phase II of the EU's Emission Trading Scheme came into force.

The UK Government auctioned four million carbon allowances, raising £54 million towards carbon capture and storage projects. Further auctions under the Emission Trading Scheme (ETS) are planned for 2009. Long-term emission reduction targets have also been set for the energy sector at EU and UK level.

Low Carbon Generation

Progress was made with the short-listing of three bids aiming to build a UK carbon capture and storage facility on an unprecedented scale. ScottishPower is at the forefront of a consortium aiming to construct such a facility at Longannet Power Station. In the Government's Budget 2009, it was announced they were developing "a new and more ambitious" CCS policy including the intention to fund up to four CCS demonstrations and supporting companies in the current competition to undertake detailed preparatory studies.

There are also two European Union wide initiatives on carbon capture and storage (CCS). The first initiative to demonstrate 5 CCS plants is to be funded by money from the European Union Economic Recovery Plan. The second initiative will see partial funding of 10-12 CCS projects funded from EU ETS allowances.

The UK Government is supportive of new nuclear power stations as a key component of a low-carbon energy portfolio. Most of the UK's energy companies, including ScottishPower, are currently evaluating the opportunities that could be presented by new nuclear installations.

During 2008, the UK overtook Denmark in becoming the world's leading operator of offshore wind. Offshore wind could provide up to 25,000 MW of energy by 2020.

Our 12 Impacts | Climate Change and Emissions to Air

Overview | continued

Energy Efficiency

During the year the Government also announced support for the deployment of “smart meters” that will encourage householders and small businesses to use energy much more efficiently.

Obligations on energy companies to fund energy efficiency programmes through the Carbon Emissions Reduction Target (CERT) programme were also increased by 20%, taking funding to almost £4 billion from 2008-2011.

Separately, a new Community Energy Saving Programme (CESP) to support energy efficiency projects at a local level was announced by the Government. The £350 million cost will be shared between energy suppliers and generators. CESP aims to deliver CO₂ savings, while helping some of the UK's poorest communities achieve savings on their fuel bills.

In addition a new mandatory emissions trading scheme, called the Carbon Reduction Commitment (CRC,) aims to reduce carbon emissions in large non-energy intensive organisations by 1.2 million tonnes of carbon per year by 2020.

The EU has agreed an Action Plan for Energy Efficiency which will run up to 2012. The objective of the Action Plan is to control and reduce energy demand and to take targeted action on consumption and supply in order to save 20% of annual consumption of primary energy by 2020. This objective corresponds to achieving approximately 1.5% saving per year. In order to achieve these energy savings, energy-efficient techniques, products and services must be developed and consumption habits must be changed so that less energy is used to deliver desired quality of life.

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 creating returns for investment and maintaining secure energy supplies and affordable prices for customers.

Our approach to reducing CO₂ and other emissions combines a transition to cleaner thermal generation, and a major commitment to customer energy efficiency programmes.

Conventional Generation

Clean Coal: We believe low-carbon coal generation will have a key role to play in providing secure, sustainable and affordable base load power for the future. We are leading a consortium that is submitting a bid to the UK Government to secure funding for the UK's first commercial-scale carbon capture and storage demonstration project at Longannet Power Station.

The ScottishPower led consortium plan to install technology on two of Longannet's four units to extract CO₂ from the flue gases, liquefy it and transport it via an existing pipeline for secure storage beneath the North Sea. For further information, see [Carbon Capture and Storage](#).

We are utilising technologies such as Flue Gas Desulphurisation (FGD) at Longannet to substantially reduce emissions of Sulphur Dioxide (SO₂). We use Boosted Overfire Air techniques to reduce emissions of the oxides of nitrogen (NOx) at Longannet and Cockerzie and Low NOx burners at Longannet and all our gas stations. In addition, we are evaluating a Selective Catalytic Reduction (SCR) process in readiness to meet future limits on emissions of NOx.

Nuclear: Through our parent company, **IBERDROLA**, we have formed a joint venture with GDF SUEZ and Scottish & Southern Energy to pursue the development of new nuclear power stations in the UK. The partnership will also seek to purchase divested assets, if appropriate. Nuclear energy has played a pivotal role in meeting base load energy demand for decades and will continue to be important in securing sufficient low-carbon electricity to meet customer demand.

Renewable Energy: **IBERDROLA** is the world leader in renewable energy with more than 9,300 MW of renewable generation worldwide.

ScottishPower Renewables (SPR) is the largest developer, owner and operator of windfarms in the UK. SPR operates around 500 MW of renewable capacity – including Whitelee Windfarm which, on completion in Spring 2009 will be Europe's largest windfarm at 322 MW.

SPR is delivering many onshore wind projects of various sizes and is actively engaged in offshore wind projects, as well as a tidal stream project and wave energy. The company is also extending and repowering existing windfarm sites and aims to deliver 1,800 MW of new renewable energy by 2012. For more information, please visit [ScottishPower Renewables](#) website.

Hydro: We operate two hydro-electric schemes in Scotland, in Galloway and Lanark, and a pumped storage facility at Cruachan, near Oban. We continue to invest in this plant to maintain and improve its performance.

Biomass: We have co-fired biomass fuels, such as sawdust and wood chips along with coal at Longannet and Cockerzie Power Stations for some years. We have commenced works on a new biomass plant alongside Longannet Power Station that will generate 20-25 MW of electricity annually from waste wood and processed sewage pellets.

Other Generation: We continue to actively seek out opportunities to replace older plant and expand our portfolio. We are considering building a new gas fired power station adjacent to our existing Damhead Creek site in Kent.

Our 12 Impacts | Climate Change and Emissions to Air

Approach | continued

Impact of Climate Change on the UK Energy Industry

In 2008, ScottishPower and 10 other UK energy companies including edf energy, npower, National Grid, Eon, and SSE, sponsored a Met Office project to review the specific impacts of climate change on the UK energy industry. Supported by climate scientists, experts from the industry worked together to understand precise requirements and developed practical applications and business strategies for a changing world. For more information about the findings of the project, please see the [Executive Summary](#) document.

Customer Energy Efficiency Programmes

We are delivering significant carbon savings under our Carbon Emissions Reduction Target (CERT) which came into force in April 2008 and will run until 2011. In September 2008, the UK Government announced plans to increase suppliers' commitments under CERT by 20%, which means that the total carbon savings would increase from 154 to 185 million lifetime tonnes of CO₂.

This investment is delivered mainly through our partnerships with "Warm Zones", Community Energy Partnerships and strategic alliances with local authorities and other social housing providers. The work carried out includes loft and cavity wall insulation and the distribution of energy efficient light bulbs, along with other energy saving measures and advice.

ScottishPower's Energy Retail and Energy Wholesale businesses will also participate in the Community Energy Saving Programme (CESP), a new initiative designed to reduce CO₂ emissions and cut the fuel bills of some of the UK's most deprived communities. Energy suppliers and generators will share the £350 million cost. The programme will be delivered on a street-by-street basis, through partnerships between suppliers, local councils and the voluntary sector. It brings together a range of support measures from energy efficiency to free or discounted heating, along with income maximisation checks.

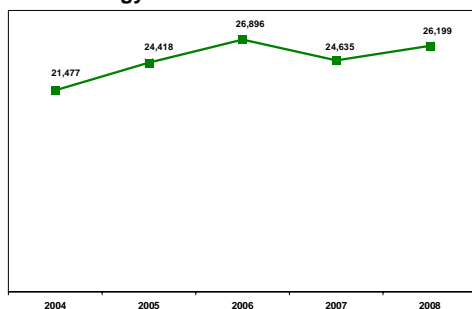
Our 12 Impacts | Climate Change and Emissions to Air

Performance Summary 2008

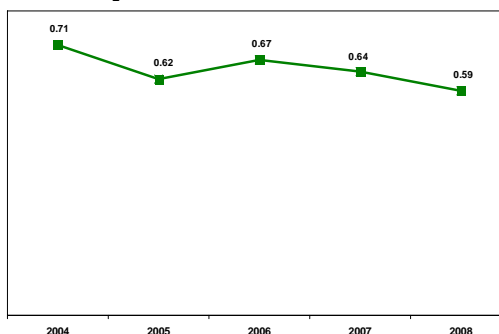
Total Greenhouse Gas Footprint

	2008	2007
Total ScottishPower Greenhouse Gas (CO ₂) Footprint	16,101,586	16,911,068

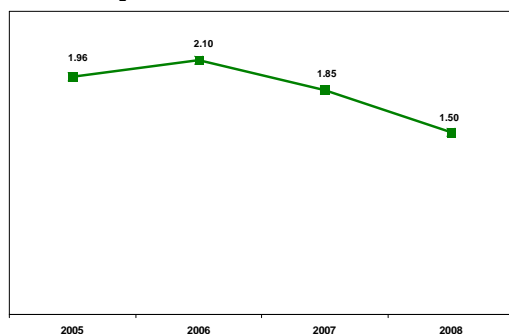
Total Energy Generated GWh



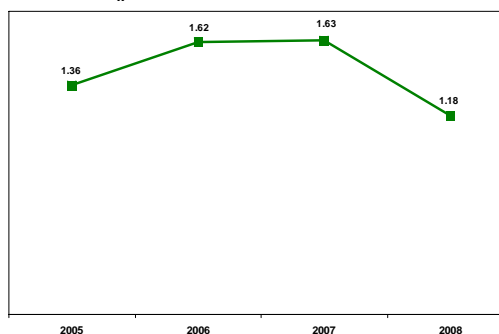
Total CO₂ emissions ktonnes/GWh



Total SO₂ emissions Tonnes/GWh



Total NO_x emissions Tonnes/GWh



- Emissions per GWh of energy generated reduced by
 - CO₂ 8.5%
 - SO₂ 18.7%
 - NO_x 27.2%
- Since 1999 our emissions per GWh of electricity generated has reduced by
 - CO₂ 35.9%
 - SO₂ 48.5%
 - NO_x 70.8%
- A consortium led by ScottishPower qualified as an entrant to the Government's competition to develop the UK's first commercial scale Carbon Capture and Storage (CCS) project
- Green Energy Trust celebrates 10th Anniversary on World Environment Day
- Announced a two year deal with Debenhams to supply all 178 UK properties with electricity generated from green sources
- We complied with the EU ETS for the 2008 calendar year by submitting 15,413,819 CO₂ allowances ahead of the April 2009 deadline

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Our 12 Impacts | Climate Change and Emissions to Air

Performance Summary 2008 | continued

Targets

Performance Target for 2010	Progress
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 35.9%
Reduce SO ₂ emissions per GWh of energy generated by 85%	Ongoing -SO ₂ emissions per GWh in 1999 was 5.14 – reduced by 48.5%
Reduce NO _x emissions per GWh of energy generated by 50%	Exceeded NO _x emissions per GWh in 1999 was 2.29 – reduced by 70.8%

Our 12 Impacts | Climate Change and Emissions to Air

Performance Detail 2008

Company Greenhouse Gas (CO ₂) Emissions UK	2008	2007
From power stations (for energy generated – tonnes)	15,413,819	15,837,275
From transport (tonnes)	537,670	959,310
From internal energy and process use (tonnes)	141,900	103,488
Equivalent from SF ₆ released (tonnes)	8,198	10,994
Total CO ₂ emissions (tonnes)	16,101,586	16,911,068

The CO₂ from transport reduced significantly during the year due to the following

- Decrease in fleet numbers
- Introduction of more fuel efficient vehicles
- Reduction in freight transportation mileage associated with coal imports

CO ₂	8.5%
SO ₂	18.7%
NOx	27.2%
Particulates (dust)	63.1%

Carbon Management

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

When the scheme was introduced in January 2005, ScottishPower integrated carbon management into its UK energy portfolio and began managing carbon 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 reduce emissions and sell their excess allowances.

Phase II of the scheme, in which the overall number of carbon allowances has been reduced, was launched in January 2008 and will run until 2011.

EU ETS requires each eligible installation to produce an annual emissions report that must be externally verified before being submitted to the Regulator by the end of March each year. The report verifies emissions for the previous calendar year. Allowances equal to these verified emissions must then be surrendered.

Carbon Capture and Storage

During the year we advanced our ambitions for Longannet Power Station to become a centre of excellence for carbon capture and storage (CCS). A ScottishPower led consortium is one of three shortlisted bidders for Government funding to build the UK's first commercial scale CCS project.

In Spring 2009 Longannet will be the venue for the UK's first trial to capture carbon from flue gases. A small-scale Mobile Test Unit (MTU) will be brought on site to capture a proportion of CO₂ from one of the station's three units that have been fitted with FGD. The aim of the trial, which will last six months, is to demonstrate that CO₂ can be captured from a coal station and to help inform the design of a proposed CCS demonstration installation. The results of the test will support ScottishPower's submission to the UK Government's CCS Competition.

Meanwhile, the consortium is investigating a rock formation in the North Sea that could potentially store all of Europe's CO₂ emissions for the next 600 years.

The North Sea contains depleted gas fields for initial capture and an expansive under-sea aquifer for long-term storage of CO₂ emissions from all parts of Scotland and northern England.

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Our 12 Impacts | Climate Change and Emissions to Air

Performance Detail 2008 | continued

Air Quality – Emissions Abatement Technologies

We reduce emissions of NO_x by using:

- Low-NO_x burners, which reduce the amount of NO_x formed during the combustion of coal and gas to produce electricity
- Using Boosted Overfire Air (BOFA) techniques at Longannet and Cockenzie power stations

Thermal NO_x is produced when oxygen mixes with coal in the hottest part of the coal flame. NO_x production can therefore be reduced by controlling the fuel and air mixing.

Low NO_x burners are designed to control fuel and air mixing at each burner to create larger and more branched flames. This reduces peak flame temperature and results in less NO_x formation. The improved flame structure also improves burner efficiency by reducing the amount of oxygen available in the hottest part of the flame.

Boosted Overfire Air technology is an extension of this principle and works by forcing air into the boiler. Air is taken from the normal, secondary air supply to the burners and is added back into the boiler between the upper row of the burners and the top of the furnace section of the boiler.

Additional fans forcefully inject this 'over fire' air to ensure adequate mixing between the air and any remaining unburned coal particles. Since this final burn out of the fuel occurs at a lower temperature, nitrogen, rather than NO_x, tends to be formed. BOFA will typically reduce NO_x levels by between 20 and 25%.

Other Initiatives

Work during the year to improve the thermal efficiency of our power stations will help to reduce carbon emissions.

A new turbine rotor with redesigned blades that ensure more efficient use of the steam energy was fitted to Unit 3 at Longannet Power Station during the year. This has improved efficiency from 86% to more than 92% – the highest level of efficiency since the station was commissioned. A similar rotor will be fitted to improve Unit 1's efficiency in 2009.

During 2008, the air conditioning system in the Central Control Room at Longannet was replaced and 194 kg of R22 HFCs were removed for disposal in an approved manner. The replacement system, which became operational in December 2008, is more energy efficient to operate and uses more environmentally-sustainable, non-ozone depleting gases.

May Day Network

In May 2008 we hosted the Prince of Wales' May Day Network event in Edinburgh. As a signatory to the May Day Network, which is administered by Business in the Community, we have made the following pledges:

- To calculate our carbon footprint
- Report on our carbon footprint
- Encourage employees to reduce their carbon footprint at home and at work
- Mobilise customers to take action

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Our 12 Impacts | Climate Change and Emissions to Air

Performance Detail 2008 | continued

ScottishPower UK – Summary Emissions Information

Fact table for UK totals	2008	2007
Total electricity generated / controlled (GWh)	26,199	24,635
CO₂		
Total CO ₂ emissions per GWh of energy generated / controlled (ktonnes)	0.59	0.64
Total CO ₂ emissions for energy generated / controlled (ktonnes)	15,413	15,837
SO₂		
Total SO ₂ emissions per GWh of energy generated / controlled (tonnes)	1.50	1.85
Total SO ₂ emissions for energy generated / controlled (ktonnes)	39.35	45.68
NO_x		
Total NO _x emissions per GWh of energy generated / controlled (tonnes)	1.18	1.63
Total NO _x emissions for energy generated / controlled (ktonnes)	31.05	40.11
Particulates		
Total particulates emissions per GWh of energy generated / controlled (tonnes)	0.04	0.09
Total particulates emissions for energy generated / controlled (ktonnes)	0.911	2.323
Heavy Metals		
Arsenic	0.036	0.137
Cadmium	0.10	0.10
Chromium	0.179	0.306
Copper	0.271	0.431
Lead	0.224	0.505
Mercury	0.175	0.358
Nickel	0.440	1.079
Selenium	1.358	1.242
Vanadium	0.197	0.509
Zinc	0.301	1.099
PM 10 (t)	0.902	1.879
Hydrocarbons (as CH ₄)	265	112
Carbon Monoxide	5,309	5,961
NM VOCs	160	151
HCL	540	677
N ₂ O	121	142
HF	289	219
Dioxin ITEQ	0.00007	7.99 E -8
Dioxin WHO TEQ	0.00007	8.52 E -8
Boron	106	122
Manganese	0.341	0.809
Beryllium	0.005	0.049

Selective Catalytic Reduction (SCR)

Longannet Power Station has been examining the options for achieving further reductions in NO_x emissions, in preparation for meeting the tighter emission limits for NO_x from the end of 2015. A feasibility study has been conducted into fitting Units 1, 2 and 3 with Selective Catalytic Reduction (SCR) technology and an engineering design study is now underway.

SCR is a post-combustion method of NO_x abatement that has been proven in Japan and the US, and more recently in European power stations. It involves taking the exhaust gas from the boiler at a temperature of up to 400°C, passing it over a catalyst and injecting ammonia. This facilitates a chemical reduction between the ammonia and NO_x to create harmless atmospheric nitrogen and water vapour.

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Our 12 Impacts | Climate Change and Emissions to Air

Performance Detail 2008 | continued

Flue Gas Desulphurisation

ScottishPower is investing in excess of £170 million to implement Flue Gas Desulphurisation (FGD) on three of the four units at Longannet Power Station. FGD is regarded as 'Best Available Technique' (BAT) for abatement of SO₂ and will cut our SO₂ emissions by up to 94%.

The Seawater Scrubbing FGD technology now being commissioned at Longannet, works by using seawater's inherent alkaline properties to absorb and neutralise acidic SO₂. Longannet uses large quantities of water from the River Forth as cooling water for its condensers. This condenser cooling water will be reused by bringing it into close contact with the station's flue gases in purpose-built absorber towers to absorb the SO₂, resulting in a harmless soluble sulphate (SO₄) that can be discharged back to the river.

This process does not require additional chemicals – only seawater and air are used – and the discharged seawater will comply fully with environmental regulations. The adoption of Seawater Scrubbing FGD at Longannet represents the largest deployment of the technology in the UK aimed at capturing more than 90% of all SO₂ emissions.

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 ran from 2005 until March 2008, we were the only UK energy supplier to meet our targets a year early.

We ended EEC2 having achieved energy savings of 14 terra watt hours. To achieve this we:

- Insulated more than 150,000 lofts
- Carried out 270,000 cavity wall insulations
- Distributed more than five million low energy lightbulbs

We also insulated thousands of hot water tanks and replaced more than 40,000 inefficient boilers.

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) - replaced 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.

In 2008, the following energy savings measures were delivered as part of CERT:

Energy saving measure	2008
Cavity walls insulated	89,532
Lofts insulated	67,587
Energy savings light bulbs distributed	6.6 million

CERT can be used as a vehicle to deploy microgeneration in the home, for example, 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.

CERT "plus" will be used to fund non-traditional energy savings measures that are not covered by the current scheme. These include projects such as solid wall insulation and air heat pumps.

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Our 12 Impacts | Climate Change and Emissions to Air

Performance Detail 2008 | continued

In addition, we have an obligation to fund a new Community Energy Saving Programme (CESP) to support energy efficiency projects at a local level. The £350 million cost will be shared between energy suppliers and generators. CESP aims to deliver CO₂ savings, while helping some of the UK's poorest communities achieve savings on their fuel bills.

For more information on CERT and CESP, see our [Customers with Special Circumstances](#) impact area.

Smart Meters

At present four 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. 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.

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 2008 the Green Energy Trust awarded a further £232,809 to 20 small renewable energy projects. At December 2008 the Trust had awarded a total of £1,126,231 to 108 community projects. For more information on the ScottishPower Green Energy Trust, visit their website at www.scottishpowergreentrust.co.uk

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Our 12 Impacts I Waste and Resource Use

Overview

The need to move to more sustainable patterns of consumption – using resources more wisely and creating less waste – has never been greater.

Creating waste that is not recycled, reused or recovered depletes resources and increases the greenhouse gas emissions linked to global climate change. The Government's Envirowise programme suggests that the cost of waste to UK businesses amounts to at least £15 billion per year – or 4.5% of turnover.

During 2008 challenging economic conditions globally affected the markets for recovered resources, with prices for used paper, plastic and steel hitting an all-time low. This is making recycling more difficult.

The Sustainable Development Commission warns us that the world's economies are putting increasing pressure on natural resources, such as coal, oil, timber and minerals, as well as air, land, water and ecosystems.

The Living Planet Report, published by WWF in October 2008, showed that more than three quarters of the world's people are now living in nations that are ecological debtors – where national consumption has outstripped their country's biological capacity.

Globally, we are now consuming nearly a third more natural resources every year than the planet can replace. That is why it is critical we do whatever we can to ensure we develop our businesses and our economies sustainably. By making better use of resources, such as energy, water and materials, we can help to reduce adverse environmental impacts such as climate change, resource depletion and damage to ecosystems.

During 2008 the EU Council approved the new Waste Framework Directive, which aims to divert waste from landfill by encouraging its recovery as a resource. It focuses on the prevention, reuse, recycling and recovery of waste – including for electricity generation – by simplifying existing legislation. Under the legislation, by 2020 Member States must recycle 50% of their household and similar waste and 70% of their construction and demolition waste.

From 2008 until 2011, landfill tax charges will increase, providing an added incentive for businesses to minimise waste and increase resource recovery.

In April 2008, the Site Waste Management Plans Regulation came into force in England. These regulations cover the planning and carrying out of construction work and aim to address two key issues – improving materials resource efficiency and reducing fly tipping. For further information see http://www.opsi.gov.uk/si/si2008/uksi_20080314_en_1

The UK, Welsh and Scottish Governments all have National Waste strategies – including Scotland's ambitious Zero Waste Scotland strategy. For more information

[UK Government National Waste Strategy](#)

[Welsh Assembly Government National Waste Strategy](#)

[Scottish Government National Waste Strategy](#)

Recycling paper, glass, plastic, aluminium and steel in the UK saves an estimated 18 million tonnes of CO₂ annually, compared to primary material production – so waste prevention and resource recovery have a role to play in tackling climate change.

Excessive consumption and the creation and disposal of waste that cannot be recovered is damaging the economy and the environment.

Ultimately we must all use less and recycle more.

Rupert Steele, Impact Leader

Our 12 Impacts I Waste and Resource Use

Approach

We aim to manage our resources efficiently to minimise environmental and economic impacts, while complying with all relevant legislation.

This includes preventing or minimising waste, encouraging reuse and recycling and undertaking environmentally responsible disposal, only as a last resort.

We measure and manage our waste and resource use through Environmental Management Systems. Knowing how much of everything we use, and how much waste we produce, helps us to identify areas for improvement by setting targets in our annual Environmental Plans.

We:

- Quantify and measure wastes
- Identify opportunities for minimising waste at source
- Reduce the volume of 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 Energy Networks due to the nature of these businesses
- **Reusing** – we reuse various resources, such as refurbished meters, 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 | Waste and Resource Use

Approach | 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

The ScottishPower 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.

Relevant Policies

- [Internal Energy, Water and Waste](#)
- [Contaminated Land](#)
- [Environmental Transport](#)
- [Environmental Purchasing Policy](#)

Our 12 Impacts | Waste and Resource Use

Performance Summary 2008

- The amount of coal burned in our power stations was 14.5% lower this year and gas use was 27.5% higher due to units at Longannet Power Station being taken out of service, mainly for major projects such as the installation of Flue Gas Desulphurisation
- The volume of waste generated remained higher than normal due to power station refurbishment and construction
- Townswater use at our power stations reduced by 24% during the year
- We increased our investment in oil containment bunding more than six-fold to £1.7 million
- ScotAsh sold 796,697 tonnes of construction products, manufactured from ash produced in the year, plus ash recovered from storage lagoons
- ScotAsh received a Queen's Award in the Sustainable Development category – the company's second Queen's Award in three years – and became a two-time National VIBES (Vision in Business for the Environment of Scotland) Award winner

Key Waste and Resource Use measures summarised in the table below

	2008	2007
Coal ('000 tonnes)	4,436	5,190
Oil ('000 tonnes)	17	10
Gas ('000 tonnes)	2,188	1,716
Biomass & WDF ('000 tonnes)	94	110
Internal Energy - electricity (GWh)	955	874
Townswater (million m ³)	3.8	5
PFA ash by-product reused ('000 tonnes)	432	583
FFC oil containment losses (litres)	20,151	17,107

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.

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.

Targets

Performance Targets 2008	Outcome
Complete energy minimisation audits at PPC permitted sites within our Energy Wholesale business	All PPC permitted sites within Energy Wholesale business have completed energy minimisation audits
Implement new waste contract arrangements (SWmps) in our Energy Networks business	Tender process completed, contractor selected and sample general waste type and current arrangement site reviews undertaken with the contractor.

Performance Targets 2009

- In Energy Networks, review recent resin bucket reuse trial for onward viability
- Deliver energy awareness briefing material via team briefings process in Energy Networks
- In Energy Networks, implement updated arrangements on trial sites, and extend practice to other depots. Provide awareness communications and training materials
- In our Energy Wholesale business, establish the 5 biggest waste streams generated from routine operations in 2009 with a view to establishing a waste stabilisation / reduction target in 2010

Our 12 Impacts | Waste and Resource Use

Performance Detail 2008

Resource Use

During 2008 we carried out a number of major capital projects in Energy Wholesale and Energy Networks that used significant quantities of materials, including steel. These projects included environmental investments at our power stations, such as Flue Gas Desulphurisation at Longannet and a project to replace hundreds of reinforced glass panels, also at Longannet, as many of the existing glass panels had cracked and the wire used to reinforce the glass had corroded.

Energy Networks is 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 also continued its programme of conducting significant refurbishment of the distribution network to improve the security of supply in rural areas.

Serving 5.43 million customers, Energy Retail uses a significant volume of paper in customer billing and communication. In recent years, this has been reduced due to streamlining the bill and the increase in the number of customers who manage their accounts online – now around 17%, up from 12% in 2007.

We are committed to reducing our resource use, to minimising waste and to reuse and recycle resources whenever possible across our businesses. Some initiatives that took place during 2008 are outlined below.

Reduce

- During 2008, at the suggestion of an employee working group, we installed airblade hand driers at our Cathcart business centre – reducing paper waste being sent to landfill and realising energy savings worth £21,000 a year
- We are utilising a new, heavy-duty wooden pole made from sustainably sourced timber for a number of 132 kV lines, in place of traditional steel towers – saving thousands of tonnes of steel annually
- During the year Longannet Power Station improved waste minimisation and management by requiring project teams engaged in works on site to implement waste plans, which are audited, to ensure opportunities for minimisation, reuse and recycling are identified
- New mechanical seals installed on Longannet Power Station's cooling water pumps will save thousands of litres of townswater each day – the new seals can be cooled using water from the Forth Estuary
- Damhead Creek Power Station continued work on a borehole project that will provide 423 m³ of water daily, saving on townswater use. A rainwater recovery system, which will trap run-off water from the station's buildings and compounds, is scheduled for introduction in 2009
- Energy Networks reduced electricity use at a number of depots by installing smart technology and raising staff awareness. Key initiatives have included installation of movement sensor lighting in four depots, along with upgrades to air conditioning systems and installing timers on heating systems
- All Energy Networks sites and projects in England and Wales began implementing Site Waste Management Plans, as required by new legislation, following awareness training by the business

Reuse

- We are upgrading 'P Route', a 76-year-old 132 kV transmission line between Dalkeith and Galashiels in the Borders using the existing towers, saving another 1,787 tonnes of steel and 4,750 tonnes of concrete foundation, as well as associated energy and emissions from the transportation of new materials
- We continue to process all of Greater Glasgow's sewage sludge into dry fuel pellets at our Daldowie sludge fuel plant, near Glasgow. Nearly a quarter of a million tonnes of the fuel has been produced since the plant began commercial operation in 2002. The fuel is currently co-fired with coal at Longannet Power Station. Going forward it will be used along with waste wood at a new biomass power station currently under construction
- We conducted an initial trial with our jointing resin supplier in Energy Networks, to investigate the possibility of reusing joint resin packaging. This involved the diversion of hundreds of plastic containers from waste disposal skips into a collection scheme. The first trial batch was collected and returned to the supplier for reuse and re-supply to Energy Networks. An assessment of the reused packaging will be required before widening the scheme

Our 12 Impacts | Waste and Resource Use

Performance Detail 2008..I continued

- Marine debris from the cooling water screens at Longannet is collected by CEG of Auchterarder to be composted for eventual use as a growing medium in gardens, a sustainable alternative to landfill disposal

Recycling

- ScotAsh sold 796,697 tonnes of products during 2008, including ash, cement, grout and waste stabilisation products.

During the year, ScotAsh supplied products to a number of high profile projects across Scotland, including Whitelee Windfarm, the Glendoe Hydro-electric project, the new Clackmannanshire Bridge and groundworks for the National Indoor Sports Arena and the Chris Hoy Velodrome for the Glasgow 2014 Commonwealth Games.

Although mainly supplying the construction market in Scotland, ScotAsh exported small volumes of higher value products to Singapore, Holland and the Czech Republic.

ScotAsh received a Queen's Award for Enterprise in the Sustainability category in June 2008 – the company's second Queen's Award in three years. In September 2008 the company was listed in the CleanTech 100, a list of Europe's best green companies, compiled by The Guardian newspaper and Library House. ScotAsh ended the year by winning a national VIBES (Vision in Business for the Environment of Scotland) Award for the second time.

- During the year Longannet Power Station upgraded its waste facilities to improve the quantity of site waste that is reused or recycled. This included the redevelopment of the site's main waste segregation area and the creation of numerous "satellite" recycling stations across the site. The improved facilities are designed to encourage station staff and contractors to deposit for recycling materials such as office waste (card, paper, plastics, cans and glass), scrap metal and oil.

Longannet recovered 38 per cent of the total waste produced during 2008 – almost 3,000 tonnes of solid material and 273 tonnes of liquids (mostly oil).

- Thousands of glass panes, removed in a project to replace the external glazing of Longannet Power Station, are being recycled. The old glass panelling, fitted during the station's construction nearly 40 years ago, is being stripped out and replaced with a high-performance reinforced plastic, Filon, which is safer, lighter, stronger and more flexible than glass.

The project will result in the removal of thousands of panes of glass, measuring on average 4ft x 5ft, which are being sent to a specialist contractor for recycling. Metal wire will be stripped out of the glass then recycled, so there will be very little waste. Longannet may receive the recycled materials back in the form of glass-fibre based insulation material.

The reglazing follows a similar project recently completed at Cockenzie Power Station.

- Cruachan Power Station added to its good track record on recycling during the year with new arrangements for fortnightly uplifts of waste paper by Argyll and Bute Council and new bins in the workshops for the proper disposal of redundant electrical equipment. Cruachan has recycled oil, paper, glass, scrap metal, plastic bottles, printer cartridges and fluorescent tubes for a number of years.

Our 12 Impacts | Waste and Resource Use

Performance Detail 2008..I continued

- New measures will be put in place for the useful recovery of metal cans and some plastics at Shoreham Power Station towards a long-term target of recycling 80% of its site waste. The plant already segregates its much of its waste for recycling, but the new measures were identified during water and waste minimisation audits
- Further waste recycling initiatives are being introduced at the Galloway Hydros, including reuse of paper and recycling electrical and electronic equipment.

Resource Substitution

We replaced the air conditioning system in Longannet Power Station's central control room during the year, removing 194 kg of R22 HFC gases for disposal in an approved manner. The replacement system, which became operational in December 2008, is more energy efficient and uses more environmentally sustainable non ozone depleting gases.

Oil Losses

Oil losses from equipment increased last year, mainly due to a single 12,000 litre loss from a Fluid Filled Cable on Merseyside in July 2008. The leak took some time to detect as it was under a junction of a six lane trunk highway. Following closure of a road lane and the junction, the cable joint was repaired and reinforced to reduce the risk of a recurrence.

During repairs a large amount of oil was recovered from the excavations. Cable fluid had, however, migrated along the cable trench and into an intersecting drain and a newly built lake. We engaged a spill response contractor to install and refine an oil containment scheme, whilst liaising with the Environment Agency to meet their expectations for containment and recovery of the oil. This containment is still in place today and will be for many months. We continue to liaise with the Environment Agency and are regularly monitoring and maintaining the containment scheme. We have received no warnings or prosecutions as a result of this incident.

Transformer Damage

During the year we suffered an increased incidence of the theft of metals from our substations, resulting in damage to several major transformers, with resultant oil loss. The oil in most cases was contained within oil protection bunds designed for this purpose. We repaired the assets, recovered the oil and no regulatory action was taken by the Environment Agency or SEPA.

One incident in Cumbernauld resulted in a statutory notice for contaminated land requiring remediation. This involved a minor slow leak, over several years, from a secondary transformer where oil migrated downhill into a resident's garden. We are excavating the oil pathway and will fully remediate the garden.

Contamination Prevention

During a project to repair the Carminnows Bridge at Kendoon Reservoir, part of the Galloway Hydro-electric Scheme, special precautions were taken to prevent the risk of contaminating the environment from old, lead-based paint. The entire structure was encapsulated in polythene sheeting to ensure containment of the paint for appropriate disposal and to prevent any escape during grit blasting.

Our 12 Impacts | Waste and Resource Use

Performance Detail 2008..I continued

UK general waste data*

We have made improvements to data collection throughout 2008, which has led to more accurate categorisation of waste data.

	2008**	2007
Hazardous Wastes		
Total Arising (tonnes)	6,556.5	127,607.8***
Total Recovered (tonnes)	5,820.1	2,954.1
Total Arising (litres)	683,969	560,576
Total Recovered (litres)	564,319	210,565
Non Hazardous Wastes		
Total Arising (tonnes)	256,830.6	261,760.5
Total Recovered (tonnes)	245,397.5	241,222.3
Total Arising (litres)	1,929,126	64,627
Total Recovered (litres)	648,594	-

*These figures do not include data from Core

** Data collection aligned to the European Waste Catalogue enabling waste to be accurately defined

*** Waste arising includes extraordinary items

IT equipment (recycled tonnes)	39	34
IT equipment (recovered for use - items)	785	1,548

Generation (UK) Ash Data*	2008	2007
Non hazardous ash arising (tonnes)		
FBA from Longannet and Cockenzie	56,674	73,226
PFA Cockenzie	216,747	274,685
PFA Longannet	269,818	325,471
PFA total	486,565	600,156
Ash recovered for sale (tonnes)		
FBA from Longannet and Cockenzie	27,628	67,446
PFA Cockenzie	317,290	343,960
PFA Longannet	115,128	238,720
PFA total	432,418	582,680
Net disposal of ash (tonnes)		
FBA from Longannet and Cockenzie	29,046	5,780
PFA Cockenzie	-100,543	-69,275
PFA Longannet	154,690	86,751
PFA Total	54,147	17,476

* Figures do not allow for time lag between production and sale

FBA – Furnace Bottom Ash

PFA – Pulverised Fuel Ash

SF ₆ releases and quantities held	2008	2007
Total UK quantity held (tonnes)	69	92
Total UK number of switchgear units holding SF ₆	17,410	22,116
Total UK quantity of SF ₆ released (tonnes)	0.34	0.46
Total UK quantity of SF ₆ recycled / reused (tonnes)	0.03017*	0.276

* Volume drastically down due to large reduction in overall numbers of items disposed of and lower capacity equipment profile.

Our 12 Impacts | Waste and Resource Use

Performance Detail 2008..I continued

Contaminated land site review	2008	2007
Phase I surveys	3	2
Phase II surveys	3	2
Remediation expenditure	£75,000	£11,726

Oil Containment	2008	2007
FFC oil losses from underground cables		
Litres Lost	20,151*	17,107
Transformer and switchgear oil containment data		
Total volume of oil held (litres)	91,417,000	91,917,505
Volume of oil lost (litres)	51,674	45,070
Total number of transformers banded to date	477	454
Annual investment in bunding (£'000)	1,663	223

*50% of this is due to an incident at Stonebridge Park

PCB status of equipment	2008	2007
Number of samples tested - <i>we currently have no programme to test equipment. Issues will be managed if they arise</i>	0	0
Number of samples above 50 ppm	0	0
% equipment now tested for PCB levels (ground mounted equipment)	100	100

UK resource use total	2008	2007
Coal burn ('000 tonnes)	4,436	5,190
Oil burn ('000 tonnes)	17	10
Gas burn ('000 tonnes)	2,188	1,716
Townswater water use (million m ³)	3.8	5*
Tidal / river / bore hole water use (million m ³)	1,861	1,882
Biomass and WDF ('000 tonnes)	94	110

*Reduction due to error in reporting system in 2007 meant townswater use at Cockenzie was estimated. Data verification audit report figures were used in 2008.

Fuel Consumption	2008	2007*
UK businesses Mileage	17,809,548	17,594,881
Fuel Consumption for Transport (estimated figures)		
Volume of unleaded petrol used ('000 litres)	87	461
Volume of diesel used ('000 litres)	4,518	4,800
Volume of Liquified Petroleum Gas (LPG) used ('000 litres)	17	14
Generation Plant Diesel Use (000's litres)**	1,379	1,212

*restated to remove ScottishPower Renewables data

** Plant Diesel includes site mobile plant, generators and fire pumps

Internal energy use	2008	2007
UK businesses		
Electricity (GWh)	955	874
Gas (GWh)	129	133

Our 12 Impacts | Biodiversity

Overview

Biological diversity – the nine million or so species of animal and plant that make up the world's ecosystems – are vital to sustaining human existence, providing us with food, clothing, medicines and much more. But the Earth's life support systems, from its forests, rivers, flowers and ice caps are under ever increasing pressure from human activity and changing climate patterns.

The Living Planet Report, published by WWF, in association with the Zoological Society of London (ZSL) and the Global Footprint Network in October 2008, warns of an impending "ecological credit crunch". The report found that around 50 countries are now facing water stress and the number of people suffering from year-round or seasonal water shortages is expected to increase as a result of climate change.

The Living Planet Index, compiled by ZSL and released in May 2008, which looked at nearly 5,000 measured populations of 1,686 species shows a decline of almost 30 per cent since 1970.

Dramatic losses in natural heritage are being driven by deforestation and commercial land use, which is affecting terrestrial species and the impact of dams, diversions and climate change on freshwater species. Meanwhile, pollution and over-fishing in marine and coastal environments are affecting sealife.

Four years ago, at the World Summit on Sustainable Development, world leaders agreed that by 2010 they would achieve "a significant reduction of the current rate of biodiversity loss at global, regional and national levels as a contribution to poverty alleviation and to the benefit of all life on earth".

Biodiversity is a fundamental part of the Earth's life support system. It supports many basic natural "services" for humans, such as fresh water, fertile soil and clean air and helps pollinate our flowers and crops, clean up waste and grow our food. Human activity is putting such strain on the Earth's ecosystems that their ability to sustain future generations can no longer be taken for granted.

In the UK alone, we have lost over 100 species during the last century, while many more species and habitats are under threat.

The UK Biodiversity Action Plan (UK BAP) published its first full review of its priority species and habitats in 2007, revising its 1994 list to include 1,149 species and 65 habitats as priorities for conservation action. The governments of all four UK administrations have adopted the recommendations. During 2008 a major review was conducted of the UK BAP. The results will determine whether the UK is meeting its 2010 pledge to reduce biodiversity decline.

Looking ahead, the UK Marine and Coastal Access Bill and Marine (Scotland) Bill will be part of the legislative programme for the current sessions of parliament in London and Edinburgh. The proposed Act, designed to protect Britain's marine environment and promote sustainable use of the seas, will apply to the whole of the UK's offshore waters, including areas of continental shelf beyond 200 nautical miles from the coast.

It includes the provision to create Marine Conservation Zones in offshore waters and the development of a planning system, enabling a more strategic approach to managing human activities in the marine environment.

Rupert Steele, Impact Leader

Our 12 Impacts | Biodiversity

Approach

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

ScottishPower operates power stations and substations on vast areas of land 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. IBERDROLA published its first group-wide [Biodiversity Policy](#) following approval from the Board of Directors in December 2007. As a key element of sustainable development, biodiversity has been an integral part of ScottishPower's Environmental Policy for many years. Our [Biodiversity Policy](#), which aligns to the IBERDROLA group policy, is available to download [here](#).

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 planned developments.

Our approach includes:

- Developing biodiversity conservation strategies and policies in consultation with natural heritage stakeholders
- 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
- Setting aside land for biodiversity conservation to mitigate for our activities, and actively managing that land
- Employing or co-funding countryside rangers
- Employing an ecological clerk of works during major power station construction projects
- 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

Our 12 Impacts | Biodiversity

Performance Summary 2008

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 2008 include:

- 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 Energy Networks projects
- An independent review of the nine Biodiversity Action Plans (BAPs) in place covering Energy Wholesale generating sites was carried out in 2008 and highlighted the success of many measures taken to enhance biological diversity across our energy generation landholdings
- Nestbox schemes for birds at many of Energy Wholesale’s power stations resulted in a pair of Peregrines and two pairs of Barn Owls successfully fledging young, while 120 pairs of Sand Martins bred in a purpose-created ash embankment at Cockenzie
- A viewing gallery was established in summer 2008 at Cruachan Power Station where members of the public could gain close-up views of nesting Ospreys
- Lanark Hydro-electric Scheme funded and laid cabling for a high-definition video link to enable pictures from a Peregrine nest to be beamed to a screen at the Falls of Clyde Scottish Wildlife Trust Reserve
- An area of wet grassland used by breeding wading birds at Valleyfield Ash Lagoons is to be preserved following a review of the lagoons’ future operational strategy.
- An environmental study was conducted prior the demolition of the redundant Townhill Power Station on the outskirts of Dunfermline, Fife. A project team from Energy Wholesale worked closely with Scottish Natural Heritage to ensure the work did not affect wildlife or plant life on the site, formerly a gas turbine plant that closed in 1985.
- A 1.5 km route for a cable pipeline was drilled beneath the Dovey Estuary by Energy Networks to avoid disturbance to a Site of Special Scientific Interest for wading birds and wildfowl
- Extensive environmental impact studies were conducted in respect of a new power line that will provide a grid connection point for ScottishPower Renewables’ Arecleoch windfarm in Ayrshire
- Mitigation measures were developed to compensate for the loss of raised mire in respect of the new Denny substation that will form part of the Beauldy-Denny transmission system upgrade

Targets

Performance Targets 2008	Outcome
Continue to revise current site Biodiversity Action Plans and review current biodiversity strategy within Energy Wholesale to identify key priorities for future work	Independent review of Biodiversity Action Plans at Energy wholesale’s generating sites concluded that they had achieved many of their targets

Performance Targets 2009

- Develop and progress implementation of Energy Wholesale wide Biodiversity Policy & associated strategy

Our 12 Impacts | Biodiversity

Performance Detail 2008

Biodiversity Actions Plans

An independent review of the biodiversity action plans (BAPs) in place at Energy Wholesale's generating sites concluded in 2008 that they had achieved many of their targets to protect and enhance biodiversity interests.

There are nine BAPs that cover Energy Wholesale's portfolio of stations, all of which were launched from 2004 to 2007. The plans were aimed at entrenching existing good practice at our sites and each site BAP sets out a list of ecological enhancement objectives and a timescale for their implementation.

Many of Energy Wholesale's landholdings are important for wildlife and are covered by a range of statutory natural history designations. Key measures delivered in the past five years have included the creation of shingle islands for breeding wading birds at Valleyfield Ash Lagoons, tree planting at Cockenzie Power Station and the delivery of nestbox schemes for birds at many of our stations.

Ecological consultants RPS Planning & Development Ltd reviewed each of the plans during 2008, assessing the success of proposed measures and highlighting further opportunities. The findings will help to shape new BAPs being prepared for many of the sites.

RPS concluded that the Energy Wholesale BAPs had "delivered many of their targets, including the maintenance and enhancement of habitats on site, as well as creating new habitats. Through initiatives instigated by the site's Environmental Manager, biodiversity interests have been safeguarded and protected." They made [a number of recommendations and these have been considered as site BAPs have been reviewed and actions assigned for 2009.](#)

[The report also reviewed Energy Wholesale's biodiversity strategy and as a result we are now formalising a Biodiversity Policy and Strategy for Energy Wholesale.](#)

Pilkington CHP staff are currently compiling a site BAP that will formalise existing actions to benefit wildlife.

Biodiversity Management	2008	2007
Biodiversity Action Plans developed	9	9
Hectares of land subject to habitat management	3,426	3,426

Our 12 Impacts | Biodiversity

Performance Detail 2008 | continued

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

Longannet

A wildlife-rich area of wet grassland used by nesting wading birds will be retained permanently under a new long-term construction strategy for Valleyfield Lagoons, the ash disposal and storage facility for Longannet Power Station. The strategy was agreed in 2008 following discussions between the power station, Fife Council and local communities. It sets out plans for the next 10 years of the lagoons' operation and development.

In 2008, the wet grassland area was used by nine pairs of Lapwing, nine pairs of Ringed Plover and at least one pair of Redshank, which successfully nested and raised young. The low-lying area is also used by roosting waders, which are displaced at high tide from the mudflats at nearby Torry Bay.

Countryside Ranger Stephanie Little, who is co-sponsored by ScottishPower, lobbied for the area's preservation, and was delighted an agreement had been reached to preserve the special wildlife area.

She said: "The agreement means the wet grassland, so important for the site's breeding waders, will be retained permanently."

There are also plans for the wet grassland to be expanded to cover an area to the southeast and for facilities to be put in place for members of the public.

Stephanie said: "Scrapes will be created and water-level controls will be improved to ensure the habitat is maintained and to prevent flooding.

"In future, two birdwatching hides will be created so people can enjoy watching, at close hand, the superb wildlife that this area holds."

Our 12 Impacts | Biodiversity

Performance Detail 2008 | continued

Cockenzie

- Cockenzie Power Station and East Lothian Council continued to co-sponsor a Countryside Ranger to manage and monitor wildlife at Levenhall Links
- The station continued to support the Battlefield Wood project between Prestonpans and Port Seton. Cockenzie has handed over 25 acres of land to be developed as a community woodland and orchard by the community-led Prestonlinks Woodland Group and further tree and shrub planting took place in 2008
- Cockenzie Power Station is a partner in East Lothian Biodiversity, the organisation that is leading the region's biodiversity action plan

Damhead Creek

A nestbox scheme at Damhead Creek Power Station is helping to drive the recovery of Barn Owls in southeast England. Barn Owls, an amber-listed Species of Conservation Concern due to their declining population, are scarce in Kent but it is hoped that nestbox schemes will help restore the population of the owls in the county.

Three triangular owl boxes have been erected at Damhead Creek in a link-up with the local Wildlife Conservation Partnership. Since the scheme started in 2002, a total of 30 young owls have fledged – including two pairs with five chicks in 2008.

Two staff members at Damhead Creek are trained and licensed to monitor the protected species twice a year. The chicks are ringed by an owl expert to provide data to help their conservation.

Other nestboxes have been provided for Kestrels and Little Owls while Stock Doves have been found taking advantage of the bird boxes to raise their young.

Other measures

- Ditch clearing work began to improve conditions for Water Vole, a UK BAP species, on the mitigation land at Damhead Creek.

Cruachan Power Station

Cruachan Visitor Centre worked closely with experts from the Royal Society for the Protection of Birds (RSPB) to give visitors close-up views of breeding Ospreys.

In spring 2008, a pair of the fish-eating raptors built a nest around 300 metres from Cruachan Power Station, on the northwest shore of Loch Awe, Argyll.

Staff from Cruachan sought advice from the RSPB to establish a viewing gallery at the Visitor Centre, with powerful telescopes for use by members of the public. A site CCTV camera was also trained on the nest and video images were relayed to a screen at the Centre, allowing many more people a glimpse into the secret lives of one of our most spectacular birds of prey.

The young, inexperienced pair of Ospreys didn't manage to produce young but it is hoped they will return in spring 2009, reoccupy their nest and successfully raise a brood of young – all under the watchful eyes of visitors to the 'Hollow Mountain'.

Our 12 Impacts | Biodiversity

Performance Detail 2008 | continued

Shoreham Power Station

Peregrine chicks that fledged in 2008 from Shoreham Power Station in West Sussex are helping experts to improve their understanding of the UK's urban falcons.

Since 2002, around 16 young falcons have taken flight from a nestbox placed high on Shoreham's 106-metre chimney stack. Sussex Ornithological Society (SOS), who liaise closely with station staff as part of the project, say the scheme has been "extremely successful".

Now studies of the Shoreham Power Station birds will help increase experts' knowledge of the protected species as they continue their spread into urban areas of the UK.

In 2008, Shoreham's three chicks were fitted with coloured rings inscribed with a letter or number to enable their movements to be tracked through sightings "in the field".

Peregrines are protected under Schedule 1 of the Wildlife and Countryside Act 1981. Shoreham had to make special arrangements in May 2008 when steeplejacks required access to the chimney to carry out essential maintenance on the chimney's lights.

Rye House Power Station

Staff at Rye House Power Station are investigating the feasibility of erecting a falcon nestbox after Kestrels bred at the Hertfordshire station for the first time in 2008. The Rye House pair chose a site high on one of the station's three chimneys and successfully raised a brood of young.

Station staff are discussing with Herts Raptor Study Group the possibility of erecting a falcon box to encourage the Kestrels to return in 2009. The nestbox might even be used by Peregrine Falcons, which have been recorded in the area.

Kestrels are amber-listed as a Species of Conservation Concern and its UK population reduced by almost a third between 1994 and 2007.

Galloway Hydro-electric Scheme

A colony of Common Newts was relocated to a safe new site during essential works at Kendoon Power Station, part of the Galloway Hydro-electric Scheme.

ScottishPower staff and contractors recognised that a project in summer 2008 to refurbish a pipeline would affect a pond used by the amphibians. Around 100 newts were rounded up and transported to a new home at a wildlife sanctuary near Lesmahagow, South Lanarkshire, operated by Nethan Valley Angling Association.

The project team also made a £500 donation to help the association's voluntary work after the sanctuary was broken into and vandalised.

Project Manager Gareth Piggot said: "The dedication of the Nethan valley team is a lesson to us all. Our donation is recognition of their help to ScottishPower and a continuation of our support for such vital projects in our communities."

Other measures

The Galloway Hydros continue to co-operate with the RSPB, as far as operations will allow, to control water levels on Loch Ken – a Ramsar site (an intergovernmental treaty which provides the framework for national action and international cooperation for the conservation and wise use of wetlands and their resources) and Special Protection Area for its wintering geese and breeding wildfowl.

Under the agreement, which started in 1996, water levels are kept high from March to mid April to encourage early breeding ducks and waders to nest above the levels of flash floods that can occur in spring. Levels are then lowered from April until the end of June, exposing the marshy margins of the loch which are much loved by wading birds.

Our 12 Impacts | Biodiversity

Performance Detail 2008 | continued

The RSPB acknowledges that the cooperation of ScottishPower has “greatly enhanced waterfowl breeding success” at Loch Ken.

ScottishPower also co-sponsor, with Dumfries and Galloway Council, a Countryside Ranger at Galloway Hydro electric plant

Lanark Hydro-electric Scheme

Lanark Hydro-electric Scheme funded and laid cabling for a high-definition video link to enable pictures from a Peregrine nest to be beamed to a screen at the Falls of Clyde Scottish Wildlife Trust Reserve.

We also continued to sponsor a seasonal Countryside Ranger to assist the SWT at the Falls of Clyde Reserve

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.

Biodiversity Procedure in Energy Networks

A comprehensive Biodiversity Procedure has been developed for major projects in Energy Networks, 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.

Key areas of work undertaken in 2008 were:

- An important area for wildfowl and waders in Wales was preserved during essential works by Energy Networks to replace cables at the Dovey Estuary.

The 25-year-old cabling between Aberdovey and the north of Aberystwyth had been exposed over the years by the action of tides and previous attempts at repairs had been unsuccessful. In February 2008, Energy Networks and specialist contractors finally solved the issue without causing harm to the internationally-important estuary.

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

The project team drilled under the estuary, a distance of 1.5 kilometres, and pushed through a continuous 16-inch steel pipe to house the high voltage cable.

The project involved close co-ordination with stakeholders, including local authorities and conservation groups, and was completed successfully in March.

- 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, mature trees are being planted, hedgerows reinstated and landscape features restored, while on the open moorland at Elvanfoot, we are planting trees and shrubs along water courses to enhance biodiversity and landscape character

Our 12 Impacts | Biodiversity

Performance Detail 2008 | continued

- Extensive environmental impact assessment studies were conducted over a period of two years in respect of a proposed new 132 kV transmission line in Ayrshire that will provide a grid connection point for ScottishPower Renewables' 180 MW Arecleoch Windfarm, near Barrhill, in Ayrshire.

The new line consists of two overhead line sections of 4.5 km and 3.3 km between the windfarm site and Mark Hill substation, with shorter sections of underground cable at each end and a 1.2 km section of undergrounded cable crossing a valley that will pass under the railway, the A714 road and the River Duisk.

This area of Ayrshire is rich in wildlife and has some scenic areas. Following extensive environmental impact studies, a preferred route was developed that would avoid the most environmentally sensitive areas.

Energy Networks undertakes mitigation for our projects at three levels:

- Avoidance of potential effects (through careful routing and site selection)
- Reduction of potential effects (through careful management) and
- Offset (where direct mitigation is not practicable).

A number of measures will be taken to preserve habitats and avoid disturbance to mammals, such as Red Squirrel, Otters, Water Voles, Bats, Roe Deer and Red Fox, and birds, including Hen Harrier, Whooper Swans, Common Buzzard, wildfowl and Grey Heron.

82 species of bird were recorded in the area during surveys, including seven breeding Red Data List species: Song Thrush, Grasshopper Warbler, Bullfinch, Reed Bunting, Spotted Flycatcher, Linnet and Skylark and 10 Amber list species.

Mitigation measures will include fencing off sensitive areas close to work sites, re-using vegetated turves, sensitive micro-siting of individual poles to avoid Blanket Bog and areas of deep peat.

Bird flight diverters will be installed along sections of the line to avoid the risk of collision and electrocution for Hen Harriers. These will also benefit Whooper Swans, wildfowl, Grey Heron and Common Buzzard.

We have developed an offset mitigation plan to compensate for the loss of an area of raised bog habitat at the proposed new Denny substation, which will be a key part of the Beaully-Denny transmission line upgrade, which is being led by Scottish & Southern Energy. The new line will be essential to transporting electricity from new renewable energy projects in the north of Scotland to the rest of the UK.

Raised bog is a priority listed habitat under Annex 1 of the Habitats Directive. Under normal circumstances we would avoid developing on such areas. However, there is no practical alternative that meets all the necessary site criteria, so we intend to compensate for the partial loss of this habitat at Torwood Mire through an extensive offset programme.

The plans, currently under consideration by Scottish Natural Heritage and Falkirk Council, include the restoration of ombrotrophic mire on the Torwood site that is currently compromised by forestry plantation and drainage, and the restoration of another local bog at Loanfoot Moss.

Our 12 Impacts | Sites, Siting and Infrastructure

Overview

Energy companies have a significant presence in the environment around us, including power stations, substations, overhead lines and cables, in towns and cities and around our countryside.

The issue of planning electricity infrastructure is more important today than at any time since the development of the national grid in the 1930s, or the boom in power station construction in the 1960s.

During the next 10-15 years, UK energy companies will plan and build new power stations and windfarms to replace ageing plant and ensure they can continue to meet customer demand for electricity, while cutting the CO₂ emissions associated with climate change.

Major investment in the UK's energy networks, to transport electricity around the country, will be fundamental to low carbon repowering. The Electricity Networks Strategy Group estimates that up to £4.7 billion will be needed to upgrade the electricity grid and accommodate new power generation by 2020.

This work will include strengthening existing area networks, increasing the capacity of strategic links, such as the power interconnector between Scotland and England and the creation of new Anglo-Scottish subsea power links.

To deliver the UK's target of meeting 30% of energy needs from renewable sources by 2020, grid development work needs to start now. In recent years electricity infrastructure projects have often been subject to lengthy planning delays.

This should improve going forward with the introduction in November 2008 of the Planning Act in England and Wales. The Act is designed to streamline the consents process for major projects that are in the national interest through the creation of an Infrastructure Planning Commission that will have the power to make decisions.

In Scotland, planning system reforms announced by the Scottish Government in October 2008, should improve collaboration between local authorities and government agencies, leading to a more efficient planning regime, with minimal delays and consistent decisions.

The reforms, both north and south of the border, are welcomed by energy companies, such as ScottishPower. The new, more streamlined processes should not be any less rigorous. Extensive consultation and open dialogue with stakeholders are the cornerstones of responsible developments.

While development activities create jobs and support economies, potentially negative impacts, such as construction traffic, noise, visual impact and potential damage to habitats and ecosystems, must be fully assessed and mitigation measures put in place where appropriate.

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

Alan Bryce, Impact Leader

Our 12 Impacts | Sites, Siting and Infrastructure

Approach

We aim to consult extensively with our stakeholders when planning new developments, ensuring consideration has been given to landscape and ecological issues and the needs of local communities and businesses.

When we are planning a new development, we make a point of telling as many people as possible about our plans and listening to the views of community groups, wildlife, heritage and business organisations.

Consultation is a very important part of the planning process for new developments and the feedback we receive helps to ensure these new developments are acceptable to the community and are built responsibly.

Many of our assets, such as pylons, 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 – as long as sites meet our technical and regulatory license criteria, we will favour sites that cause the least impact on people, wildlife, ecology and heritage
- 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 significant ecological or heritage value
- When refurbishing the electricity network, utilising improved design to make improvements, such as reducing the number of pylons, re-siting pylons that are especially intrusive, or diverting or undergrounding short sections of line to preserve areas of scenic beauty
- Concealing substations in some locations through special housings or screening
- Providing habitat management and enhancement programmes

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.

Last year we introduced a new wooden pole for 132,000 volt overhead lines. It is more aesthetically pleasing than conventional steel towers and offers various technical and environmental benefits.

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.

Details of some of the measures we have put in place to preserve the needs of communities and the environment are provided in the performance section.

Our 12 Impacts | Sites, Siting and Infrastructure

Performance Summary 2008

- Completed connections to a further 388 MW of renewable energy capacity to our electrical network
- Work completed on 2 new substations at Elvanfoot and Coalburn as part of the ongoing project to upgrade the Anglo-Scottish interconnector
- Refurbished more than 1,600 km of 33,000 and 11,000 volt overhead lines
- Rebuilt more than 150 km of 33,000 and 11,000 volt overhead lines
- Delivered more than 1,630 Network Controllable Points, which allow faster, automated restoration of electricity supplies after a fault. This takes our total installation across the Energy Networks system to over 3,900
- A programme of undergrounding parts of the network was implemented in Snowdonia National Park

Targets

Performance Targets 2008	Outcome
No environmental prosecutions	No environmental prosecutions during year
Roll out of Environmental Management Plans into major projects in Energy Networks	In Energy Networks all major infrastructure projects now have Environmental Management Plans

Performance Targets 2009

- Maintain prosecution free record in 2009
- Energy Networks to complete 4th recertification of EMS to ISO 14001

Our 12 Impacts | Sites, Siting and Infrastructure

Performance Detail 2008

Investment in Renewable Generation

SP Energy Networks is planning investment of over £1 billion over five years in upgrading the electricity transmission grid to support new renewable energy projects.

During 2008 we completed connections to a further 388 MW of renewable energy, and we expect to connect another 407 MW of renewable capacity to our electrical network in 2009.

We are also progressing site works and designs for a range of other proposed generation sites. The additional renewable capacity from upgrades across our licensed areas in Scotland, England and Wales could be in excess of 5,000 MW.

During 2008 we contributed to strategic discussions with National Grid, Ofgem and the Department of Energy and Climate Change on the likely developments that will be needed to the Scottish, British and European grids to accommodate new renewable energy projects, including onshore and offshore wind and marine energy.

Key areas of work in 2008 included:

- Contributed to the Public Inquiry process for the upgrade of the transmission line from Beaully, near Inverness, to Denny, West of Falkirk. The project, which will be vital to ensuring the UK as a whole can benefit from renewable energy generated in Scotland, involves the construction of a 220 km line. Around 90% of the new line will be in Scottish & Southern Energy's territory. The planned upgrade will involve replacing 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. SP Energy Networks would be required to build a new substation near Denny, as part of the project. The Public Inquiry process concluded in February 2008 and a decision is expected from the Scottish Government during 2009
- Completed two major new substations at Coalburn and Elvanfoot in South Lanarkshire, as part of an ongoing project to upgrade the Anglo-Scottish interconnector – the west coast power link between Scotland and England, from 2,200 MW to 2,800 MW by 2010. The project also involves conductor upgrades on the line between Eccles and Stella substations on the east coast
- Following extensive consultation and environmental impact assessment, we submitted an application for Section 37 consent in early 2009, in respect of a new transmission line that will run from Coylton to Dalmellington to New Cumnock in Ayrshire. The project will provide grid connections for 670 MW of planned windfarms in the area
- Conducted extensive environmental impact studies on the proposed new substation and 132 kV line that is proposed to connect Markhill and Arecleoch windfarms in south west Scotland with the Moyle interconnector (the power link between Scotland and Northern Ireland). For further information see our [Biodiversity](#) impact area
- Work began on a new 400 kV substation in East Lothian to provide a grid connection for the new 200 MW Crystal Rigg Windfarm extension by the end of 2009. The site, 5 km from the nearest road, is 300 metres above sea level
- Completed work on a £7 million project to connect Aikengall Windfarm to the grid. The project, which included a new substation, also strengthens the electricity network in the Dunbar area
- Undertook public consultation on plans for a 132 kV transmission line in South Lanarkshire that will provide a grid connection between Andershaw and Limmer Hill windfarms and the new Coalburn substation
- Completed public consultation on a new 132k V transmission line between Legacy substation, Wrexham and Owestry that will strengthen the network, benefiting homes and businesses in Wales and Shropshire
- Consulted on a new 132 kV transmission line in the Borders and Dumfries and Galloway that will provide a grid connection point for Earlsaugh Windfarm
- Plans for a new substation and associated works at Bearholm, near Moffat, Dumfries and Galloway, to provide grid connection points for Harestanes Windfarm and another potential development in the area, are subject to a Public Hearing during 2009
- Continued development work on plans to build a new 132 kV overhead line between Gretna substation and Ewe Hill and Newfield windfarms in Dumfries and Galloway

Our 12 Impacts | Sites, Siting and Infrastructure

Performance Detail 2008 | continued

Other Network Upgrades

- Completed a £1.4 million investment to upgrade the electricity network between Hawick and Morebattle in the Scottish Borders, reinforcing the network against storms and replacing steel towers with 297 wood poles over 31 km. The route of the line was altered slightly to bypass and protect a 4,000 year-old Iron Age enclosure at Muirshiels – a site of significant archaeological importance
- Commenced the upgrade of underground electricity cables in Wishaw, as part of a £12 million project and started discussions relating to the relocation of Ravenscraig substation to support future development plans for the area
- Network upgrades between Kelso and Heiton and a new spur line to serve Springwood village in the Scottish Borders were completed during the year
- Completed upgrades to the electricity system between Stranraer and Barrhill in South West Scotland, replacing more than 200 poles on 18 km of overhead line and installing advanced protection systems to reduce the number of faults and improve restoration time when faults occur
- Replaced 1.5 km of cable that runs under the Dovey Estuary, between Aberdyfi and Aberystwyth in one of the longest undersea cabling directional drilling projects in the UK. Extensive environmental impact assessment was undertaken before the project and a sub-surface radar scan of the area to check for unexploded World War II ordnance detected a live barrage rocket, which was dealt with by ordnance clearance experts from the Royal Navy
- Continued replacing cables that connect to Dewar Place substation and supply the main commercial centre of Edinburgh. Due to the volume of traffic in Edinburgh's busy West End and the presence of the railway line between Haymarket and Waverley stations, part of the cabling is to be installed in a 220-metre tunnel, up to 36 metres below ground level. The entry point for the cables was Gardner's Crescent, where a community garden had become derelict. Working with the community, we will restore the garden as part of the project
- Started to upgrade 'P Route' – a 76-year-old 132 kV transmission line between Dalkeith and Galashiels in the Borders, to serve Toddleburn Windfarm and an extension to the existing Dun Law Windfarm. The line will be upgraded, using the existing towers and foundations will be reinforced as required. This refurbishment approach saved using another 1,787 tonnes of steel and 4,750 tonnes of concrete foundation
- Examined 30 locations in a site selection exercise as part of a project to reinforce the electricity network in Glasgow's West End, where demand has been growing in recent years. Following extensive consultation the final site was selected at Finnieston, adjacent to an SP Energy Networks Depot
- Started early scoping studies to determine the electricity infrastructure requirements for the Glasgow 2014 Commonwealth Games and to support future economic development in Glasgow's East End
- Undertook environmental impact assessment for a new 132kV overhead line between Erskine and Devol Moor substations that will reinforce security of the network in developed areas of Erskine, Paisley and Greenock.

We are committed to putting customers at the heart of our business and want to ensure all interested parties are given the opportunity to be involved and influence decisions. To view presentations from our stakeholder events, or to leave feedback, please see our [Energy Networks](#) website

Graffiti Clean Up

During the year we launched a pilot project to address the ongoing problem of graffiti at our substations.

We teamed up with three local authorities in Scotland – Fife, East Renfrewshire and East Dunbartonshire councils, which have rapid response graffiti teams and provided them with financial support, paint and materials, to clean up substations that had been targeted with graffiti.

A similar initiative in partnership with St Helen's Council in North West England won an award for Innovation at a Cleaner, Safer, Greener conference in Manchester.

The project has been very successful and we are discussing its roll-out to other local authority areas.

Our 12 Impacts | Sites, Siting and Infrastructure

Performance Detail 2008 | continued

Heavy Duty Wooden Poles

Following extensive trials, heavy duty wooden poles are now being used for the vast majority of new 132 kV transmission lines that are required to connect new windfarms to the grid.

Many of these lines pass through areas of scenic beauty. The wooden poles are more aesthetically acceptable, cheaper and more environmentally sustainable than steel towers.

Generally made from Nordic timber, which is accredited by the Forestry Stewardship Council, and strong enough to meet the resilience requirement of standard EN 50431, a key advantage of the wooden poles is that they are approximately 12 metres lower in height which means they can be easily screened with trees.

Energy Wholesale sites

There were a number of developments at Energy Wholesale sites during the year, including announcements of major new projects and the start of demolition works at the former Townhill Power Station in Dunfermline.

- Following extensive public consultation, work began on the demolition of Townhill Power Station in Dunfermline, which had become a target for vandals over the years. The station, which dates back to 1909 was coal-fired originally, before being converted to gas turbine generation during the 1960s. It was decommissioned by ScottishPower's predecessor, the South of Scotland Electricity Board in 1985. Work on site will demolish the existing buildings, levelling the site and making it safe
- Early consultation started on plans to demolish Methil Power Station in East Fife. Methil, a 60 MW station that was powered by coal slurry (a by-product from colliery washeries) operated from 1965, until it was closed down by ScottishPower in 2000
- Commenced works on a new biomass power station to the west of Longannet Power Station. An area of ground was raised where the new 20-25 MW biomass power station will be built and changes to the access road to the main Longannet Power Station were started
- We continued developing plans (publicly announced in March 2009) for the construction of a 1,000 MW Combined Cycle Gas Turbine power station, adjacent to our existing Damhead Creek Power Station, located on the Hoo peninsula, Kent
- We announced a proposal to develop a further gas storage reservoir at our existing gas storage reservoir at Hatfield Moor, near Doncaster, in Yorkshire
- Work continued to progress on major projects at Longannet Power Station, Fife, including Flue Gas Desulphurisation (FGD), Carbon Capture and Storage and early scoping and public consultation work for Selective Catalytic Reduction. For further information on these projects, see our [Climate Change and Emissions to Air](#) impact area

Our 12 Impacts | Employment Experience

Overview

Corporate social responsibility is largely about people. It comes from creating a culture of engagement, where everyone in an organisation is aware of the effect of their actions on others – customers, communities, colleagues and the wider society and environment.

Even a company that has a strong record of good environmental performance, or working with communities, will fail at corporate social responsibility if it does not treat its people fairly, or where management do not lead by example and with awareness of the impact of a changing external environment. The impacts of this failure to act in a joined up manner have never been more visible.

A successful and enduring business requires effective leadership that can harness the skills, capabilities and personal motivation of employees, by providing the right conditions and environment for a positive employment experience.

This means treating employees with fairness and respect, providing a safe and healthy working environment and encouraging, rewarding and recognising success that has been achieved responsibly, with respect for others and within well-managed risk parameters.

Providing a positive employment experience also means developing best practice HR policies, offering market-competitive rewards and driving a strong training and development agenda.

Training and development is crucial to succession planning and preventing future gaps in critical skills. In current economic conditions a strong focus on up-skilling and re-training existing employees, helps to maximise the capabilities of the workforce and provide continuity of employment in a challenging environment. It also limits the costs of re-structuring in challenging fiscal times.

The ability to do all this comes from inspired leadership and effective communication – which must include listening to people and taking on board what they tell us.

A company's culture is just as important to the corporate social responsibility agenda as its policies. It is the culture that comes from a positive employment experience that drives a shared commitment to doing the right thing – for the environment, our colleagues and society as a whole.

Sheila Duncan, Impact Leader

Our 12 Impacts | Employment Experience

Approach

We aim to provide a positive employment experience for all employees and engage everyone in striving towards success in a responsible way.

The sustained success of the company depends on the efforts, dedication and loyalty of our employees.

Our approach to providing a positive employment experience includes a number of key commitments:

Health, safety and wellbeing – our top priority is ensuring our employees work in a safe and healthy environment. We achieve this through a strong focus on health and safety management, including continuous communication, specialist training, and behavioural and process safety initiatives. We actively promote healthy living and offer a range of services and facilities 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 critical to our success and we offer a range of Management and Leadership programmes across the company. These include a programme for our emerging leaders and various development programmes for team managers. In addition, we began a group-wide review of our leadership development strategy which resulted in agreement to launch a new Leadership Model in 2009 and conduct a Leadership Development Review focusing on our top 70 leaders.

Performance – employee performance is managed through transparent, consistent and fair Performance Management Frameworks, which recognise and reward employee performance, with a direct link to the overall company performance.

Training and development – employees are provided with on-going training and development, to ensure they have 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.

Increasingly, as overall employee numbers are reduced through restructuring, we are up-skilling, re-training and redeploying employees whose roles are set to disappear, enabling the company to retain valued and skilled employees and offering continuity of employment.

In addition to job specific or management training, we offer Community Based Development through ScottishPower Learning, where employees are able to develop their skills via a range of community based activities, such as providing management expertise to the voluntary sector and serving on the boards of charities.

Employee consultation – employees are regularly consulted through established forums with both trade unions and employee representatives engaged in forums, ranging from the Company Council, to business health and safety committees.

The Company Council (for consultation and negotiation) was recently restructured to include employee representatives, as well as Trade Union representatives, bringing all parties together at a single table for the first time, to discuss matters relating to employee relations, business performance, change management pensions management and policy development.

Employee attitude surveys are also undertaken regularly across the organisation, with a strong commitment to responding to feedback through the implementation of visible 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 flexible working hours. We also enable employees to share in the success of the business through participation in employee share ownership plans. Participation levels in the current plans are at an all-time high.

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 a number of channels, including local roadshows and presentations, business conferences, team briefings, webcasts, teleconferencing, the Intranet, internal news releases and a monthly staff newspaper.

Our 12 Impacts | Employment Experience

Approach | continued

Human Resources 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 2008

- Successfully retrained and redeployed around 200 staff from the Core utilities business within Energy Networks, following a major downturn in business as a result of the slump in the new build housing market
- Launched two new All-Employee Share Plans, achieving increased employee take-up and contribution
- Achieved a Gold Award in Scotland's Healthy Working Lives programme
- Conducted a global mobility survey
- Commenced a group-wide leadership development strategy review
- Provided more than a quarter of a million hours of training – an average of 3.5 days per employee during 2008
- Won the Employer of the Year Award from Liverpool Chamber of Commerce for our apprenticeship programme
- Held a series of employee roadshows on personal finance led by Financial Services Authority approved advisors and supported by our internal Pensions Team
- Overhauled the company negotiating machinery to include representation for employees on personal contracts
- Launched a new intranet site enabling staff to access HR information and services online
- Played a major role in developing a National Skills Academy for the power industry
- Human Resources achieved re-accreditation by Investors in People (IiP) – the Energy Wholesale and Energy Retail businesses maintained their accreditation
- Continued to engage managers in community based development, such as Arts & Business Board Bank, and the Pilot-Light Scheme
- Maintained "Your Choices" – a range of discounted products and services for employees and their families and secured a major new deal with General Motors for car purchases at a significant discount

Employee statistics

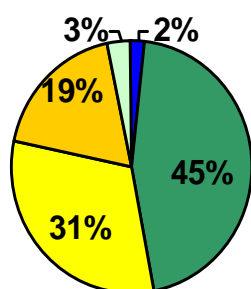
	2008	2007*
Number of UK employees	8,958	9,487
Total payroll	£286 million	£345 million

*These figures include ScottishPower Renewables staff (90 as at end of 2007)

Diversity

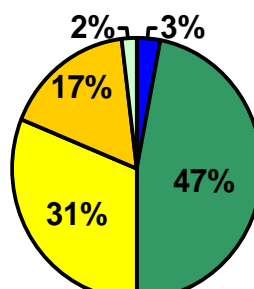
UK Employees	2008	2007
% male	66%	65%
% female	34%	35%

UK Age Diversity 2008



- employees 20 years old & under
- employees 41 to 50 years old
- employees over 60 years old

UK Age Diversity 2007



- employees 21 to 40 years old
- employees 51 to 60 years old

Our 12 Impacts | Employment Experience

Performance Summary 2008 | continued

	2008	2007
Employee turnover		
UK	11.4%	16%
Sickness absence		
UK	4.8%	4.8%

Targets

Performance Targets 2008	Outcome
Develop ScottishPower Employee Action Plans following analysis of the 2007 Employee Engagement survey results	All Employee Actions Plans developed
Devise new employee share plans following the integration with IBERDROLA	New Sharesave and Share Incentive Plan plans launched with increased participation levels
Introduce performance management plans aligned with IBERDROLA reporting year	Adopted IBERDROLA Performance Management system in 2008 for senior managers

Performance Targets 2009

- Reduce absence levels by a further 20%
- Complete the Leadership Development Review with development plans in place for top 70 leaders
- Implement improved people performance indicators / KPI's across business
- Enhance employee benefit offerings with launch of tax efficient initiatives

Our 12 Impacts | Employment Experience

Performance Detail 2008

Health, safety and wellbeing

We continued to offer a comprehensive range of health services for employees at all levels, ranging from health surveillance of all employees on the occupational risk register, to voluntary Wellscreen health checks and counselling.

The number of days sickness absence per employee increased slightly from 12.3 days to 12.7 days during the year. Various measures have been introduced to support employee attendance, including rehabilitation programmes, often involving interventions such as physiotherapy, to help employees return to work after illness or injury.

During the year we achieved at company level the Gold Award in Scotland's Healthy Working Lives programme, formerly known as Scotland's Health at Work. We are one of only 18 companies to hold the award, which is presented only to businesses that can demonstrate a long-term commitment to improving health and safety in the workplace.

Our Wellbeing programme is managed by the Wellbeing Steering Group, led by Occupational Health & Safety and including representatives from each of our businesses. Key elements of the long-term programme include: healthy eating, supporting staff attendance, mental wellbeing, avoiding accidents in the workplace and health and the environment.

Occupational health appointments

Appointment type	Number of appointments
Pre-placement	1,059
Occupational health monitoring	2,628
Management referrals	3,244
Self referrals	734
Voluntary health and lifestyle assessment	569
Counsellor	2,084
Physiotherapist	3,789

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

Restructuring and Redeployment

During the year we developed a policy in consultation with the trades unions on the re-training and redeployment of employees who find themselves displaced as a result of restructures or changes in market conditions.

During 2008 we launched a pilot re-deployment programme to help transition back office staff in the Energy Retail business whose jobs will be lost over the next two to three years as a result of improvements to customer relationship management systems.

The economic downturn resulted in a major slump in the new build housing market had a profound effect on our Core utilities business during the year. However, we were successful in re-training and redeploying 200 employees into our Energy Networks business.

International Mobility Plan

During the year we undertook a global mobility survey, the results from which were fed into a Global Mobility Policy that has been launched across the group. This Policy provides both a framework and categories of assignment types. This will facilitate the identification and placement of professional development opportunities across the wider IBERDROLA group.

Our 12 Impacts | Employment Experience

Performance Detail 2008 | continued

Pensions

ScottishPower provides employee retirement benefits that are market competitive and in line with best practice standards. Around 77% of all employees contribute to our pension plans.

The ScottishPower Stakeholder Pension Plan, into which employees contribute, rewards continuing service with increases in the company's contributions at the milestones of five, 10 and 25 years' service, and includes life assurance cover.

Our final salary pension schemes are now closed to new entrants, but they continue to allow longer-serving employees to build up valuable benefits with flexible, innovative options for topping up their plan.

All of our schemes are well managed by effective, responsible trustee bodies committed to safeguarding the pension schemes for all members.

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 2,181
Number of employees who have joined each scheme	Contributing Members to SPPS = 5,329, ESPS Manweb Group = 1,450 and ScottishPower Stakeholder Plan = 500
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 2008

- Provided strong funding support for our final salary pension schemes and worked closely with their trustees to continue to manage the schemes in an efficient and collaborative manner
- Achieved a 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 and replaced the schemes third party administrator, moving from Aon to Capita Hartshead
- Continued to develop employees' understanding and appreciation of their pension benefits and saving for retirement by raising the profile and accessibility of our employee support on pensions through roadshows, surgeries and the development of our in-house Intranet

The UK Defined Benefit Pension Schemes, ScottishPower Pension Scheme and the Manweb Group Pension Scheme are in the process of going through formal actuarial reviews, to update the funding status of the plans and consider if any change to the current funding plans are required. The Pension scheme trustees and the company will work closely together on this.

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

Our 12 Impacts | Employment Experience

Performance Detail 2008 | continued

- 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:

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
Developing a pensions website for scheme members	Easy, plain English guides to all pension arrangements	Retired Employee Associations with bi-annual pension scheme updates	Access to Individual Financial Advice providers
Annual Benefit statements incorporating State benefit forecasts			

New Employee Share Plans

During the year the company fulfilled its promise to establish new share plans that would enable employees to share in the success of the company.

Previous employee share plans were forced to close following the acquisition of ScottishPower by **IBERDROLA** and the de-listing of ScottishPower shares from the London Stock Exchange.

Two new share plans were launched in August 2008.

Share Incentive Plan

The company deducts money from employees' pre-tax salary and uses the money to purchase shares, which are held in trust on the employee's behalf. This scheme also includes the bonus of free “matching shares” for every partnership share acquired up to a monthly maximum. Dividends are paid on these shares twice a year.

Sharesave Scheme

The company also launched a Sharesave Scheme (Save As You Earn), whereby employees pay into a savings scheme from their after tax pay for a period of three or five years, receiving a guaranteed tax-free bonus at the end of the savings contract and the option to buy shares at a set price, or cash in their savings.

Employee take-up of both share plans is higher than the previous schemes. A total of 66% of employees are paying into the Share Incentive Plan, compared with the 46% take-up level achieved with the former ESOP scheme and 44% of employees are paying into Sharesave, compared with 32% in the previous scheme.

The average monthly contribution for the Share Incentive Plan is £91.00 per employee, while the average monthly saving under Sharesave increased of £164 per employee.

Other Employee Benefits

Subsidised gym facilities are available at a number of our larger sites and through our Your Choices benefits scheme employees have access to discounted gym membership at a range of external health and fitness clubs.

Your Choices

Your Choices is a range of voluntary benefits for employees from arrangements between the company and other providers of goods and services that include:

- Retail vouchers
- Holiday discounts
- Personal financial advice
- Gym membership

Our 12 Impacts | Employment Experience

Performance Detail 2008 | continued

General Motors

During the year we launched a major new addition to our Your Choices scheme – a new partnership with General Motors that enables employees – and their immediate families – to purchase a brand new car at a generous discount.

The GM Partners Programme runs special offers throughout the year, with preferential deals on all of GM's UK brands, such as Vauxhall, Saab and Chevrolet.

In addition to discounts on car purchases, better than market finance deals are available on car purchases and insurance. The programme also includes savings on factory-fitted options and delivery charges.

Give As You Earn

We operate a Give As You Earn scheme, enabling employees to make charitable donations in a tax efficient manner.

During the year our GAYE scheme received a Payroll Giving Quality Mark Silver Award in recognition of our efforts to encourage a culture of employee giving in the workplace.

The Silver Award is given to companies who engage between 5% and 9% of employees in their payroll giving schemes. In 2008, more than 700 ScottishPower employees gave over £55,000 to good causes through this scheme.

Financial Roadshows

During the year we ran a series of roadshows in conjunction with the Financial Services Authority at all of our main locations.

The Managing Your Money roadshows covered financial planning, including saving, borrowing and pensions. A CD Rom was made available to employees who were unable to attend the hour-long presentations in person.

We have run similar roadshows previously and 86% of employees who took part in a survey said they had taken action after attending and more than half said the seminars had helped to improve their confidence when dealing with money.

Leadership

ScottishPower Leadership Programme

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

For the last two years we have run a leadership programme for our emerging leaders, comprising four residential modules over 12 months, supported by individual coaching.

Participants were identified through our talent management process as high performers who have potential to move into more challenging management roles. A total of 43 senior managers took part in the programme during 2008.

ScottishPower People Leader Programme

During 2008, 60 people participated in our ScottishPower People Leadership programme.

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 People Leader Programme was developed during 2007 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 business specific modules.

Our 12 Impacts | Employment Experience

Performance Detail 2008 | continued

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 the outputs of Performance Management or Employee Development Reviews.

During 2008 we launched a new Leadership Development Programme in our Energy Retail business. The programme works with individuals to explore the relationship between their management style and the environment or "organisational climate" they create for their teams.

Facilitated by the Hay Group, which has studied the factors that influence organisational effectiveness and effective leadership for 40 years, the programme helps senior managers to maximise the effectiveness of their leadership and the capabilities of their teams.

A total of 56 senior managers took part in the programme.

Global Leadership Model and Leadership Development Review

Following the completion of ScottishPower's integration into the IBERDROLA group, the company's Human Resources and Development Strategy specialists conducted a leadership development strategy review during the year to agree a new approach to leadership development and to instigate a new leadership model for the future in consultation with IBERDROLA group colleagues in Spain and the US. Our Leadership Development Review will be launched in 2009 to benchmark the strength and depth of leadership.

Performance and growth

Number of Graduates and Apprentices taken on in 2008

Business	Graduates	Apprentices
Corporate	0	0
Energy Networks (including Core)	7	2
Energy Retail	0	0
Energy Wholesale	2	7
Total	9	9

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.

The training centres provide skills training for staff, our external contractors and also offer a range of courses for the external marketplace.

For more information on courses available see

http://www.sppowersystems.co.uk/powerlearning/pdf/Powerlearning%202007_2008.pdf

Our 12 Impacts | Employment Experience

Performance Detail 2008 | continued

The Number of people attending these courses in 2008

Type of course	Number of delegates	Number of delegate days
External contractors	3,627	2,301
External courses – from Technical Training Brochure	1,544	3,944

Employee Development

We remain committed to employee development across the business to ensure high standards of quality and safety and in 2008 provided a total of 3,363 internal training events with over 15,000 delegates taking part, in subjects ranging from risk assessment to customer service. Employees also have access to hundreds of online courses through our e-learning service.

Community Based Development

During 2008, 224 employees participated in Community Based Development – community programmes that 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
- Gain Board experience, utilise areas of expertise and extend leadership skills as volunteer on Arts and Business Board Bank
- 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. Some examples include:-

Arts & Business Board Bank

Arts & Business keeps a confidential register of business volunteers who wish to serve on the board of an arts organisation or museum. Volunteers receive a thorough induction and are then matched to organisations seeking their support.

Through the Board Bank, arts organisations have access to a wide range of potential board members with specific skills, for example in finance, marketing or planning. The Board Bank is available free to any professional not-for-profit arts organisation or museum.

By participating in this scheme, employees gain first hand experience of non-executive governance, the chance to work with a different team of people and the opportunity to play a valued and role in the arts community. Sitting on the board allows employees to develop skills such as communication, influencing, analysis, creative thinking and managing change, which are valuable in their own working environment.

During 2008 10 employees were involved in the Arts & Business Board Bank.

Pilotlight Scotland

Pilotlight Scotland matches teams of four senior business people from different businesses with small charities and social enterprises in order to help them build capacity and sustainability.

The business members give a commitment of around three hours per month and are matched with an appropriate charity or social enterprise, according to skills, experience and interests. They spend this time in a facilitated meeting with the other team members and the charity.

Our 12 Impacts | Employment Experience

Performance Detail 2008 | continued

Those taking part in the project coach and share skills, knowledge and experience. The relationship with the social enterprise typically lasts 12-18 months. The outcome will be a strategic business plan, action plan, and a transfer of skills and knowledge to the charity or social enterprise.

For employees, the benefits of taking part include the opportunity to have a positive impact on local charities and social enterprises and to develop their skills in a different, meaningful context, as well as the opportunity to work as part of a team of like-minded people from a range of business backgrounds.

Three managers signed up for Pilotlight in 2008, benefiting the following charities:

- Deaf Connections, Glasgow
- Community Connections, Edinburgh
- Orbiston Neighbourhood Centre, Bellshill

National Skills Academy

During 2008 a National Skills Academy for the power industry was launched. The National Skills Academy is a Government-led initiative that aims to create a world-class workforce that can help Britain become more competitive.

ScottishPower collaborated with other electrical utilities over an 18-month period to help establish the Academy, which will help to deliver a streamlined, but high quality and consistent approach to training across the sector.

It is designed to fill training gaps and skills shortages that may otherwise have arisen through new demands on the industry and a changing age profile of those within it.

National Skills Academies have been established to serve various sectors, from construction and manufacturing, to financial services and hospitality.

For further information, visit: www.nationalskillsacademy.co.uk

Employee engagement and communication

In October 2008 **IBERDROLA** conducted an employee satisfaction survey across the group which asked employees for their views on the **IBERDROLA** group and the company they work for within the group. Our online response rate for employees in the UK was 59%. We are currently collating results from the survey to present to ScottishPower's management teams.

We continued our commitment to employee communication through a number of channels including an employee intranet, email updates, webcasts, team briefings and the award-winning monthly newspaper, ScottishPower News.

During the year we launched a new HR intranet – Your HR Online – which enables staff to access HR services and information, request leave, self-certify absences or check the progress of expenses claims through a dedicated intranet site.

We also launched a new environmental intranet during the year, which provides employees with information on environmental issues, the company's environmental performance and how individuals can make a positive impact on the environment at work and at home.

Formal employee consultation

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

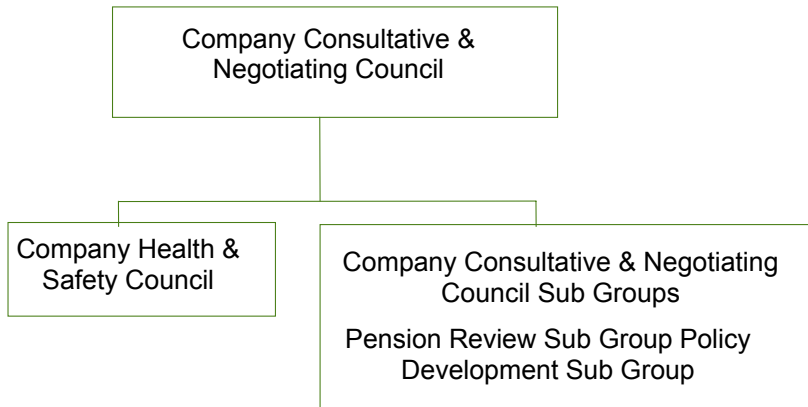
During the year we launched a new company consultation and negotiation framework and agreement. The new framework, set up to allow discussion, consultation, and negotiation on a range of topics including business performance, strategy, proposals for organisational change and matters of concern or interest to the company, the Trade Unions and employees.

Our 12 Impacts | Employment Experience

Performance Detail 2008 | continued

The new framework includes representation for employees who are on personal contracts, and previously had not been represented in formal consultation arrangements.

The structure of the new framework is detailed below.



The Company Consultative & Negotiating Council (CCNC) is the main formal consultation body in ScottishPower. Its membership includes:

- Senior management representatives from each business
- Trade Union full time officers and lay representatives
- Non collective employee representatives

Meeting twice a year subjects discussed by the CCNC include:

- Company and business performance
- Company strategy
- Challenges and opportunities facing the company
- Proposals for, and implementation of, organisational change
- Health and safety, pensions or any other relevant company policies and practices and the process for communicating these policies and practices
- Learning and development including training, employee development frameworks
- Matters where consultation of employee representatives is required by law

Two sub groups of the CCNC have been established specifically to deal with matters relating to pensions and employment policy.

The Company Health & Safety Council (CHSC) has similar membership to the CCNC but includes Health and Safety Managers from each of the businesses. It meets twice yearly in May and November and covers a range of health and safety issues, including:

- Developing safe systems of work and safety procedures
- Analysing accidents and causes of notifiable occupational diseases
- Reviewing risk assessments
- Examining safety audit reports
- Considering reports submitted by safety 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

Our 12 Impacts | Customers with Special Circumstances

Overview

The UK energy supply industry recognises that access to affordable heat, light and power is especially important to vulnerable customers, particularly older people, those with disabilities or certain medical conditions and people who are housebound.

Over a number of years the industry has developed a range of tailored services for customers that have special circumstances and need a little extra help. These include people who have disabilities, those on low incomes and customers who speak no, or little, English.

The provisions to help customers with special needs were agreed between UK energy suppliers and the regulator, Ofgem, during a Supply Licence Review in 2007, resulting in common standards across the industry.

Suppliers must provide special services for the physically vulnerable, including a password scheme and a free meter moving service, as well as free gas safety checks for eligible customers.

In 2008, fluctuating prices created challenges for energy suppliers and their customers. The rise in the wholesale prices of gas and electricity, combined with the credit crunch, tipped more families into fuel poverty.

Fuel Poverty occurs when a household has to spend 10% or more of its income on energy. It occurs as a result of:

- The condition and thermal efficiency of the dwelling
- The disposable income of the householder
- The cost of fuel
- Or a combination of all three

Tackling fuel poverty effectively needs a combined and sustained effort from the Government – in relation to enabling policies and the adequacy and take up rates of benefits; housing providers, who have a responsibility to maintain the housing stock, and energy suppliers. It is recognised that a holistic approach works best – including energy efficiency, free or subsidised heating, advice and income maximisation, with society's most vulnerable people being targeted as a priority.

This will be achieved through suppliers participating in the Government's Home Energy Saving Programme which was announced on 11 September 2008. The package is made up of many elements including suppliers investing extra money in the Carbon Emissions Reduction Target (CERT) energy efficiency programme and through the Community Energy Savings Programme (CESP) – a proposed £350 million programme that is jointly funded by UK energy suppliers and generators.

CESP will be delivered on a house-by-house, street-by-street basis and in addition to energy efficiency advice and normal energy efficiency measures such as cavity wall and loft insulation and low energy lighting delivered via CERT, it will include central heating, replacement heating systems, solid wall insulation and other measures that deliver significant CO₂ and fuel savings which work to form a whole house approach.

In the 2008 Budget the Chancellor also announced an increase in suppliers' collective expenditure on their voluntary social programmes to at least £150 million a year by 2011. This expenditure can be directed at social tariffs, rebates or trust funds which provide direct assistance to customers in, and vulnerable to, fuel poverty.

Over and above the statutory requirements placed upon it, 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 through their wider pricing policies and debt management / customer services practices.

By working with Government, housing authorities and the caring agencies, suppliers can target help at the UK's most vulnerable and needy customers and begin a progressive reduction in the number of UK households that endure the misery of fuel poverty.

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:

- Funding projects to address fuel poverty, especially in families with young children, through the independent charity, the ScottishPower Energy People Trust
- Offering a social tariff, Fresh Start, for vulnerable older customers on certain qualifying benefits, which combines lower prices with energy efficiency and income maximisation advice
- Establishing a specialist Vulnerable Customer team, following stakeholder feedback, to work alongside groups such as Citizens Advice Bureau, Energy Action Scotland, National Energy Action and other organisations that help people in fuel poverty
- 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
- Fairer tariffs – we maintain prices for prepayment customers at levels below standard quarterly cash tariffs
- Implementing a rapid roll out of key meters for prepayment customers, so that any changes in payment rates, as a result of price changes, or debts being paid off, take effect immediately
- Working with the Department of Work and Pensions to identify and help our most vulnerable customers
- Advising and helping any customer who tells us they are having payment difficulties
- Contributing to industry driven initiatives, such as the Home Heat Helpline
- Working with Government and other energy providers through the Fuel Poverty Forum
- 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

Our 'Warmth Without the Worry' Customer Charter, offers 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.

Our 12 Impacts | Customers with Special Circumstances

Performance Summary 2008

- Contributed a further £1 million to the ScottishPower Energy People Trust. During 2008, the Trust awarded funding of more than £1.2 million to 21 projects, helping 36,145 individuals in 19,485 households
- Launched a new social tariff, Fresh Start, that combines low prices with energy efficiency advice and measures to lift vulnerable customers out of fuel poverty
- A total of 1,375 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 9,472 home visits - 31% more than last year – and doubled the number of visits to give energy efficiency advice
- The Carefree Team carried out more than 19,500 gas safety checks for domestic gas customers on the Carefree scheme (Priority Services Register)
- Supplier Voluntary Social Programme spend totalled £7.457 million in 2008
- ScottishPower prepayment customers saved £13.65 million in 2008, as our prepayment prices are lower than standard quarterly credit
- Set the groundwork to launch a new Vulnerable Customer Team to bring together the company's expertise and provide a single point of contact for vulnerable customers and the agencies that help them
- Supported fuel poverty events run by charities National Energy Action and Energy Action Scotland

Targets

Performance Target 2008	Outcome
Develop and deliver a social tariff aimed at our most vulnerable customers on the Priority Services Register, Carefree, in early 2008	Achieved – Social tariff launched
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	Ongoing – continue to support the ScottishPower Energy people Trust
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)	Ongoing

Performance Targets 2009

- Supplier Voluntary Social Programme spend totalling £14 million

Our 12 Impacts | Customers with Special Circumstances

Performance Detail 2008

Fuel Poverty Programme

Our Fuel Poverty Programme includes the ScottishPower Energy People Trust and the Fresh Start social tariff, as part of a £39 million expenditure over the next three years on a package of social measures and energy efficiency programmes.

These are designed to deliver a comprehensive range of fuel poverty and energy efficiency initiatives that will help to lift customers out of fuel poverty and reduce bills.

We continue to work with the Department of Work and Pensions, Citizens Advice and debt agencies to help us identify vulnerable customers and offer help to those most in need.

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 3.2 million - 586,000 in Scotland¹, 2.4 million in England² and 243,000 in Wales². However, National Energy Action estimates the figure to be nearer 4.5 million, with fuel poverty affecting nearly one in five British households.

Fuel Poverty occurs as a result of:

- The condition and thermal efficiency of the dwelling
- The disposable income of the householder
- The cost of fuel
- Or a combination of all three

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. Although ScottishPower announced price reductions for customers just outside the reporting period in February 2009, the cost of energy has risen in recent years due to a rise in the wholesale prices of gas and coal.

Looking ahead, prices across the industry are likely to increase again in future years to meet the cost of tackling climate change, through low carbon generation and energy efficiency.

The ScottishPower Energy People Trust, established following a major research programme, is now in its fourth 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

In the Ofgem report: "Monitoring Suppliers' Social Programmes 2007-08", published in December 2008, the ScottishPower Energy People Trust was identified as implementing best practice. This was due to its approach of providing grants to trusted third party intermediaries and organisations which can target assistance to those in fuel poverty, particularly those who are the most difficult to identify and hardest-to-reach.

¹ Source: The Scottish House Condition Survey March 2008

² Source: The UK Fuel Poverty Strategy 6th Annual Report 2008

Our 12 Impacts | Customers with Special Circumstances

Performance Detail 2008 | continued

Funding

During 2008 the ScottishPower Energy People Trust awarded grant funding of over £1.2 million to 21 projects, helping 36,1452 individuals in 19,485 households. Since its formation in November 2005 the ScottishPower Energy People Trust has awarded total funding of over £4.5 million to 103 projects, helping more than 243,000 individuals in 105,000 homes.

Projects funded in 2008 included:

Broomhouse “One Stop Shop”

A Community One Stop Shop (COSS) serving the deprived areas of Broomhouse and North Sighthill in Edinburgh received £30,000 in funding from the Trust, to give financial advice to a wide range of groups including families with children, young people setting up home for the first time and vulnerable older people.

The drop in, outreach and referral service aims to alleviate fuel poverty in the area by providing help and advice to those who are in need of it most. The project helped around 500 people in its first year.

The majority of work that COSS carries out is trying to cut poverty by assisting clients with filling in benefit forms, setting up payment plans and helping to organise clients' finances.

Money-related issues are the most common topic of enquiry that the service has to deal with and are inevitably a major contributing to fuel poverty, unless they are addressed.

Neath Port Talbot County Borough Council – Welfare Rights Unit

The Welfare Rights Unit of Neath Port Talbot County Borough Council received funding of over £70,000 in September 2008 for their Fuelling Kids Project.

The project will provide comprehensive Welfare Benefits advice within some of the poorest regions in Wales and will target families most at risk of fuel and income poverty, providing them with Benefit Health Checks, Debt and energy efficiency advice.

The workers will contact clients through partnership working with other organisations, running and attending events and through Surgeries at Schools. The funding will provide for one full time and one part time worker for two years.

Toxteth Citizens Advice Bureau

The Toxteth Citizens Advice Bureau received funding of almost £100,000 in September 2008 for their Fuel Poverty Outreach Worker Project in the L8 region of Liverpool.

The worker will provide a specialist fuel poverty advice service to help their clients maximise their income. This will include providing assistance and access to financial skills training targeted towards lone parents and people with mental health issues.

The service will be provided at outreach locations to ensure these hard to reach groups in particular need can access the service and will run for three years.

For more information on the ScottishPower Energy People Trust and information on how to apply for funding, visit the [Trust website](#).

Carefree Plus Tariff

The Carefree Plus tariff provided a holistic solution to vulnerable customers. The tariff worked by applying a daily discount to the customers' gas and electricity account, to the value of £111.56 (inc. VAT). All Carefree customers were also able to access a Benefits Health Check, energy efficiency advice and access to energy efficiency measures. The tariff was announced on 1st February 2008 to enable customers to pre register for the offer going live on 1st April 2008. The discount offered to customers was a fixed annual amount awarded to customers as a daily discount on their account regardless of consumption. There were 3,287 accounts on the tariff at the end of December 2008. All these customers have now been transferred onto the new Fresh Start social tariff and the Carefree Plus product is now closed.

Our 12 Impacts | Customers with Special Circumstances

Performance Detail 2008 | continued

Fresh Start Social Tariff

Throughout the year, along with the other suppliers, we were put under pressure by the Government and the media to introduce a social tariff.

At our Stakeholder Sessions, held in December 2008, reference was made to the role of the Government and Regulators to define a social tariff to help people who are having difficulty paying their fuel bills and in fuel poverty.

In December 2008, after discussions with key stakeholders including fuel poverty charities National Energy Action and Energy Action Scotland, we introduced a social tariff that met with the requirements set out by Ofgem.

Fresh Start is being made available to our most vulnerable customers - those who are aged 60 or above and in receipt of certain welfare benefits - and will offer annual savings of over £200. It will also provide energy efficiency advice and measures and income maximisation checks.

In the UK, as much as £9 billion in benefits are unclaimed each year. Our experience in delivering help through work with Warm Zones and projects funded by the ScottishPower Energy People Trust has shown that every £1 invested in this area can secure £20 in previously unclaimed benefits payments for vulnerable customers.

Our key stakeholders welcomed its emphasis on targeting our most vulnerable customers on our Priority Services Register.

Going forward we are mindful that our social tariff should be offered to those customers who are most in need, i.e. those in fuel poverty and those on the lowest incomes.

Vulnerable Customer team

A new Vulnerable Customer team will bring specialists from different parts of the business into a unified team that will provide a single point of contact for vulnerable customers and the agencies that help them.

It will deal with Carefree customers, matters relating to the new Energy Assistance Package (which replaces the Central Heating Programme and Warm Deal), the Home Heat Helpline and Fuel Direct.

The team, which is unique in the industry, will also have specially trained staff that will manage the company's day-to-day relationships with Citizens Advice Bureau, Age Concern, RNID, RNIB and local authorities.

In addition, Social Responsibility Support will work closely with the team that deals with Consumer Direct, Consumer Focus and the Ombudsman.

Within the company, the team will be the main point of contact for Energy Networks, who need to be aware of customers who have special needs in instances of interruptions to the power supply, from planned maintenance or faults.

The Vulnerable Customers team will be supported by ScottishPower's Customer Liaison Officers, who undertake home visits to customers on a range of issues, including assistance for vulnerable customers.

Information packs will be produced outlining the help that ScottishPower can offer customers who have special circumstances or difficulties. These will be made available to agencies that help vulnerable customers, such as those named above.

Our 12 Impacts | Customers with Special Circumstances

Performance Detail 2008 | continued

Home Heat Helpline

For the third successive year we supported the Home Heat Helpline, an independent telephone service funded by the UK's six largest energy companies. It is designed to give help and advice to people who are struggling to pay their energy bills or to keep warm in winter.

Independent advisors can provide information and advice on keeping warm and using energy efficiently, as well as payment plan options and how those with special needs can become a Priority Service Customer.

This year the helpline received 24,673 calls – 5,000 more than last year. Of these, 1,375 were referred to ScottishPower in 2008, compared with 552 in 2007.

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

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.

Rebates of more than £3.5 million were given to Carefree customers during the year. This consisted of a rebate of up to £30.99 in February 2008. Customers received a rebate of £21.99 if they had a gas account and £9.00 if they had an electricity account with ScottishPower. A total of 62,154 accounts were credited with a rebate at this time, totalling £864,066

In December 2008 a further £85 rebate was given to Carefree customers. A total of 33,464 customers were provided with a rebate in December. Some customers benefited from both the February and December rebate.

The Carefree Team carried out 19,519 home visits in 2008, to carry out gas safety checks

Beating Bogus Callers

During the year we worked with police in Strathclyde and Sussex to tell them about the measures we take to ensure members of the public can be confident that our staff are who they say they are as part of an initiative to clamp down on bogus callers.

Unscrupulous individuals who pose as trades people and prey on vulnerable individuals in their own homes have always been a problem, but we have a range of policies and measures in place to safeguard members of the public, including our password scheme (see above).

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 and helping to manage debt and other issues through one-to-one support.

The team is unique in the industry and its processes in relation to home visits are accredited by the International Standards Organisation.

In 2008 our Community Liaison Officers made 9,472 customer visits (31% increase on 2007). These included 2,767 relating to energy efficiency – more than double on last year – and 672 home visits to customers with special needs. They also attended 23 community events, resolved various customer complaints and provided advice and information on heating and the Carefree Scheme.

Our 12 Impacts | Community

Overview

Energy companies have a presence in communities across the UK, ranging from offices, power stations and substations, to overhead lines and the metering equipment in several million homes and businesses.

Although we provide an essential service, we rely to a great extent on the goodwill of local communities to operate effectively – and to plan new developments. Building the trust of communities and being a good corporate neighbour is therefore very important to ScottishPower.

We have a strong employee presence in the community too. Meter readers, sales people and community liaison officers visit homes across the country nearly every day of the year, while energy networks staff carry out repairs and maintenance of cables, lines and substations to keep the power flowing.

For any company with a significant and visible presence, being a good corporate citizen means being considerate to the needs of local communities – and minimising any negative impacts of business activities, such as traffic, parking congestion or occasional noise disturbance. It also involves building and maintaining a relationship of trust with community stakeholders, based on open dialogue.

Most companies today also choose to support their local communities through investment in sponsorships and charitable giving that benefits society or the environment.

This can be achieved through direct financial support for specific causes, or support in kind from the donation of goods and services, or employee volunteering.

Companies can also leverage resources by match funding money raised for good causes by employees and by encouraging and facilitating payroll giving, which enables employees to donate to charities in a tax-efficient way.

With Britain in recession, many companies are cutting back on their community investment programmes. This is happening at a time when people are more vulnerable and charitable organisations need funding to help. A survey by the Charities Aid Foundation, for example, showed that charities whose services help people deal with the effects of recession have seen a marked increase in demand for their services.

It will therefore be important in the months ahead for companies and their beneficiaries to work in partnership and maximise the benefits of corporate giving for companies, charities and those members of society they represent.

Nick Horler, Impact Leader

Our 12 Impacts | Community

Approach

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

Building trust in the communities where we operate has been one 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.

At the heart of building and maintaining the trust of our communities is open and honest communication. That means being willing to listen to our community stakeholders, by encouraging two-way communication and fulfilling the promises we make.

Our presence in a community is usually long-term and we favour community investment programmes where we can create real and lasting benefits.

The main elements of our approach to community relationships are:

- Engaging 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, to keep local stakeholders informed about our operations and to seek their feedback
- We have visitor centres at several power stations to allow community groups and others to visit our operations
- We fund two independent charities – the ScottishPower Green Energy Trust – this is supported by Green Energy Fund customers and funds renewable energy projects at community level – and the ScottishPower Energy People Trust, our fuel poverty charity
- Our community programmes are focused on helping young people and include employability training, through our award winning ScottishPower Learning arm, and educational projects to increase awareness of energy efficiency, the environment, science and safety
- We support programmes that recognise community champions
- We promote payroll giving and encourage staff development through volunteering for community programmes from hands-on environmental projects, to using business expertise on the boards of charities
- We continue to support traditional arts, including Celtic Connections and the award winning ScottishPower Pipe Band

Our 12 Impacts | Community

Performance Summary 2008

- **Overall Community Investment** - £3.5 million (2007 - £4.2 million)
- **Fuel Poverty** – over £1.2 million funding was awarded by the ScottishPower Energy People Trust, helping 36,145 of society's most vulnerable people who find themselves in financial difficulty
- **Environment** – our Green Energy Trust awarded a further £232,809 to 20 small renewable energy projects. At December 2008 the Trust had awarded a total of £1,126,231 to 108 community projects
- **Safety** – over 58,000 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"
- **Community Based Development** - 224 ScottishPower staff participated in Community Based Development programmes which provide employability training for young people in our communities
- ScottishPower retained Platinum Status in the Business in the Community (BitC) CR Index
- We announced sponsorship of ground breaking drama project, Outspoken for young people who stammer
- ScottishPower Pipe Band opened the IAAF World Cross Country Championships
- We received the Silver Payroll Giving Quality Mark

Targets

Performance Target 2008	Outcome
Involve 270 staff in community programmes as part of their development during 2008, through ScottishPower Learning	224 staff were involved in community programmes during the year

Performance Targets 2009

- Involve 300 staff in community programmes as part of their development or engagement during 2009, through ScottishPower Learning

Our 12 Impacts | Community

Performance Detail 2008

Overall Community Investment

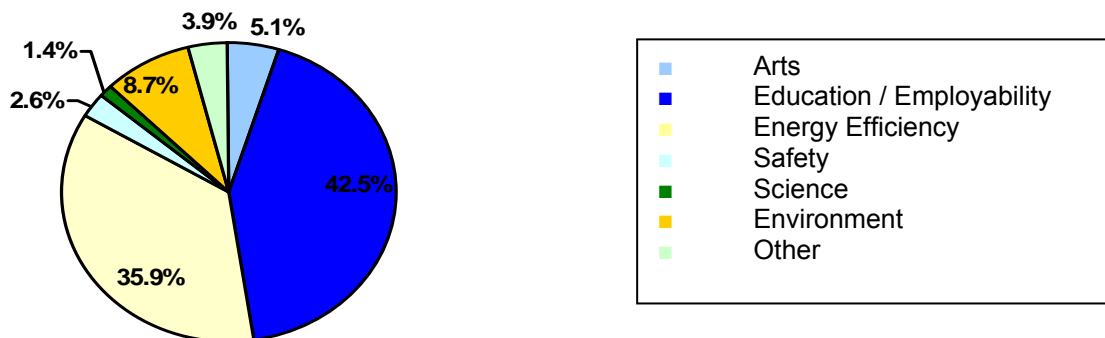
ScottishPower use the London Benchmarking Group model to evaluate community support activities. The model allows companies to report community contributions and achievements by measuring the total impact on communities rather than financial contributions alone. The LBG is the standard for community reporting 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 2008, ScottishPower contributed £3.5 million (2007 £4.2 million excluding ScottishPower Renewables) in community support activities in the UK, of which £2.4 million was contributed to registered charitable organisations.

The total consisted of £91,235 million categorised by the LBG model as charitable gifts, £3.2 million classed as community investment and £137,000 categorised as commercial initiatives, given in cash, through staff time and in-kind donations.

Analysis of Community Investment



Community Investment Strategy

We have a long track record of consulting with and supporting local communities by sharing our resources, the skills of our employees and by offering financial support to projects that create real and lasting benefits.

Our Community Investment Strategy focuses on:

- Education and employability
- Safety
- Energy efficiency and environment
- Community and the arts

All of these focus on a common theme – helping young people.

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 more than 16,600 young people.

Delivering programmes in three distinct areas, school based, community based and work based, during 2008 over 1,600 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.

Our 12 Impacts I Community

Performance Detail 2008 I continued

During 2008 1,376 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 re-accredited our 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:

- As a Delivery Partner for The Prince's Trust Team programme, we facilitated 12 Prince's Trust Team programmes involving 160 young people in 2008. To date more than 2,900 young people have participated in the programme and many of our staff have acted as programme team leaders
- We sponsored a Prince's "Seeing is Believing" event in Flintshire, where senior Welsh business delegates mixed with apprentices and young people in some of the nation's most deprived communities
- We continued our sponsorship of Outward Bound to allows schools in disadvantaged areas to access their facilities to develop their pupils self-esteem and confidence

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

During 2008, 68 young people benefited from our Skillseeker programme. The programme's success rate has been maintained 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

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 2008, 224 employees participated in Community Based Development (CBD).

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 (224 in 2008)

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. It also provides opportunities for teams from across ScottishPower to engage in community activities. Working on a community project can help develop teamwork and can act as an opportunity for cross departmental working.

Arts & Business Board Bank

During the year we continued to contribute to the Arts & Business Board Bank, which provides business volunteers to serve as non-executive directors on the boards of arts organisations.

Arts & Business keeps a confidential register of business volunteers who wish to serve on the board of an arts organisation or museum. Volunteers receive a thorough induction and are then matched to organisations seeking their support.

Our 12 Impacts | Community

Performance Detail 2008 | continued

Good governance is vital to the success of arts organisations and museums, enabling them to realise their creative potential. An effective board will offer a range of skills to the organisation, including expertise in finance, marketing and planning.

The Board Bank is available free to any professional not-for-profit arts organisation or museum. During 2008 10 staff were involved in the Arts & Business Board Bank.

Pilotlight Scotland

We continued to support Pilotlight Scotland, which matches teams of four senior business people from separate businesses with small charities and social enterprises in order to help them build capacity and sustainability. The relationship is based on a team approach to coaching and is facilitated and supported by a dedicated Pilotlight project manager. In 2008 three senior managers signed up for Pilotlight with charities Deaf Connections, Glasgow; Community Connections, Edinburgh and Orbiston Neighbourhood Centre, Bellshill.

Prince's Seeing is Believing Programme

During 2008 ScottishPower Learning sponsored an event which brought Welsh business leaders together with young people from deprived communities as part of the Prince's Seeing is Believing programme in Wales, which is run by Business in the Community.

The visit, led by Guy Jefferson, Customer & Performance Director, ScottishPower Energy Networks, explored the barriers to work that young people face in some of Flintshire's most disadvantaged areas.

The Prince's Seeing is Believing programme invites senior business leaders to see for themselves how business can play a role in tackling the UK's most pressing social issues in some of the most deprived inner cities and rural areas.

Encouraging Young Engineers

Energy Networks supported a Celebration of Engineering event in Glasgow, organised by the Scottish Council Development and Industry for its network of Young Engineers Clubs.

The event gave school children from across Scotland the chance to showcase their work, compete for prizes in innovation and complete challenges set by leading engineering companies.

Energy Networks set a circuit-wiring problem. It was solved by Peebles High School who went on to win the challenge event.

Symington Football Club

Symington Tinto Amateur Football Club in Lanarkshire can now hold training and practise evenings after ScottishPower provided them with new floodlighting.

But installing the new lights was no ordinary project – it was set up so that ScottishPower graduate engineers and apprentices could gain valuable project management skills, while supporting a community group.

Three graduate engineers devised a design solution, which had to meet the required technical standards, while being energy efficient and within the limited budget of the club. They also had to draft planning documentation, technical specifications and safety assessments.

Public consultation and raising safety awareness at a nearby primary school was also part of the project. Balfour Beatty generously donated the lighting.

The project provided the graduate engineers with a practical personal development opportunity to gain core competencies in a supported environment, while creating community benefit.

We are now seeking similar initiatives to use as a means of team development and community support for 2009.

Our 12 Impacts | Community

Performance Detail 2008 | continued

Public Safety

Public safety is the key issue that drives Energy Network'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:

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 2008, 359 teaching days were utilised, reaching 58,088 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 2008, 411 resource packs were issued, 52 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 almost 42,000 hits to the website in 2008.

Safety Education Centres

Support is given to two innovative, dedicated safety education centres operated by local public authorities within ScottishPower's network areas. Centres are based DangerPoint in North Wales; and the Risk Factory in Edinburgh. 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.

Since the closure of The Child Safety Centre in Priesthill, Glasgow in June 2007, Energy Networks has continued to support the work of Glasgow Community and Safety Services by sponsoring Safety Strolls for primary school children. Trained rangers take the children out of their school to walk around their neighbourhood, attached to a Walkodile®, discussing relevant safety issues, such as substations, pillars, open water courses, railway lines.

During the year,

- 7,645 children visited DangerPoint
- 6,627 visited The Risk Factory
- 3,494 took part in Safety Strolls in Glasgow

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 Energy Networks presented key safety messages to more than 10,000 children at eight Crucial Crew events across the UK.

Industrial safety

As well as schools, Energy Networks 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.

In 2008, Energy Networks staff sent out 455 'e-shots', by email, to key target groups, to provide information and link in with the safety section of its website.

Our 12 Impacts | Community

Performance Detail 2008 | continued

Our staff also visited 138 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.

Longannet Power Station ScotAsh and some 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.

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

Science

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

Energy Efficiency

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

Sponsorship of Scottish Athletics and the Scottish Schools Athletics Association

We supported participation in sport through our sponsorship of Scottish Athletics and 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.

In 2008, more than 10,000 young athletes (30,000 in total since the sponsorship began) 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.

The sponsorship encourages and supports the participation in sport among children of all ages and coincides with a time when there is growing concern about childhood obesity and inactivity. There is a renewed focus on athletics as a direct result of the 2012 London Olympics and the 2014 Glasgow Commonwealth Games. In 2008, as part of the sponsorship, George Square in Glasgow was transformed into a track and field stadium on August 23 to coincide with the end of the 2008 Beijing Olympics, where youngsters received expert training from Commonwealth Athletes.

Read for the Future

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. Hundreds of children from dozens of schools across Scotland take part in the challenge and the winning school receives £250 of garden centre vouchers. First prize for the pupil who reads the most books is a bicycle, second prize is a family day out at Edinburgh's Our Dynamic Earth and third prize is a £30 book voucher.

Environment

ScottishPower sponsored The Prince of Wales's May Day Business Summit on Climate Change in Edinburgh on 1 May 2008. Over 100 companies attended the event at Our Dynamic Earth in Edinburgh – which was linked by satellite to 1,600 business leaders at events across the UK. Those attending were asked to make "carbon pledges" – promising to measure their carbon footprint, set targets to reduce it and encourage customers and employees to take steps to reduce CO₂ emissions

Green Energy Trust

On World Environment Day 2008, the Green Energy Trust celebrated its 10th Anniversary. During 2008 the Green Energy Trust funded 20 small-scale renewable energy projects throughout the UK, totalling £232,809. 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.

Our 12 Impacts | Community

Performance Detail 2008 | continued

Scottish Seabird Centre, North Berwick received funding from the ScottishPower Green Energy Trust to add solar panels to the top of its building. The centre, which offers visitors the chance to observe birds in their natural habitat, has fitted the solar panels to the roof of the Energy Zone which is a renewable energy education project within the Seabird Centre. This is the second time the Centre has received funding – in 2003, the Centre received funding from the Trust to install solar powered interactive cameras. These cameras enable birdwatchers to make virtual visits to the islands in the Firth of Forth to observe the wildlife in their own environment.

For more information on the ScottishPower Green Energy Trust, visit their website at www.scottishpowergreentrust.co.uk

Community Consultation

We consult closely with communities early on in our development process for new projects, upgrades to power lines, new power stations or major developments at any of our sites.

This ensures that local people have an opportunity to comment on and input into our proposals before we submit an application for planning consent – and that any issues they make us aware of can be fully explored during the environmental impact assessment.

During 2008 Energy Networks held a number of public meetings relating to forthcoming projects to seek the view of local people. The business also held an open day for stakeholders, attended by 130 people, following the completion of two major substations associated with upgrading the Anglo-Scottish interconnector (power link).

In addition, Energy Networks held stakeholder events in Chester and Glasgow for politicians, councillors, statutory consultees, consumer groups, Non Governmental Organisations and special interest groups, to seek feedback on their high level business plans.

The opinions of the wider stakeholder audience were sought through focus groups and briefings on network investment plans were held for politicians and the trades unions.

Further details on our approach to consultation can be found in our [Sites, Siting and Infrastructure](#) impact area. During the year a stakeholder communication plan was developed for the new biomass power station at Longannet in Fife, in consultation with local stakeholders. This will be implemented from 2009.

Longannet and Cockenzie power stations, which are major sites located close to communities, have Local Liaison Committees that meet regularly to discuss topics of mutual interest.

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.

Visitor Centres at the Galloway Hydro-electric scheme and at Longannet Power Station are open only to organised groups, by appointment.

Arts Sponsorships

Celtic Connections

ScottishPower is principal sponsor of Celtic Connections, a celebration of traditional music, held over 19 days every year in January, and is attended by audiences totalling more than 100,000 people.

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 in the 2008 event, which marked the Festival's 15th anniversary.

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. In addition, 60 free workshops took place in schools.

We have pledged to continue our support for Celtic Connections until 2010. For more information see [Celtic Connections](#) website

Our 12 Impacts | Community

Performance Detail 2008 | continued

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.

In December 2008 the ScottishPower Pipe Band was named Scottish Pipe Band of the Year at the Scots Trad Music Awards in Glasgow. For more information, see the [ScottishPower Pipe Band](#) website.

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.

In 2008 we sponsored a venue – The ScottishPower Studio Theatre, as well as sessions by authors Terry Pratchett and A C Grayling.

The event, held from 9th - 25th August at Charlotte Square Gardens, brought together 800 authors, philosophers, poets and entertainers from 45 countries in 750 events involving books, lectures, workshops, children's events and live music. The 2008 Book Festival attracted nearly 200,000 visitors. For more information see [Edinburgh International Book Festival](#) website.

National Theatre of Scotland Transform Project

Transform is a major collaborative education project between National Theatre of Scotland, ScottishPower and the Scottish Government's Determined to Succeed programme that helps schools and communities to transform their approaches to learning.

It brings together schools, theatre professionals, communities and audiences, producing high impact theatre events that use the local environment as a backdrop to tell compelling stories. The project aims to enthuse and motivate participants and enable them to develop key skills they can adopt in life and the world of work.

Transform was launched as a nationwide project in September 2007, with the aim of involving up to 10 different communities in creating 10 pieces of site-specific theatre across Scotland by the end of 2009. In 2008 successful projects were held in Port Glasgow, Inverclyde in March and Kilmarnock, East Ayrshire in June.

Helping Young Stammerers Through Theatre

ScottishPower teamed up with TAG – part of the Citizen's Theatre, Glasgow, in a ground breaking project to help young people who stammer.

The company donated £9,000 towards the Outspoken project, which was run in association with the British Stammering Association (BSA), Scotland.

Serving a group who are widely under-represented in theatre, Outspoken involved 20 workshops running throughout autumn 2008 at the Citizens Theatre. ScottishPower's sponsorship enabled TAG to offer the sessions free of charge to the participants, aged between 16 and 30.

Through improvisation, play and spontaneity, Outspoken, led by TAG Project Worker Louise Brown, encouraged participants to lose inhibitions, escape perceived limitations, and to take pleasure in using the whole body expressively.

This sponsorship also enabled TAG and BSA Scotland to produce a DVD and online resources for schools on the subject of stammering, using content generated by the workshops.

Community Champions

Continued to support Community Champions awards and recognition sponsorship, run in conjunction with local newspapers, which honours community achievers in Merseyside and north Wales

For more information on any of our Arts sponsorships, go to the [community section](#) of our website.

Our 12 Impacts | Procurement

Overview

While companies need to achieve value for money in the goods and services they purchase, the concept of responsible procurement means that those goods and services must be produced or delivered in line with the aims of environmental sustainability and social justice.

Sustainable procurement is a vast and complex subject. It is fundamental to responsible business practice and increasingly, is seen as a source of competitive advantage to the companies that get it right, while a failure to monitor environmental and social factors in the supply chain carries significant reputational and commercial risk.

Put simply, if a company buys goods or services from a supplier further down the chain that exploits people or damages the natural environment, it stands to lose customers, reputation and shareholder confidence.

However, with increasingly complex global supply chains, companies need ever more robust procurement processes to manage risks. That involves taking a holistic look at the supply chain, to understand who and where we buy from and how much we spend.

It involves analysing the supply chain, careful supplier selection, adopting material clauses in contracts and scrutinising the integrity of suppliers at various levels in the supply chain to identify risks and explore how we can make improvements. It also means working with suppliers to help them meet appropriate social and environmental standards.

The goods and services we buy should be produced sustainably, ethically, safely and with respect for human rights and indigenous communities, both overseas and locally.

Large organisations like ours must use their purchasing power to achieve win-win solutions by building supply chains that both provide responsibly sourced products and services and balance the benefits of globalisation with the health of our local and national economies.

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.

Two separate procurement teams help to ensure that all ScottishPower's needs for goods and services are met, responsibly and sustainably.

The UK Procurement Team handles all non-fuel procurement, while fuels such as coal, gas and biomass products are purchased on the commodities markets by specialist teams within our Energy Wholesale business.

Non-Fuel Procurement

A key driver for the Procurement Team is ensuring that procurement activity complies 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 that is underpinned by our environmental principles, through which we commit to meeting or exceeding our regulatory requirements, as well as minimising the environmental impact of our activities.

We also scrutinise the supply chain to assess the social provenance of our key suppliers. This is to ensure that neither the supplier's employees nor people in the communities in which they operate are disadvantaged by the goods or services we source from our supplier.

Electricity companies are faced with legal constraints on procurement via the EU 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.

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, where appropriate, that 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

We continue to make greater use of e-procurement processes in line with our parent company IBERDROLA's current practices.

Fuel Procurement

Coal

In recent years, our low sulphur coal strategy has made it necessary to source a large proportion of our coal from non-EU countries.

In 2008 we sourced coal from Russia, South Africa and Colombia, in addition to supplies sourced locally in Scotland.

Our 12 Impacts | Procurement

Approach | continued

However, when the £170 million project to install Flue Gas Desulphurisation (FGD) at Longannet Power Station is complete we will be able to increase the use of indigenous coal. In 2008 we secured two contracts for the supply of Scottish coal over the next 5-years – see the [Performance section](#) for further details.

This has reduced our dependency on imports and by 2010 over 30% of our total coal requirement is expected to come from indigenous Scottish sources.

Factors reviewed with coal producers when negotiating imported coal contracts include:

- Management of local operations
- Social and welfare arrangements for local employees
- Living standards, health and education provisions
- Comparisons of local salaries against both industry and national average wages

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 in our contracts.

ScottishPower has recently developed a policy statement on ethical coal procurement – see the Performance section, for further details.

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 and the new contracts for Scottish coal means that from 2009, the number of coal miles accumulated in sourcing coal will reduce significantly.

Biomass Procurement

Longannet and Cockenzie co-fire biomass products along with coal. During 2008 these were mostly wood pellets from Europe 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.

The Coal and Biofuels team are now seeking new sources of biomass products, including energy crops, preferably from local sources.

Our requirement for biomass fuels will increase from 2012 when a new biomass power station, currently under development near our Longannet Power Station in Fife, is completed.

The new biomass power station will be fuelled by a mixture of waste wood products and waste derived fuel (WDF) produced at our Daldowie sludge drying facility near Glasgow.

Natural Gas Procurement

We obtain natural gas from a number of sources in the international markets, including a 10-year contract with Statoil of Norway, now into its second year.

Our 12 Impacts | Procurement

Performance Summary 2008

- Procurement spend during 2008 was approximately £1 billion (excluding fuel), with the majority of this being spent on goods and services in the UK
- Working with colleagues in **IBERDROLA** we are developing a group-wide Responsible Procurement Policy that will be rolled out during 2009
- In 2008 we signed a five-year contract with Scottish Coal. Just outside the reporting period, in January 2009, we signed a three-year deal for the supply of 800,000 tonnes of coal with ATH Resources
- We developed an ethical procurement policy, covering the purchase of coal from overseas countries
- We spent £75.4 million delivering energy efficiency measures, including home insulation, energy efficient boilers and energy efficient light bulbs
- Our Energy Wholesale business was re-accredited for the Chartered Institute of Purchasing and Supply's (CIPS) Standard of Excellence in 2008
- We invested £456 million in upgrading our electricity networks
- We invested around £90 million on maintaining and upgrading our power stations

Targets

Performance Targets 2008	Outcome
To produce a publicly available Responsible Procurement Policy	This is ongoing

Performance Targets 2009

- To produce a publicly available Responsible Procurement Policy

Our 12 Impacts | Procurement

Performance Detail 2008

Coal Procurement

When the Flue Gas Desulphurisation project at Longannet Power Station is complete the station will once more be able to burn significant quantities of indigenous Scottish coal, while keeping levels of SO₂ emissions within regulatory limits.

As a result, we secured two new deals for the supply of coal to Longannet and Cockerzie power stations. In July 2008 we signed the UK's largest ever coal contract with Scottish Coal for up to 10 million tonnes of coal over five years.

Scottish Coal operates sites across central Scotland – in Fife, the Lothians, Ayrshire and Lanarkshire – and it is expected that the contract will create around 100 new jobs.

Just outside the reporting period in January 2009, we signed a further three-year deal with ATH Resources for the supply of 800,000 tonnes of coal.

Most of the coal will come from ATH's new surface mine facility at Muir Dean in Fife, which opened in July 2008. The mine is expected to produce 500,000 tonnes of coal annually and have a workforce of 100 at full production.

Ethical Fuel Procurement

During the year we were involved in a working party set up by the Association of UK Coal Importers to develop a policy statement for the ethical procurement of coal from overseas nations.

The policy statement that has been developed includes a number of material clauses that will be inserted into contracts and covers the standards that must be met in the following areas:

- The law
- Human rights
- Labour
- Health and safety
- Environmental stewardship
- Business integrity
- Sea freight
- Continuous improvement

As a member of the Association of UK Coal Importers we are seeking to influence other UK and European coal importers, with a view to developing a joint approach to ethical procurement.

We continue to work with the Association of UK Coal Importers on CSR issues and in particular how we move forward on our approach to monitoring compliance with the criteria set out in the policy statement.

Sustainable Wood Poles for 132 kV Transmission Lines

Energy Networks uses sustainable wooden poles 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.

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.

Instead, ScottishPower uses Nordic timber which is accredited by the Forestry Stewardship Council. Nordic timber grows under conditions that provide it with the strength that is necessary for the pole to meet the resilience requirement of standard EN 50431.

Our 12 Impacts | Procurement

Performance Detail 2008 | continued

The new poles can be used at altitudes of up to 400 metres – but they are approximately 12 metres lower in height than conventional steel towers.

Chartered Institute of Purchasing and Supply Standard of Excellence

Our Energy Wholesale business was successfully re-accredited for the Chartered Institute of Purchasing and Supply's (CIPS) Standard of Excellence during 2008.

The business was first awarded the Standard of Excellence in 2005, following an assessment of its procurement policies and processes.

The CIPS programme is endorsed by the Institute of Quality Assurance (IQA) and companies that meet the certification standard for Excellence in Purchasing Policies and Procedures, also meet the purchasing requirements of ISO 9001:2000.

Currently ScottishPower is the only conventional UK power generator to be listed on CIPS's International Certification Register. Two of our key suppliers, Balfour Beatty and Doosan Babcock are also listed on the Register.

Total Supplier Management System

We are currently acquiring a total supplier management system, provided by Achilles. This database will include details of all suppliers and the values of the contracts we have with them, providing improved visibility of our supply chain.

Our 12 Impacts | Economic

Overview

Companies with a strong balance sheet that create wealth and profit are essential to thriving regional and national economies.

By offering long-term employment prospects, contributing tax revenues to the UK Treasury and their significant purchasing of goods and services, they contribute to the financial wellbeing of society.

Although the **IBERDROLA** group is not listed on the London Stock Exchange, many leading UK pension funds hold our shares, so hundreds of thousands of Britons benefit from our strong financial performance through their pension funds.

During the last year, newspaper headlines have been dominated by the credit crunch and increasing energy prices. Commentators and consumer groups have attacked energy companies' profits as "excessive", at a time when the number of UK households suffering from fuel poverty continues to grow.

While we believe that our industry has a role to play in working with government, housing providers and the voluntary sector to combat fuel poverty, profit in the energy sector has never been more important.

A report published recently by Ernst & Young, updating its "Securing the UK's Energy Future – Meeting the Financing Challenge", forecasts that the UK's energy supply industry will need to invest £234 billion in new infrastructure by 2025, to ensure security of supply and meet the Government's climate change and renewable energy targets.

In order to achieve investment on this scale, energy companies must be able to access debt and equity finance and have the financial status necessary to convince lenders that the debt will be repaid and persuade shareholders that their investment will provide sustainable and market competitive returns.

Investment on this scale across the UK industry is required to upgrade the ageing electricity grid and replace much of the base load generation fleet with power stations that produce much lower levels of emissions.

This massive investment, which will double the value of the UK energy supply industry's asset base, includes the cost of developing renewable energy on a large scale, additional gas storage and investment in environmental technologies, such as carbon capture and storage.

Another Ernst & Young Report "Costing the Earth", published in June 2008, predicts further price rises in energy bills of at least 20% by 2020, purely to cover the costs of the low carbon agenda – independent of any commodity price rise for energy.

The additional costs include the provision of low carbon electricity generation – including nuclear – and customer energy efficiency measures, through the statutory Carbon Emissions Reduction Target (CERT) programme.

In future, educating customers about energy efficiency measures will play an even more important role in helping to mitigate the rising energy prices that will be brought about by funding the move to a low carbon economy and investing in the future security of the UK's energy supplies.

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 maximises the benefits we can bring to the economy.

ScottishPower is part of the **IBERDROLA** group, the world's fifth largest energy utility by market capitalisation. This provides the economic weight to secure finance for investing in ScottishPower's assets to deliver future growth and secure and sustainable energy supplies for UK customers.

Our approach to the economic aspects of our business includes:

Shareholders

- Investing for growth – as part of the **IBERDROLA** group, we believe that investing for growth, responsibly, while ensuring effective risk management, is the best way of generating long-term shareholder value

Customers

- We are investing in our customer service operations and energy networks to improve service delivery to customers
- We recognise the impact of energy prices on our customers, and have reported on the measures we have taken to minimise fuel-related financial hardship in the Customer Experience and Customers with Special Circumstances areas

Employees

- We offer employees a competitive salary and benefits package to help them achieve a decent standard of living. For more information, see Employment Experience
- We invest in our employees' ongoing development to benefit our business by improving employee skills and knowledge

Suppliers and Local Economies

We work in partnership with many suppliers to achieve mutual benefits, such as shared cost savings, over the long-term. Economic benefits are being delivered from:

- Large-scale environmental projects at our power stations, which 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

Where practical and appropriate, we support local economies in the communities we serve:

- All our customer service centres are based in Great Britain – in Scotland, the north west of England and in Wales
- For the last 12 years we have provided employability training for disadvantaged young people through our award-winning ScottishPower Learning programme which has trained more than 16,600 young people from communities in Scotland, North Wales and north west England
- We provide regular wayleaves income to farmers and landowners who have pylons on their land

Our 12 Impacts | Economic

Performance Summary 2008

- During 2008, ScottishPower contributed £3.5 million in community support activities. For more information see [Community impact](#)
- At 31 December 2008 we employed 8,958 people in the UK. For more information, see [Employment Experience impact](#)
- We paid tax on our profits to the UK Treasury of £207.8 million
- We collected VAT payments on energy bills for HM Revenue and Customers of £266 million during the year
- Our UK payroll expenditure for 2008 was £286 million
- Our pension funds paid out a total of £111.3 million to retired members of staff in 2008
- We spent £75.4 million delivering energy efficiency in the domestic market through measures such as cavity wall insulation, loft insulation, low-energy lightbulbs and more efficient electrical appliances
- Supplier Voluntary Social Programme spend totalled £7.5 million in 2008
- Our procurement spend, including fuel and energy, in the UK was over £1.7 billion
- Net capital investment in 2008 was £741 million
- We invested over £450 million in our networks business during the year
- We announced a new five-year coal contract with Scottish Coal worth £700 million, which will create 100 new jobs
- We provided employability training to 68 Skillseekers during the year, of which 80% secured sustainable employment. For more information see [Community impact](#)

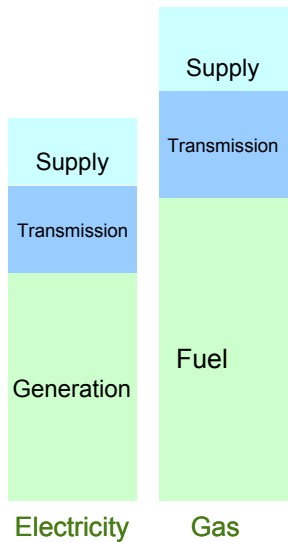
For information on ScottishPower's contribution to the [IBERDROLA](#) group, see [IBERDROLA's results 2008](#)

Our 12 Impacts | Economic

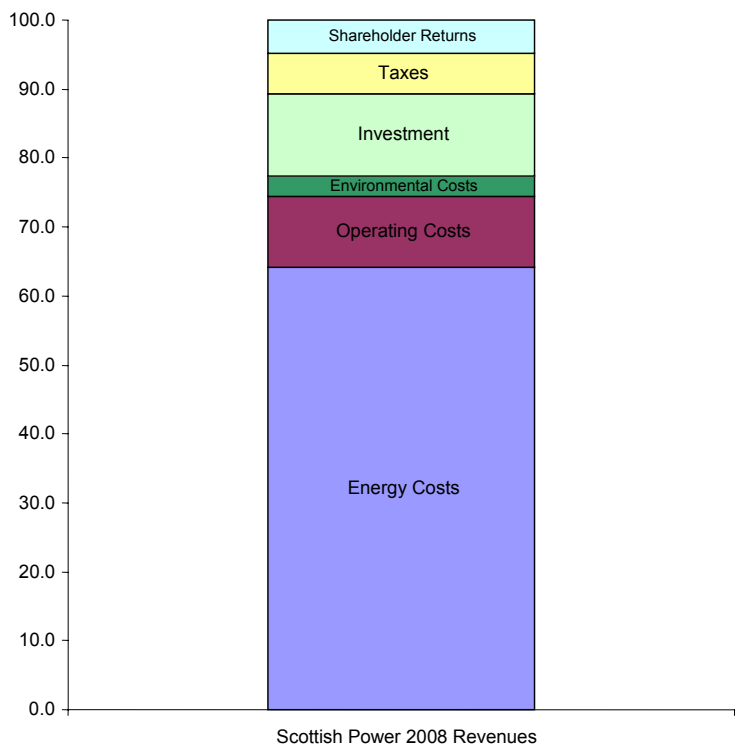
Performance Detail 2008

Income and Investment

During 2008 income from customer bills in the UK was £3.4 billion. The graph below shows the elements that make up a customer’s energy bill.



For every £100 of revenue that we receive, the diagram below shows where the money goes.



The UK Retail Energy market is a highly competitive market with Ofgem concluding in their recent supply market probe ‘there are now greater levels of competitive activity and consumer switching than almost every other energy market in the world and most other UK consumer services markets’.

Our 12 Impacts | Economic

Performance Detail 2008 | continued

Current Economic Conditions

The current economic climate is having a direct impact on the investment decisions of utility companies globally. Energy supply companies are backed by assets worth many billions of pounds and are therefore regarded as more secure than other businesses, but in common with other industries, our sector has been affected by a steep rise in the cost of borrowing.

Despite Government interventions on interest rates, bank lending in the corporate sector has been reduced and the cost to businesses has increased. The so-called credit crunch is expected to last until 2010.

As part of the **IBERDROLA** group, ScottishPower has the financial strength that comes from a large international company with a strong balance sheet. However, we have to compete for capital investment with other businesses in the **IBERDROLA** group.

IBERDROLA in its Q3 results announced that capital expenditure plans across the group would be modulated in 2009 and 2010.

This means that some capital spend will be delayed – mainly longer term projects that would not be completed and contributing to earnings before 2011.

Our approach includes:

- Continuing to invest in everything that is critical to the effective and safe operation of our electricity systems and our power stations
- Invest so that we can continue to meet all legal and regulatory obligations
- Prioritise investments and select those which offer the best rates of return
- Continue to make efficiency improvements and cost savings across our businesses
- Maintain tight control of budgets and cashflow
- Continue to make preparations for capital projects that will take place when the credit situation eases in 2010-2011

Independent Assurance Statement



Scope and objectives

ScottishPower commissioned **Two Tomorrows (Europe) Limited*** to undertake independent assurance of its CSR Annual Review, as published at www.scottishpowercsrannualreview.com. The assurance process was conducted in accordance with AA1000AS (2008). We were engaged to provide Type 2 assurance, which covers

- evaluation of adherence to the AA1000APS (2008) principles of inclusivity, materiality and responsiveness (the Principles) and
- the reliability of specified sustainability performance information.

The performance information included in scope was all data and claims in the Review, with checking processes prioritised according to materiality. The assurance scope excluded financial information taken from annual reporting processes, financial investment data, and any data already submitted to regulatory audit or other third party checks.

We used the Global Reporting Initiative (GRI) Quality of Information Principles as Criteria for evaluating performance information.

The scope of our work excluded Company reporting relating to the operations of ScottishPower Renewables, and the material included under 'TV Station'.

The scope of our work did not include a review of the Review 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 Review. In performing our assurance work, our responsibility is to the management of ScottishPower, however our statement represents our independent opinion and is intended to inform all of ScottishPower stakeholders including the management of ScottishPower.

We were not involved in the preparation of any part of the Review. We have no other contract with ScottishPower and this is the seventh year that we have provided assurance. We adopt a balanced approach towards all ScottishPower stakeholders.

Our team comprised Jon Woodhead, Louise Hawson, Alex Nichols, Dave Knight and Elvin Ozensoy. Further information, including individual competencies relating to the team can be found at: www.twotomorrows.com

Basis of our opinion

Our work was designed to gather evidence with the objective of providing moderate assurance as defined in AA1000AS (2008). We undertook the following activities:

- Review of the current sustainability issues that could affect ScottishPower and are of interest to stakeholders
- Interviews with selected directors and senior managers responsible for management of sustainability issues and review of selected evidence to support issues discussed. We were free to select these interviewees as we saw fit. The objective of these discussions was to understand ScottishPower's governance arrangements and management priorities, in particular with reference to the nature and extent of the company's adherence to three Accountability Principles.
- Review of ScottishPower's approach to stakeholder engagement and recent outputs. As part of this, we attended the Stakeholder Session held by the company in Chester in December 2008.
- Review of information provided to us by ScottishPower on its reporting and management processes relating to the Principles.
- Site visits to the company's offices and customer call centre at Cathcart to review process and systems for preparing site level data and implementation of strategy with regard to support for customers with special circumstances. We were free to choose the site for our visit.
- Review of supporting evidence for key claims in the Review.

- Review of the processes for gathering and consolidating data reported within the company's Credit 360 reporting tool, and, for a sample, checking the data consolidation. We met 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.

Findings:

We reviewed and provided feedback on drafts of the Review and where necessary changes were made. On the basis of the work undertaken, nothing came to our attention to suggest that the Review does not properly describe ScottishPower's adherence to the Principles or its performance.

Observations:

Without affecting our assurance opinion we also provide the following observations.

- ScottishPower has continued to provide highly detailed reporting across the 12 impact areas as defined in 2005. We recommend that it would be beneficial to review the use of the 12 impact area structure of reporting, with the aim of improving the presentation of the most significant issues addressed during the year by the company, including greater clarity on the specific challenges that ScottishPower face going forwards.
- This year's Review continues to include key information on progress towards emissions reductions targets and other measures by the company to address climate change. The links to the separate web-pages on carbon capture and storage are particularly significant, given the long term importance of achieving successful progress in this area.

Inclusivity concerns the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.

- ScottishPower has conducted a range of stakeholder consultation activities during the year, including stakeholder workshops. Whilst it is clear from our assurance work that these events have been used, in addition to other forms of stakeholder dialogue, to inform strategy and decision-making, reporting on the substance of these discussions could be improved.
- For example, we recommend that future reports include details of how stakeholder concerns about issues such as the development of the company's social tariff, issues relating to price and value or customer service have been included in relevant decision making processes.

Material issues are those which are necessary for stakeholders to make informed judgments concerning ScottishPower and its impacts.

In our opinion the Report includes information on ScottishPower's main corporate responsibility performance issues and should enable stakeholders to make informed judgements. We make the following recommendations for improvement in future reports.

- We recommend that future reports provide a fresh picture of ScottishPower's assessment of materiality, taking account of the changing sustainability context, evaluating issues against a range of criteria, and showing integration with the company's corporate risk management approach.
- In our statement last year we recommended 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 and the possibilities for the period 2012-2020. ScottishPower reports on an increasingly wide range of activities that contribute to reductions in the company's carbon footprint, and is investing in research into possible new reduction technologies. Given the breadth of these activities, it is difficult to get an overall perspective on how much further the company can reduce its carbon emissions over the short term, and how much it might be able to reduce emissions in the long term. We recommend that ScottishPower consider ways to communicate a clear vision of possible future scenarios in this area, detailing the assumptions made, to inform stakeholders' views on the opportunities and constraints which shape the company's management approach.
- Last year we recommended 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, and we note the increased reporting in this area this year.

Responsiveness concerns the extent to which an organisation responds to stakeholder issues

- In our statements in previous years we have recommended that the Review would be improved through specific recognition of how the company understands the concerns of its stakeholders, and explicit links to where the Review provides information on the company's response. We re-state this recommendation.
- The Review includes many examples of ScottishPower's input to local and national economies for example through its investment in new infrastructure and spending on community programmes. We recommend that future reports should include a wider analysis of the connection of ScottishPower to the economy, including direct and indirect benefits and detailing ScottishPower's views on the outcomes of these investments.

Performance Information

We found evidence that appropriate systems are in place for monitoring and gathering information on relevant management arrangements and performance. While we did not identify any significant errors or omissions, we offer the following specific observations:

- ScottishPower continues to strengthen environmental data measurement and reporting across the business, and we note in particular the strengthening of waste data in this year's Review.
- We restate our recommendation from last year that ScottishPower considers reporting H&S data in respect of contractors to improve report completeness.

Two Tomorrows (Europe) Limited*

London
May 2009



Jon Woodhead
Director



Louise Hawson
Senior Consultant

*Two Tomorrows (Europe) Limited Limited trading as Two Tomorrows was formed from the merger of Csrnetwork and Sd3 in January 2009, Two Tomorrows is an international consultancy that helps companies to perform better and create value by doing business in a sustainable way. www.twotomorrow.com



