



A new perspective to our Corporate Responsibility reporting

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'The energy industry has been under intense scrutiny during the last year. The UK Government recognised in its Energy Review that the issues of security, sustainability and affordability must be addressed in a cohesive policy that provides companies and their customers with a greater degree of certainty and clarity about the future.

Evolving energy policy in an environment of rising and volatile energy prices creates challenges and opportunities for ScottishPower.

Following the sale of PacifiCorp we restructured and repositioned our business for the future. Our aim is to be a world leader in renewable energy, while continuing to invest in other forms of generation to balance environmental considerations with value creation and providing secure and affordable energy for our customers.

At the same time, we will continue our focus on achieving world-class health and safety performance; stepping our customer service up a gear and being a good and trusted neighbour to our communities. We will achieve all of this through a new level of engagement with our employees on our shared vision of success, through our new programme: "What Matters to You."

Our new Executive Team has reaffirmed its commitment to Corporate Responsibility (CR) and each of our key impact areas has been assigned an Executive Team "leader". This year, we report on our performance based on work conducted before restructuring to identify ScottishPower's 12 most significant environmental and social impacts.

In the months ahead the Corporate Responsibility Steering Committee and the Executive Team will continue to review and refine the CR management and reporting framework, following the completion of our internal restructuring.

This is our first Corporate Responsibility Report to be available on-line. We hope that this new format, coupled with the functionality of the Internet, will be more user friendly and accessible to more people than previous printed reports. Any feedback on this year's report or suggestions for next year's would be welcome.'

**Philip Bowman**  
Chief Executive



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## Performance Summary 2005/06

### Provision of Energy

- We ended 2005/06 as the largest developer of onshore wind in the UK, and second largest in the US, with 704 MW of new wind generation capacity added.
- In January 2006 we announced plans to invest £170 million in Flue Gas Desulphurisation to reduce SO<sub>2</sub> emissions at Longannet. This is planned to reduce output of SO<sub>2</sub> by in excess of 90% when the FGD plant is commissioned in 2008.
- We announced plans for a dedicated biomass plant at Longannet.
- In April 2006 we won the Queen's Award for Enterprise (Sustainable Development).

### Health and Safety

- Group-wide Lost Time Accident rate per 100 employees fell from 0.41 to 0.32
- A significant focus has been brought to bear on employee health through the continual improvement of our "Occupational Health Risk Registers" which assess potential health impacts and help to define health monitoring requirements. Also in 2005/06 each business was assessed against the Group Health and Safety Standards and action plans prepared to target further improvements.
- We embedded Occupational Health 'risk profiles' and 'risk registers' within our highest risk businesses to help determine employee health monitoring requirements.
- Over 53,000 children attended our Child Electrical Safety Education programmes.

### Customer Experience

- uSwitch (an impartial comparison service) placed ScottishPower second for overall customer satisfaction in their recent customer survey (June 2006). In the same survey, our meter reading service was recognised as the being the best in the UK.
- Our internal survey Voice of the Customer (V<sub>o</sub>C) showed that customer satisfaction is the same or better across 95% of our service elements than last year.
- The volume of complaints to energywatch remained flat in comparison to 2004/05.
- Customer Minutes Lost and Customer Interruptions, the two key measures of network performance improved during the year.

### Climate Change and Emission to Air

- Reduced emissions of Carbon dioxide per unit of electricity produced by 7.1% across the group.
- Burned 100,000 tonnes of Waste Derived Fuel and Biomass to reduce amounts of coal used.

### Waste and Resource Use

- Increased amount ash resold avoiding landfill from 229,534 to 310,432 tonnes.
- Reduced internal energy usage by 11.4%.
- Increased amount of water used at our Power Stations by 5.8%.

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## Performance Summary 2005/06 | Continued

### Biodiversity

- Launched Biodiversity Action Plans (BAPs) at Damhead Creek and Shoreham power stations, bringing the number of BAPs at power station to nine.
- Set aside further windfarm habitat management areas in the UK windfarms increasing the total to 3,424 hectares.
- Supported groundbreaking research into Golden Eagle and Hen Harrier interaction with wind turbines and blanket bog restoration. For more information see Raptor Studies Highlight Positive Effect of Habitat Management case study.
- Launched our largest Habitat Management Plan to date, covering 1,440 hectares, at Black Law Windfarm in Lanarkshire.

### Sites, Siting and Infrastructure

- ScottishPower Renewables won a Queen's Award 2006 in the Sustainable Development category for their responsible, collaborative approach to windfarm development.
- Completed the construction of Black Law windfarm, at 124MW the UK's largest operational windfarm.
- Final consent received for Whitelee Europe's largest onshore windfarm.

### Employee Experience

- We worked hard to minimise the number of our people leaving the business following restructure.
- We announced plans to move to measuring employee satisfaction through the 100 Best Companies model.

### Customers with Special Circumstances

- ScottishPower contributed £2 million to the ScottishPower Energy People Trust, and during the year the trust awarded funding of £500,000 to 14 projects, helping over 6,800 people.

### Community

- Our overall community investment increased from £3.74 to £3.83 million
- ScottishPower Renewables won the Queen's Award for its windfarm development, reflecting our work in consultation with our communities.
- We won 6 Big Ticks in 2006 Business in the Community Awards.

### Procurement

- Energy Networks' procurement activities were accredited to the Environmental Standard, ISO 14001. A 15 point Environmental Action Plan developed by Energy Networks will be rolled out across UK procurement activities to ensure a consistent and proactive approach to the environment and working with suppliers.

### Economic

- Our decision to invest in the Installation of Flue Gas Desulphurisation (FGD) Technology at Longannet will extend the life of the plant securing 320 permanent staff on site, improve its environmental performance and directly provide 300 construction jobs in Fife for the next two years.

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## Report Scope and Corporate Responsibility Contacts | Scope

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ScottishPower's Corporate Responsibility Report 2005/06 covers the whole of our operations across all of our businesses.

To develop our reporting structure we have continued to gather general and industry-specific corporate responsibility performance indicators including: the Global Reporting Initiative, AA1000, Dow Jones Sustainability Index and FTSE4Good. We have reviewed these indicators for relevance to our business and these have formed the basis of our environmental and social reporting since our 2003/04 reports.

At the start of the 2005/06 reporting process, we reviewed feedback from the 2004/05 reports, conducted formal sessions and in-depth interviews to gather our stakeholders' views on the reports and consulted all the staff involved in the reporting process. During 2005 we developed, through in-depth consultation, a framework of 12 key social and environmental impacts. It is this framework that we are using for this year's report.

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

The reporting period covered by this report is 1 April 2005 to 31 March 2006, unless otherwise stated.

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**Health and Safety** – Philip Bowman, Chief Executive

**Customer Experience** – Willie MacDiarmid, Director, Energy Retail

**Climate Change and Emissions to Air** – John Campbell, Director, Energy Wholesale

**Waste and Resource Use** – Susan Reilly, Commercial Director

**Biodiversity** – Susan Reilly, Commercial Director

**Sites, Siting and Infrastructure** – David Rutherford, Director, Energy Networks

**Employment Experience** – Stephen Dunn, Director, HR and Communications

**Customers with Special Circumstances** – Willie MacDiarmid, Director, Energy Retail

**Community** – Stephen Dunn, Director, HR and Communications

**Procurement** – Susan Reilly, Commercial Director

**Economic** – Simon Lowth, Finance Director

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- Chief Executive Philip Bowman has overall responsibility for Corporate Responsibility at ScottishPower.
- ScottishPower's progress on each impact is monitored by an Executive Team member who serves as an **Impact Leader**.
- The Executive Team receives regular progress reports from the Executive Team impact leaders, and on our Corporate Responsibility strategy, management and reporting from the Corporate Responsibility Steering Committee.
- The CR Steering Committee is made up of senior managers, with each business and each Impact represented. The Committee meets four or five times per year and provides the link between the Executive Team and business operations. The Committee is responsible for driving the Corporate Responsibility agenda at operational management level and ensures that there is continued clarity about the role of Corporate Responsibility at ScottishPower.
- The CEO and other members of the Executive Team bring CR matters to the attention of the plc Board as required.
- More broadly, our activities within the CR arena are consistent with the company's approach to Corporate Governance.
- At business level CR performance is managed alongside other key business issues.



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## Managing our Responsibilities | Environment

► **Environment**  
**Environmental Management**

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

Over the years in our Environmental Performance Report our aim has been to provide a transparent account of how we’ve performed across all the key areas that are relevant to our business, publicising our successes, but at the same time documenting the areas where our reporting process highlighted results that signalled “could do better”.

This year our environmental performance is reported within the 12 impact areas that make up our overall corporate responsibility report.

Within these 12 impact areas we have strived to ensure they are compatible with the recently published DEFRA Reporting Guidelines for UK Business – “Environmental Key Performance Indicators” which cover the areas of emissions, resource use, supply chains, products, biodiversity and regulatory compliance.

The DEFRA categories are as follows:

**Emissions to Air**

- CO<sub>2</sub>
- SO<sub>2</sub>
- NO<sub>x</sub>
- Particulates
- Heavy Metals

**Emissions to Water**

**Emissions to Land**

(inc. Waste, Recycle and Re-use)

- General Waste
- Power Station Ash
- SF6
- Oil Containment
- PCB Status

**Resource Use**

- Summary Resource Use
- Transport
- Internal Energy Use

**Supply Chains**

**Products**

- Fuel Source Mix
- Renewable Energy
- Energy Efficiency
- System Losses

**Biodiversity**

- Implementation of Action Plans
- Habitat Management Area

**Regulatory Compliance**

- Environmental Compliance
- Incidents and Complaints
- Environmental Expenditure and Fines

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## Managing our Responsibilities | Environment

### ▶ Environmental Management | Continued

#### Environmental Principles

Our commitment to the environment is outlined in a set of Environmental Principles that set out our promises to stakeholders and the actions we require of our businesses in conducting their activities. These are available on our website.

#### Environmental Vision

We are committed to achieving sustainable growth across our activities, considering the economic, environmental and social effects of our business growth strategy. This includes striving to become a world leader in renewable energy, investing in cleaner forms of generation and working to improve resource efficiency, while continuing to provide safe and secure energy supplies and working with government and external agencies to address issues such as fuel poverty.

#### Visionary Goals

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

### ▶ Environmental Vision

#### 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.
- Up to 2008 we will contribute 14.8 TWh of energy saving in the domestic sector. In addition, 50% of these savings will be delivered within the Priority Group.
- To support, beyond the requirements of regulation, the UK government's strategy to eradicate fuel poverty.
- 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 be the leading generator of wind energy in the UK and expand our renewables portfolio to at least 1,000 MW by 2010, in line with the UK supply obligation of 10%.
- 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, IGCC, carbon capture and sequestration) and develop renewables in offshore wind and marine energy.
- To meet best available techniques (BAT) environmental requirements at all power stations by 2010.
- To deliver a 25% CO<sub>2</sub>, 85% SO<sub>2</sub> and 50% NO<sub>x</sub> reduction per GWh based on our 1999 generation portfolio by 2010.

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## PPM Energy

- To build on our renewable portfolio by securing at least 3,500 MW of new capacity by 2010.
- To build on our position as the leading wholesaler of clean and green energy products, thus playing a critical role in developing a strong wholesale market for green resources.
- To create a marketplace with rules to help encourage the development of new renewable resources.

## Environmental Governance

The lead Board member with Environmental Responsibility is Philip Bowman, Chief Executive Officer. Environmental policy, strategy and leadership is decided at the Executive Team level within ScottishPower and implemented via subsidiary businesses.

Reporting to the Executive Team, the cross-company Environmental Co-ordination Committee is the key vehicle for environmental governance, policy development and is chaired by the Group Energy and Environment Director. It also monitors compliance and performance issues.

Environmental issues are incorporated into the company's Risk and Control management framework, to ensure environmental risks to the business are addressed. Material environmental issues are central to strategy development and these are formally included in the Company's business planning process.

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

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

The Environment Forum meets at least twice a year to discuss key topical and emerging issues linked to energy and the environment. Subject matter covered during the year included advancing energy technologies, the Government Energy Review, energy efficiency, fuel poverty, the untapped potential of CHP in the UK and smart metering.

## Environmental Policies

ScottishPower operations are organised to follow group environmental policies for internal energy use, transport, biodiversity, green purchasing and contaminated land. These policies can be found within individual impact areas where appropriate.

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## Managing our Responsibilities | Stakeholder Engagement

We maintain close dialogue with our stakeholders through our various businesses and within the corporate departments responsible for those relationships. As a public utility, ScottishPower has always taken the view that understanding our stakeholders' perceptions and concerns is essential to operating a successful company. We also undertake multi-stakeholder consultation on key strategic issues. That includes our corporate responsibility strategy, management and reporting.

In 2004, our stakeholders told us that our reporting, while thorough, did not adequately prioritise our most significant social and environmental impacts. Nor did it provide enough depth and coverage on those key issues.

In 2005, our stakeholders helped us define our most significant social and environmental impacts during an extensive consultation process. Those 12 impacts have been adopted by our Executive Team as the basis for ScottishPower's CR strategy, management framework and reporting.

This, our 2006 Corporate Responsibility Report, marks the first step in the implementation of a new approach to CR at ScottishPower which is aligned with our stakeholders' views and our business strategy.

In 2007, we will continue the dialogue about this new approach and ask our stakeholders their views on our current performance, performance metrics, future targets and our new reporting format for each of our 12 major CR impacts.

For specifics about other stakeholder work undertaken at ScottishPower this year, please see below.

### Customers

We continued to carry out our quarterly Voice of the Customer Research, hearing directly what our customers think, and planning our response to that.

### Community

We maintained close links with communities at our existing sites and conducted significant community consultation on networks and windfarm projects. This year, we received a Queen's Award for our collaborative and sustainable approach to windfarm development.

### Investors

Our Investor Relations team continued to hold regular meetings with major shareholders, including results road shows and special briefings, and responded to all enquiries received from corporate and individual investors.

### Employees

We built on our good track record in employee relations by introducing new forums for non-union staff. During the year we reviewed employee communication and feedback in line with organisational changes.

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## Managing our Responsibilities | Stakeholder Engagement continued

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### Government

We engaged extensively with governments and their agencies on all key industry issues. We provided a detailed response to the UK Energy Review.

### Regulators

We maintained regular dialogue with our industry regulators including Ofgem, the Environment Agency and SEPA.

### NGOs/Special interest groups

We consulted widely with a variety of NGOs and worked closely with several of them on habitat management projects at our sites.

### Suppliers

We engaged in feedback sessions with our major suppliers, and hosted a seminar for potential suppliers from the SME sector.

### Environment

During the year, we continued to operate our environmental forum which meets twice a year. The forum is made up of a range of people with detailed environmental knowledge, from academics to representatives from environmental charities.

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## Managing our Responsibilities | Benchmarking and Awards

### ▶ Benchmarking

- 20th Equal in the 2006 CR Index

### Carbon Disclosure Project Survey

- Listed within the Climate Leadership Index of top 50 global companies . This is the world's largest institutional investor collaboration on the business implications for climate change. Some 1,900 companies took part this year [www.cdproject.net](http://www.cdproject.net).
- We remain a member of the FTSE4Good Index, the leading stock index of responsible behaviour.
- We remain a member of the launch of the FTSE International Shareholder Services Corporate Governance Index.
- The WWF's Generating Climate Change report published in June 2006 ranked ScottishPower as top of the UK's six largest power companies according to performance on greenhouse gas emissions, energy efficiency and renewable energy.
- This year for the first time we participated in the Insight Investment Management/ Fauna Flora International biodiversity benchmarking exercise. Scores were ranked into three bands. We were placed in the middle band

### ▶ Awards

- Winner of more Big Ticks in the UK than any other company.
- Queen's Award for Enterprise in the Innovation category for ScotAsh, June 2005, for using power station ash in sustainable construction products.
- Queen's Award for Enterprise in the Sustainable Development category, June 2006, for ScottishPower Renewables' unique, collaborative and sustainable approach to windfarm development.
- Best Renewables Project Award for Black Law windfarm in the Scottish Renewable Forum's Green Energy Awards 2005.
- RoSPA Behavioural Safety Award 2005 for Energy Wholesale, Generation.
- European Six Sigma Excellence Award for an Energy Retail project to reduce response times to customer correspondence.
- Capital Project Management Award in the UK Utility Industry Achievement Awards, December 2005, for the BETTA programme.

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## Our 12 Impacts

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

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

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

While all are important, we have identified Provision of Energy, Health and Safety and Customer Experience as areas of particular focus currently.

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.

We hope this helps you navigate our report.

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## Our 12 Impacts | Provision of Energy

### ► Overview

Energy is crucial to our way of life. We depend on it to power our homes, hospitals, schools and businesses.

Ensuring the long-term security of energy supplies is a pressing national issue. Britain is becoming increasingly dependent on gas from overseas as our own supplies dwindle, with consequent concerns about security of supply and prices. By 2020 many existing nuclear power stations will have reached the end of their planned operational lives, while pressure to reduce CO<sub>2</sub> emissions will reduce conventional generation from coal.

The UK Government published the results of its Energy Review in July 2006, outlining plans to tackle climate change and ensure the UK can maintain secure and affordable energy supplies. ScottishPower contributed to the consultation process, providing our perspective of the challenges ahead.

The Energy Review proposes a range of measures to deliver secure, diverse and sustainable energy supplies including:

- Implementing reform to accelerate diversity of renewable energy.
- Reforming the planning system to assist the development of transmission and distribution networks.
- Providing long-term frameworks to enable large organisations to invest in CO<sub>2</sub> reducing measures.
- Developing strategic partnerships with other countries, such as Norway, to develop techniques for capturing and storing CO<sub>2</sub> emissions from coal fired power stations
- Replacing ageing nuclear power stations.
- Helping consumers reduce home energy use and use renewable microgenerators, such as solar panels or mini wind turbines.

The Review recommends a suite of major proposals, many of which will be the subject of further consultation in the coming months. For more information on the Energy Review, go to the DTI website at <http://www.dti.gov.uk/energy/review/page31995.html>

If you want more information on ScottishPower's response to the Energy Review, see ScottishPower's Submission to the Energy Review 2006, available on our website.

**John Campbell**

Impact Leader



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## Our 12 Impacts | Provision of Energy

### ► Approach

We are well positioned to help deliver the UK Government energy agenda and are currently considering the full implications of the Energy Review proposals. We remain actively engaged in the ongoing consultation process to ensure the final policy tools are well aligned to our own aspirations for delivery of the next generation of low carbon technologies. We broadly support the main proposals, in particular the aspiration to support the development of renewable generation in the UK and the importance of encouraging investment in emerging technology. Understandably, however, there remain issues which will need to be carefully managed to maintain investor confidence and ensure the necessary level of investment to maintain adequate security of energy supply.

Supplying electricity and gas carries special responsibilities. The long lead times and lifetimes of our power stations, windfarms and networks mean that the decisions we make today affect the risks and costs of energy supply well into the future.

Our aim is to provide a secure, diverse, affordable and sustainable energy supply for our customers, balancing security with price and environmental considerations. We have set our sights on becoming a world leader in renewable energy and at 31 March 2006 we were the largest windfarm operator in the UK and the second largest developer of wind energy in the US.

Our generation portfolio includes a significant proportion of coal fired generation capacity and coal generation will continue to play an important role in providing secure and affordable energy. Indeed the current generation of coal plants will form an important bridge to the next generation of cleaner technology. Investment in our coal stations, including Flue Gas Desulphurisation (FGD) and investment in NO<sub>x</sub> reduction will support energy security over the medium-term until low or near-zero carbon technologies can be implemented. We have also improved the mix of generation capacity in our portfolio by acquiring efficient Combined Cycle Gas Turbine (CCGT) stations at Rye House in 2001 and at Damhead Creek and Shoreham in 2004. In addition we generate electricity from hydro, pump storage, biomass and the largest fleet of windfarms in the UK.

Our priorities for the provision of energy include:

### Security

- Establishing long-term contracts with reliable suppliers of coal and gas to reduce exposure to volatile market prices.
- Improving the security and reliability of our energy networks. We are investing £1.7 billion in our networks over the next five years, including £400 million on transmission upgrades to support renewable energy and many projects to improve network reliability.
- Ensuring we have sufficient CO<sub>2</sub> allowances to generate in line with customer demand by sourcing carbon credits both inside and outside the European Union. Cleaned up coal will provide a valuable bridge to coal generation with carbon capture and storage technologies.
- Playing a key role in balancing the UK system efficiently in the Balancing Mechanism, through the flexibility of our generation portfolio.

### Diversity

- Maintaining a balanced generation portfolio that includes coal, gas, hydro, biomass and new renewable technologies to reduce the risk of energy shortages and exposure to volatile fuel prices.

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## Our 12 Impacts | Provision of Energy

### ► Approach | Continued Sustainability

- Investing £1 billion in renewable energy in the UK to achieve 1,000 MW of renewable capacity, mainly wind power, by 2010. Our US target is 3,500 MW of wind energy in the same period. A key factor in delivering renewable energy projects on time will be obtaining planning consents for network projects simultaneously to ensure windfarms can be connected to the grid.
- Investing in our coal, gas and hydro power stations to reduce emissions, through projects such as Flue Gas Desulphurisation (FGD) and upgrading low NO<sub>x</sub> technologies.
- Increasing biomass generation by developing a purpose-built plant for Waste Derived Fuel (WDF) and sawdust, while continuing to use biomass at our coal stations as a sustainable form of generation with low emissions.
- To deliver our energy efficiency targets, which have been set under the Energy Efficiency Commitment.

### Affordability

- Helping to tackle fuel poverty through customer energy efficiency programmes, including cavity wall and loft insulation, installing condensing boilers and low energy lighting programmes.
- Funding projects to help people in fuel poverty through our ScottishPower Energy People Trust.
- Advising customers on the most cost-effective tariff for their needs.

Developing the UK's generation portfolio will take time. We believe that this objective will be best delivered through policy evolution rather than abrupt change. Between now and 2015, a combination of existing coal generation, new CCGT and life extensions to nuclear stations will provide ongoing security of energy supply and keep the lights on. From 2015 onwards, the impact of current Government policy measures and investments by UK power generators will start to pay dividends in delivering low carbon energy solutions for the future.

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## Our 12 Impacts | Provision of Energy

### ► Performance

#### Performance Summary

Although the amount of coal used in our generation increased, the proportion of energy generated from coal within our Group Fuel Mix reduced from 45% to 42%.

We ended 2005/06 as the largest developer of onshore wind in the UK, and second largest in the US, with 704 MW of new wind generation capacity added through investment in Renewable Technologies.

Including Whitelee, we operate or have planning consent for 778 MW of wind generation in the UK, representing almost 80% of our 2010 target of 1,000 MW.

In January 2006 we announced plans to invest £170 million in Flue Gas Desulphurisation (FGD) to reduce SO<sub>2</sub> emissions at Longannet. This is planned to reduce output of SO<sub>2</sub> by in excess of 90% when the FGD plant is commissioned in 2008.

We announced plans for a dedicated biomass plant at Longannet.

We secured a new 10-year gas supply deal with Statoil of Norway to ensure secure supplies of gas.

Our network reliability improved with Customer Minutes Lost and Customer Interruptions reducing on average by 11% through Investment in Networks.

We over delivered by almost 70% of our energy saving target under the first Energy Efficiency Commitment (EEC) scheme (2002–05) which equates to a carry forward of almost 30% of our three year EEC2 (2005–08) energy saving target. For more information on our energy efficiency programmes, see Customer Experience.

In June 2005, ScotAsh, our ash sales joint venture was awarded the Queens's Award for Enterprise in Innovation.

In December 2005 ScottishPower Renewables won the Green Energy Award, Best Renewable Project for Black Law Windfarm.

In April 2006 ScottishPower Renewables won the Queen's Award for Enterprise (Sustainable Development).

In June 2006 we were awarded an Environmental Big Tick from Business in the Community for our approach to windfarm development at Black Law.

#### Performance Targets 2006/07

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

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### Group Fuel Mix

This Fuel Source Mix table shows how we generated our electricity during the year.

	UK		US		TOTAL	
	GWh 2005	GWh 2004	GWh 2005	GWh 2004	GWh 2005	GWh 2004
Coal	11,147	11,088	0	0	11,147	11,088
<b>%fuel source mix</b>	<b>48.5%</b>	<b>51.7%</b>	<b>0%</b>	<b>0%</b>	<b>42.5%</b>	<b>45.0%</b>
Gas	10,494	9,222	979	1,037	11,473	10,259
<b>%fuel source mix</b>	<b>45.6%</b>	<b>43.0%</b>	<b>30.3%</b>	<b>32.4%</b>	<b>43.7%</b>	<b>41.6%</b>
Wind	549	433	2,249	2,164	2,798	2,597
<b>%fuel source mix</b>	<b>2.4%</b>	<b>2.02%</b>	<b>69.7%</b>	<b>67.60%</b>	<b>10.7%</b>	<b>10.5%</b>
Hydro	115	547	0	0	115	547
<b>%fuel source mix</b>	<b>0.5%</b>	<b>2.55%</b>	<b>0%</b>	<b>0%</b>	<b>0.4%</b>	<b>2.2%</b>
Other	695	157	0	0	695	157
<b>%fuel source mix</b>	<b>3.0%</b>	<b>0.73%</b>	<b>0%</b>	<b>0%</b>	<b>2.7%</b>	<b>0.7%</b>
TOTAL	23,000	21,447	3,228	3,201	26,228	24,648
<b>%fuel source mix</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

We ended the year as the largest generator of wind power in the UK – and the second largest developer in the US. At 31 March 2006 our wind portfolio in the UK totalled 288 MW, while in the US PPM Energy had 1,405 MW of wind energy under its ownership or control.

- Coal remained a high proportion of the mix in the UK due to the rise in gas prices towards the end of 2005.
- We co-fired 100,000 tonnes of biomass and Waste Derived Fuel (WDF) at our coal stations, reducing our requirement to burn coal.
- Our hydro output in the calendar year was down slightly due to major works taking place at Cruachan Power Station.
- The “other” generation sources includes Combined Heat and Power (CHP) plants, and biomass fuels, such as wood pellets.



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We report our emissions data and fuel source mix on calendar year, which is consistent with the Annual Report and Accounts 2005/06, and calendar year emissions reporting. Other data reported relates to the financial year. During 2005 we generated 26,228 GWh of electricity, an increase of 6.4% on the previous year. We send details of our supply fuel mix to every ScottishPower customer. This information can also be found on our Energy Retail website.

### Gas Supply

In 2005/06 we supplied 1,491 million therms of gas, an increase of 13% on the previous year. To help ensure we will have adequate supplies in the future during the year we signed a 10-year gas supply agreement with Norway's Statoil. This will provide enough gas to meet the annual needs of a quarter of a million homes. We also sold the Byley Gas Storage facility that we had developed, but retained a 15 year storage option.

### Investment in Renewable Technologies

Our investment in renewable technologies includes the development of windfarms in the UK and in the US as well as in Other Renewables.

### Renewable Energy Generation

Renewable Energy, UK	2005	2004
Total installed wind capacity (MW)	288	158
Total generation from renewables (GWh)	1,034	909
% of total generation from renewables	4.50%	4.23%

Renewable Energy, PPM Energy	2005	2004
Total installed wind capacity (MW)	1,405	831
Total generation from renewables (GWh)	2,249	2,164
% of total generation from renewables	69.7%	67.6%

Renewable Energy, UK	2005/06	2004/05
Obligation redeemed	(2004/05) 73%	(2003/04) 64%
CHP / renewable electricity supply contracts (TWh)	1.18	1

### Windfarm Growth in the UK

In the UK, we added 130 MW of new wind energy capacity during the year, with the completion of Phase 1 of Black Law in Lanarkshire (97 MW), Callagheen in Northern Ireland (17 MW) and Coldham (16 MW) in Cambridgeshire, our joint venture with the Co-operative Group. We ended the year with a windfarm portfolio totalling 288 MW of owned capacity across 15 sites in the UK and Ireland.

Beinn Tharsuinn, our 29 MW windfarm in Easter Ross in the Scottish Highlands was nearing completion and will be fully commissioned in summer 2006. Work began at our 322 MW Whitelee Windfarm in summer 2006.

As detailed below, we had an additional 490 MW of projects consented or under construction and over 600 MW on-shore and 202 MW off-shore in planning at the 31 March 2006.

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**Wind Energy Projects as at 31 March 2006**

Windfarm Operational	Number of Turbines	Location	Capacity
Barnsmore	25	County Donegal, Republic of Ireland	15 MW
Beinn an Tuirc	46	Argyll and Bute, Scotland	30 MW
Black Law	42	Lanarkshire, Scotland	97 MW
Callagheen	13	County Fermanagh, Northern Ireland	17 MW
Carland Cross (45% ownership)	15	Cornwall, England	3 MW
Coal Clough (45% ownership)	24	Lancashire, England	4 MW
Coldham	8	Cambridgeshire, England	16 MW
Corkey	10	County Antrim, Northern Ireland	5 MW
Cruach Mhor	35	Argyll and Bute, Scotland	30 MW
Dun Law	26	Midlothian, Scotland	17 MW
Elliots Hill	10	County Antrim, Northern Ireland	5 MW
Hagshaw Hill	26	Lanarkshire, Scotland	16 MW
Hare Hill	20	Ayrshire, Scotland	13 MW
Penryddlan & Llidiartywaun (50% ownership)	103	Monmouthshire, Wales	15 MW
Rigged Hill	10	County Londonderry, Northern Ireland	5 MW
<b>Total</b>			<b>288 MW</b>
<b>Consented or Under Construction</b>			
Black Law Phase 2	12	Lanarkshire, Scotland	27 MW
Beinn an Tuirc extension	19	Argyll and Bute, Scotland	38 MW
Beinn Tharsuin	20	Easter Ross, Scotland	29 MW
Hagshaw Hill extension	20	Lanarkshire, Scotland	26 MW
Dun Law extension	35	Midlothian, Scotland	30 MW
Wether Hill	14	Dumfries and Galloway, Scotland	18 MW
Whitelee*	140	South of Glasgow, Scotland	322 MW
<b>Total</b>			<b>490 MW</b>
<b>In Planning</b>			
<b>Onshore</b>			
Arcleoch	60	South Ayrshire, Scotland	180 MW
Black Law Phase 3	8	Lanarkshire, Scotland	18 MW
Dersaloch	26	South Ayrshire, Scotland	78 MW
Dounreay	10	Caithness, Scotland	14 MW
Ewe Hill	40	Dumfries and Galloway, Scotland	51 MW
Greenknowes	18	Perthshire, Scotland	30 MW
Harestanes	71	Dumfries and Galloway, Scotland	213 MW
Lynemouth	15	Northumberland, England	36 MW
<b>Total onshore</b>			<b>620MW</b>
<b>Offshore</b>			
Shell Flats (17% ownership)	90	Liverpool Bay, England	37 MW
West of Duddon Sands (33% ownership)	160	Liverpool Bay, England	165 MW
<b>Total offshore</b>			<b>202 MW</b>
<b>Total in Planning</b>			<b>822 MW</b>

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

\* Whitelee was consented 27 April 2006

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### Windfarm Growth in the US

PPM Energy added 574 MW of new wind energy capacity during the year with the completion of five projects, ending the year with a wind portfolio of 1,405 MW across the US. These included Klondike II (75 MW) in Oregon, Trimont (100 MW) in Minnesota, Shiloh (150 MW) in California and 50% of the 198 MW Maple Ridge Windfarm in upstate New York.

PPM Energy had confirmed new wind energy projects totalling 857 MW by May 2006.

### PPM Energy Wind Energy Projects as at 31 March 2006

Windfarm Operational	Turbines	Number of Location	Capacity
Colorado Green (50% ownership)	108	Southeast Colorado	81 MW
Elk River	–	Central Kansas	150 MW
Flying Cloud	29	Northwest Iowa	44 MW
High Winds	90	Northern California	162 MW
Klondike	16	North Central Oregon	24 MW
Klondike II	50	North Central Oregon	75 MW
Maple Ridge (50% ownership)	120	Upstate New York	99 MW
Moraine	34	Southwest Minnesota	51 MW
Mountain View III	34	Southern California	22 MW
Phoenix	–	Southern California	3 MW
Shiloh	–	Northern California	150 MW
Southwest Wyoming	80	Southwest Wyoming	144 MW
Stateline	399	Oregon/Washington	300 MW
Trimont	67	Southwest Minnesota	100 MW
<b>Total</b>			<b>1,405 MW</b>
<b>Under Construction</b>			
Big Horn	–	Washington	200 MW
Leaning Jupiter	67	Oregon	100 MW
Maple Ridge Phase 2 (50% ownership)	–	Upstate New York	62 MW
<b>Total</b>			<b>362 MW</b>
<b>In Planning</b>			
	–	California	45 MW
Klondyke III	–	North Central Oregon	225 MW
	–	Minnesota	150 MW
Twin Buttes*	50	Colorado	75 MW
<b>Total</b>			<b>495 MW</b>

Jointly owned plants: amount shown represents PPM Energy's share only

\* construction is planned to start Autumn 2006

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### Other Renewables

In the UK we are also supporting other forms of renewable energy including offshore wind energy, wave energy and biomass. For more information on renewables, see [More About Renewable Energy](#) on our website.

Our Green Energy Trust supports small-scale renewable energy projects at community level.

### Investment in Networks

#### Network Reliability

The two key measures of network reliability are Customer Minutes Lost and Customer Interruptions. These have improved over the year by on average 11%. For more information, see [Customer Experience](#) or visit [Ofgem's website](#). We provide network connections for over 3 million customers in our home territories, although competition means that customers may be served by another supplier through our wires.

Investment in Scotland's transmission infrastructure is being driven by the growth in renewable generation development, particularly new windfarms. We have plans to rewire Scotland to increase capacity on our transmission network to allow energy to be transferred from remote wind generating stations to the centres of population. In total, we have committed to spending £1.7 billion on the security and reliability of supply over the next 5 years.

Network losses increased slightly during the year to 4.8% (2004/05: 4.7%) in the ScottishPower Manweb area, and 4.7% (2004/05: 4.4%) in the ScottishPower Distribution area.



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## Our 12 Impacts | Health and Safety

### ► Overview

A high standard of health and safety at work is one of the cornerstones of a civilised society. In the UK and the US we have seen great improvements in occupational health and safety during the last 30 years, yet in the UK alone, 29 million working days each year continue to be lost due to injury or ill-health.

Good health and safety performance affects not only the safety and well-being of employees, but also the financial health and productivity of businesses and regional and national economies.

For us health and safety is an integral part of what we do, it is not an add on and for these reasons the company places the highest priority on ensuring current control systems are being fully operated as intended and, where relevant, these control measures exceed current best practice.

We fully understand the environment we operate in and health and safety has been, is and always will be a priority for ScottishPower.

**Philip Bowman**  
Impact Leader

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## Our 12 Impacts | Health and Safety

### ► Approach

ScottishPower's health and safety record and LTA performance have improved consistently in recent years, but we are determined to improve further still. We will continue to stretch targets, monitor and compare our performance against similar companies and effectively communicate our achievements to our stakeholders.

Our goal is unambiguous and ambitious. We want ScottishPower's health and safety performance to be world class. Our approach includes:

- **Managing health and safety risk** through Risk Registers that ensure preventative controls can be put in place to mitigate the true potential risks faced by each employee.
- **Measuring health and safety performance within each of our businesses, and of our contractors annually against 12 standards.** This enables us to monitor our progress, identify any weak areas and refocus our strategy accordingly. We also benchmark externally, comparing our results with world safety leaders and others in our sector.
- **Focusing attention on particular standards when appropriate.** For example last year, particular focus was placed on Leadership, Employee Involvement, Training and Occupational Health as we believe these areas provide us with the greatest opportunity for overall performance improvement.
- **Investing in health and safety training** for team leaders to ensure that we have strong leadership on health and safety, and involving all employees through training, communication and behavioural safety programmes.
- **Operating dynamic Occupational Health Risk Registers** within each of our main businesses that matches employees to the risks specific to their business and trade
- **Ensuring robust compliance systems** are in place at all stages of works including the design, construction, operation and maintenance of the electrical networks.
- **Highlighting the safety risks of power lines and cables** to farm workers and contractors and continuing to **play an active role in community safety events** for schools and communities. Information on public safety is available on our Energy Networks website, on Ollie and Sparky website and through Crucial Crew.
- Our approach to electro-magnetic fields (EMF) is included within our Sites, Siting and Infrastructure Impact.
- **Designating health and safety performance as one of the five areas used to assess the performance of our senior managers.**

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### ► Performance

Our accident rate is calculated as the number of accidents per 100 employees, and has fallen for the fifth consecutive year.

	Movement	2005/06	2004/05
Group-wide Lost Time Accident rate per 100 employees	+ve	0.32	0.41
Actual Lost Time Accidents	+ve	29	36

No Lost Time Accidents at any of our UK generating plants.

We achieved our 2005/06 targets across all 12 Health and Safety Standards in all our businesses. We have increased internal best practice against the Health and Safety Standards by over 10%. The following is our way of tracking our improvement against our performance in previous years.

	Movement	2005/06	2004/05
Group-wide average for all 12 Standards – up 15%	+ve	62	54
Leadership – up 13%	+ve	71	63
Employee Involvement – up 12%	+ve	64	57
Training and Competence – up 13%	+ve	59	52
Occupational Health – up 21%	+ve	57	47

We embedded Occupational Health ‘risk profiles’ and ‘risk registers’ within our highest risk businesses. This means information, instruction, training and control measures such as health surveillance are now tailored to individual employees and specific trade groups.

### Public Safety

We provided information to over 53,000 school children who attended our Child Electrical Safety Education programme.

We supported the opening of a Fixed Safety Centre in Flintshire, North Wales, which has already received over 4,000 visitors since opening in September 2005. We also continued to support the centre at Priesthill that had 5,500 visitors in 2005/06.

We had over 1,000 unique visitors per month to the Powerwise website.

Energy Wholesale, Generation was awarded the Royal Society for the Prevention of Accidents best practice award for their behavioural safety programme.

Energy Networks hosted a visit by Bill Callaghan (chairman) and the full Health and Safety Commission to provide an overview of our approach to health and safety with a series of presentations and craft workshops.

Energy Networks Operational auditing team now extended out approach to encompass CORE operational staff.

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**Performance Targets 2006/07**

Lost Time Accident rate per 100 employees

0.40

We have reduced the LTA accident target rate of 0.40 for 2006/07 from 0.48 in 2005/06 as part of our progression towards a longer-term target of 0.10.

Group-wide mean for all 12 Health and Safety standards 66 (Targeting 6% improvement).

**Group-wide Lost Time Accidents**



The above graph indicates the reduction in Lost Time Accidents (LTAs) over the past 5 years.

In the last year we have reduced our Lost Time Accident rate per 100 employees from 0.41 in 2004/05, to 0.32 in 2005/06. We attribute this success in part to a number of promotional events to raise awareness. The overall reduction in the past 5 years from 1.01 to 0.32 is a significant achievement, but still some way off our ultimate goal of less than 0.1 per 100 employees.

**Our Performance on our 12 Health and Safety Standards**

In January and February 2006, we conducted our annual Health and Safety performance assessments. We measured the company’s seven businesses on each of our 12 Health and Safety standards for a total of 84 measures. The 2005/06 assessment showed that:

- 44% of the measures were in the level 4 category moving towards “world-class” performance which starts at high level 4 through into level 5. This is an increase from 29% in 2004/05 and represents nearly 52% improvement in real terms. Leadership and Information and Communication remain our two strongest areas, followed by Rules and Procedures and Audit and Review.
- 49% of the measures remain in level 3, compared with 63% in 2004/05, representing an improvement of 22% on the year.
- On average there was a 15% improvement across the five main businesses which were assessed in 2004/05.
- Internal best practice across the standards has improved by a further 10.7%.

The diagram below illustrates best practice within the group against our 12 Health and Safety Standards. It compares our internal best practice in 2005/06 with that in 2004/05 and the best of the external benchmark organisations which we identified in 2004/05.

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### Scottish Power Health and Safety Best Practice Model 2005/06 (Post sale of PacificCorp)



The results of the assessment are used to:

- Measure health and safety performance across the group and establish a revised Scottish Power Best Practice Model.
- Identify the key strengths and weaknesses of each business and set business specific improvement targets for 2006/07.
- Deliver short-term improvement through the identification, communication and transfer of internal best practice.
- Compare the ScottishPower Health and Safety Best Practice Model with the models of those organisations identified as world-class in external benchmarking.

Approximately 90% of ScottishPower’s workforce, participated in the assessments.

### 2005/06 Focus Areas

#### Leadership



Graph shows the reduction in LTAs with improvement in standard.

ScottishPower’s H&S Leadership performance improved by 13% this year. The top line indicates the mean scores of the three UK business units.

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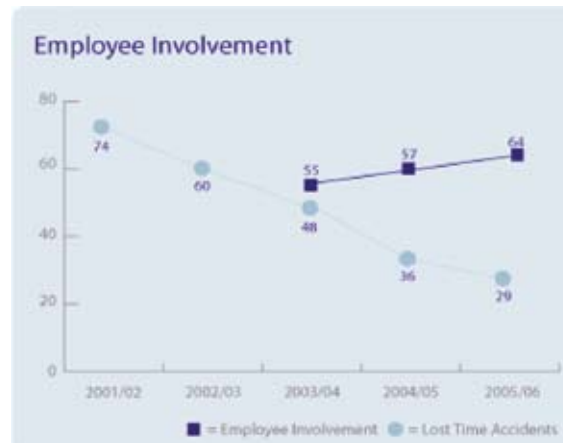
## Our 12 Impacts | Health and Safety

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We are now observing:

- A more proactive approach to health and safety from business unit senior management. Energy Wholesale held “Time out for Safety” seminars in response to an upturn in Lost Time Accidents. The seminars were attended by several hundred employees and helped the business to refocus its efforts. They also clearly signalled to employees the senior management’s commitment to prioritising health and safety above production.
- Improvements in communication regarding H&S priorities throughout all levels of the business. For example at the Energy Networks annual management conference, the Executive Team delivered a clear and concise message on the safety expectations of all management and staff. This message has been regularly reinforced through the team briefing cascades and the monthly team leader conference calls.

### Employee Involvement



Graph shows the reduction in LTAs with improvement in standard.

Employee Involvement improved by 12% during the year.

This success links back to introduction of a Safety Representatives Charter in August 2003, when the Executive Team recognised the importance of employee involvement to the success of the company’s Health and Safety Strategy. Other key developments:

- Restructuring of the annual Safety Reps’ conference from being management driven to an employee owned project.
- An increase in the number of employee/management projects introduced on health and safety issues such as new tool purchases or Personal Protective Equipment (PPE) suitability.
- Success of behavioural safety tours in Energy Wholesale.
- Employee surveys on health and safety perception taking place in all three UK businesses.

The Viewpoint survey carried out in Energy Retail reported an overall score on the health and safety questions of 82.4%. A similar behavioural survey carried out in Energy Networks reported that there was a high individual appreciation of health and safety among Energy Networks employees.

Induction training is well established within the businesses and in the case of Energy Wholesale, has been taken a stage further and put online.

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The dynamic site risk assessments introduced and operating within Energy Wholesale and Energy Networks show that when new systems are correctly introduced employees are more than willing to adopt and use them.

### Training and Competence

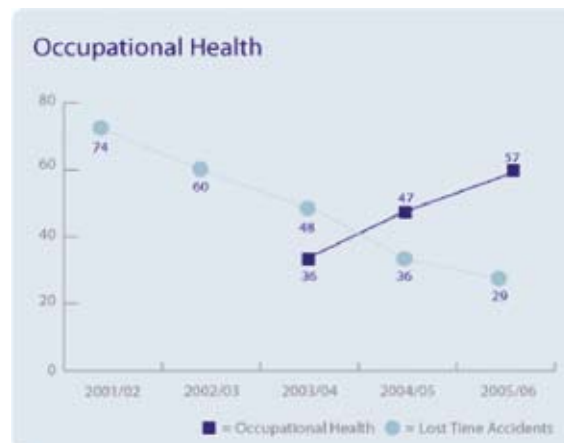


Graph shows the reduction in LTAs with improvement in standard.

ScottishPower's Training and Competence performance improved 13% during the year.

There is clear evidence of an increased focus on health and safety training not only for new employees but also within the Team Leader Development programmes. All businesses now have dedicated management development programmes with Health and Safety Leadership at the core of the development process. This helps to ensure that management at all levels has a clear understanding of its roles and responsibilities in relation to health and safety, and can use this knowledge to ensure the health and safety of all people affected by work being carried out under his/her control.

### Occupational Health



Graph shows the reduction in LTAs with improvement in standard.

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ScottishPower's Occupational Health performance improved by 21% this year.

This improvement can be partially attributed to the development of the Occupational Health Risk Registers. These Registers highlight specific risk control issues within a particular employee job profile or function. That has allowed us to focus our health surveillance monitoring on the risks most relevant to each employee's job.

Further, a significant drive in the businesses and ScottishPower's Occupational Health department has helped to achieve a near 100% employee attendance at health surveillance appointments over the past year.

Energy Wholesale achieved a Scotland's Health at Work (SHAW) Silver Award and Energy Networks achieved a Bronze. These awards show that the company's focus is not only on health and safety compliance issues but also on the health and fitness of its employees and their families.



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## Our 12 Impacts | Customer Experience

### ► Overview

Energy is essential to society. Consequently, energy suppliers can affect the lives of their customers to a much greater extent than providers of other goods and services. So it is vitally important that we understand, and meet, customers' needs and expectations.

In the UK, energy prices have continued to be the predominant issue for customers during 2005/06 as suppliers across the industry were forced to raise gas and electricity prices as a result of rising wholesale energy costs. The industry regulator Ofgem, reported that price increases led to the highest number of customers changing supplier for four years, with 900,000 customers switching to other suppliers in March 2006 alone.

The energy consumer organisation energywatch, along with a number of charities, expressed concern that rising prices will tip significantly more UK households into fuel poverty. The industry responded to these concerns by establishing the Home Heat Helpline, an independent advice service for people having difficulty in paying their energy bills, in autumn 2005.

The industry has been working to improve billing standards for more than a year. In March 2006 the Energy Retail Association introduced a new Code of Practice on billing in an industry-wide attempt to improve standards and reduce the number of account and billing complaints. The first stage of this code was fully implemented in July 2006 requiring every supplier to write-off all unbilled accounts more than 2 years old.

The Energy Retail Association also established a new, independent Energy Supply Ombudsman, with the power to resolve complaints and offer compensation. This new function came into being in July 2006. For more information, go to the Energy Ombudsman website at [www.energy-ombudsman.org.uk](http://www.energy-ombudsman.org.uk)

**Willie MacDiarmid**  
Impact Leader

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## Our 12 Impacts | Customer Experience

### ► Approach

We are committed to improving levels of customer satisfaction by delivering a service that meets or exceeds the expectations of our customers and by offering choice and value. We have 5.25 million retail customers and provide network connections for over 3 million customers in our home territories. To ensure we achieve this, our approach includes:

- **Offering a range of products and payment options** to suit the needs of different customers, including Prepayment, Online, Capped Price and Green Energy deals;
- **Continuing to improve our customer service centres**, all of which are based in the UK, by investing in our staff through continual training and coaching and through new systems such as our new telephony infrastructure. We also operate a Welsh language call centre in Caernarfon;
- Introducing a new call routing and complaints escalation process to “fast track” problem enquiries to our most skilled staff;
- **Increasing the volume of meter readings** to improve the accuracy of our bills
- Investing in replacing all token prepayment meters with new key metering over the next five years;
- **Conducting customer attitude surveys** and acting on the results to make improvements; and
- **Investing in our networks** to reduce the number and duration of interruptions to customers’ electricity supplies.

Our reputation and the trust of our customers is very important to us, so we ensure all sales activities are carried out in line with the stringent standards laid down by the independent Association of Energy Suppliers (AES) Code of Practice, known as the EnergySure scheme. In addition, we are the only UK energy supplier that is a member of the Direct Selling Association.

The customer service centres (with sites in England, Scotland and Wales) are focused on delivering a fast, quality resolution to each of our customers’ enquiries. Our aim is to resolve four out of five customer enquiries the first time a customer contacts us. To achieve this, we continue to invest in our systems, processes and people through our successful externally recognised Six Sigma programme.

We invest significantly in energy efficiency projects that can help customers save energy and reduce their fuel bills. We are required to do this through the Government’s Energy Efficiency Commitment programme. Most of these services are free and many are targeted at low income households to help combat fuel poverty.

For customers who are elderly or have special needs, we run a Carefree Service that offers extra help, such as a password scheme for home visits. Last year we launched a new charity, The ScottishPower Energy People Trust, to support projects aimed at combating fuel poverty.

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► **Performance**

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Customer Service Satisfaction – ScottishPower measures the quality of customer service satisfaction across a variety of metrics:

- Through external surveys such as uSwitch (an impartial comparison service) who placed ScottishPower second for overall customer satisfaction in their recent customer survey (June 2006). In the same survey, our meter reading service was recognised as the being the best in the UK
- Through internal surveys such as our quarterly Voice of the Customer (VoC) research. This showed that customer satisfaction is the same or better across 95% of our service and value for money measures than last year
- Through the volume of complaints to energywatch. These remained flat in comparison to 2004/05. This was disappointing and we have responded through a significant Customer Service improvement programme
- Through external recognition of our efforts. A Six Sigma project to reduce correspondence handling time from 10 days to two days received the Best Defect Elimination in Service & Transaction Award at the European Six Sigma Excellence Awards 2006.

Quality of Supply – Energy Networks Performance  
Customer Minutes Lost

	Improvement in the year	2005/06	2004/05
SP Distribution	11%	66.7	74.9
SP Manweb	12%	57.4	65.2

Customer Interruptions

	Improvement in the year	2005/06	2004/05
SP Distribution	11%	57.6	64.9
SP Manweb	11%	42.7	48.0

**Figures as published by Ofgem**

Acting on Fuel Poverty – Launched the charity ScottishPower Energy People Trust with funding of £2 million during the year. The Trust provides 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.

Energy Efficiency – We are on track to deliver our energy efficiency targets, which have been set under the Energy Efficiency Commitment.

Product Choice – At 31 March 2006, we had 430,000 Online Energy customers, (2004/05 97,000), more than a million customers on a capped price tariff and continued to offer a choice of Green Energy products.

Price and Value – Along with other suppliers we have been forced to increase prices during the year. This has resulted from the increase in wholesale prices during the year.

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## Our 12 Impacts | Customer Experience

### ► Performance | Continued

#### Performance Targets 2006/07

- To resolve 4 out of 5 customer queries on the first contact.
- To meet Ofgem quality of supply targets as follows.

Quality of Supply	Customer Minutes Lost	Customer Interruptions
SP Distribution	61.2	60.8
SP Manweb	49.9	46.7

### Customer Service Satisfaction

#### Voice of the Customer

We conduct Voice of the Customer (V<sub>o</sub>C) surveys every three months and use the results to drive improvements in our business. The research involves interviews with up to 1,500 customers and measures satisfaction in 22 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 of these areas also form part of the 70 weighted service attributes we measure, ranging from bill accuracy to taking ownership of enquiries and complaints.

Of the areas and weighted attributes, 57 have remained steady over the last year, three have declined and 10 have shown improvement. We continue to design programmes based on these results to deliver improvements in customer service.

#### External surveys

##### *uSwitch*

We were ranked top in the UK for meter reading services and second for overall customer satisfaction in an independent survey of UK energy suppliers conducted for consumer organisation uSwitch in March 2006. Around 65% of customers said they were “satisfied” or “very satisfied” with the overall service ScottishPower provides. More than 7,000 customers took part in the survey.

##### **J.D. Power and Associates**

Against the backdrop of volatile wholesale prices, leading to customer price increases and associated adverse media coverage, ScottishPower was ranked in the lower half of a very tightly-packed field in the J.D. Power and Associates 2005 UK Electricity and Gas Supplier Customer Satisfaction survey. We have responded through a significant Customer Service improvement programme.

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#### **Energy Retail Customer Complaints**

Following a steady downward trend in the number of customer complaints being referred to energywatch during the last four years, customer complaints rose across the industry during 2005/06.

Comparing 2004/05 with 2005/06, our energywatch performance within our Energy Retail business was generally flat:

- Direct Selling complaints remained unchanged at 0.14 complaints per 1,000 transfers.
- Transfer complaints rose slightly from 1.37 complaints per 1,000 transfers (Jan to Mar 2005) to 1.42 complaints per 1,000 transfers (Jan to Mar 2006).

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- Account and Billing complaints rose very marginally from 0.097 per 1,000 customers (Jan to Mar 2005) to 0.098 per 1,000 customers (Jan to Mar 2006).

We are committed to reducing complaints and improving performance. Steps we are taking include:

- Working with the Energy Retail Association to develop and implement a Code of Practice on billing.
- Continuing to deliver excellent billing accuracy performance with over 75% of all UK customers now receiving an actual bill each quarter.
- Implementing new complaint escalation and compensation procedures (in line with the new energy industry Ombudsman scheme).
- Resolving sales complaints by telephone instead of correspondence (where possible) to speed up resolution times and reduce the number of complaints that are reopened or referred to energywatch.
- Introducing new call routing technology that will effectively remove the Interactive Voice Response system and connect customers to an appropriate agent quickly.
- Rolling out a “Back to Basics” programme for customer service staff based on seven principles of good customer service.
- Providing “on the call coaching” by team managers to increase the number of queries resolved on the first call from 68% to 80%. This is supported by new performance management measures with each customer service representative now targeted directly on first call resolution.
- Introducing a dedicated “First Call Resolution” improvement team in each of our service centres.
- Implementing a revised new start training increasing the induction time from 5 weeks to a programme of 13 weeks.
- Investing heavily in our prepayment service delivery through new systems and the roll-out of key metering for this customer base.
- Delivering new proactive services such as outbound calling customers for meter reads and to verify service quality.

For information on our Supply Guaranteed Standards of Performance, visit Ofgem’s website.

A Six Sigma project to improve customer correspondence handling won an award in the European Six Sigma Excellence Awards 2006 and reduced Guaranteed Standard failures for responding to customer letters and emails by 90%.

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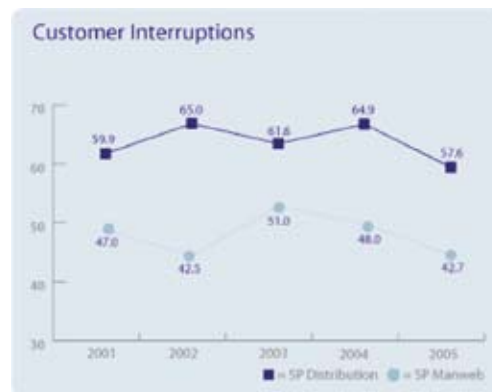
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## Our 12 Impacts | Customer Experience

### ► Performance | Continued Energy Network Performance

The two main measures of network performance are Customer Minutes Lost and Customer Interruptions, both of which reduced during the year.



Complaints to the independent consumer watchdog energywatch relating to our Energy Networks fell from 111 in 2004/05 to 96 in 2005/06.

We are investing £1.7 billion over five years to improve network security and reliability.

For information on our Network Guaranteed Standards of Performance, visit Ofgem's website.

### Energy Efficiency

We over delivered by almost 70% of our energy saving target under the first Energy Efficiency Commitment (EEC) scheme (2002-2005) which equates to a carry forward of almost 30% of our three year EEC2 (2005-2008) energy saving target.

Further to this in the first year of EEC2 we have:

- Insulated more than 87,000 cavity walls and 41,000 lofts
- Supplied over 27,000 condensing boilers
- Given out more than 1.8 million energy efficient light bulbs

We deliver our energy efficiency projects through partnerships with over 40 local authorities and housing associations. We are the official energy partners of the Newcastle and Gateshead Warm Zones in England and in Scotland we provide funding support to Community Energy Partnerships in North and South Lanarkshire and Dundee.

Our energy efficiency performance is reported in more detail in our Energy Efficiency Commitment Annual Report, which can be downloaded from the library section of our website.

### Product Choice

We offer a range of products to suit the different needs and lifestyles of our customers.

We continue to offer a Capped Price product to customers to give them the peace of mind of fixed energy costs. More than one million customers have sought the assurance of our Capped Price.

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## Our 12 Impacts | Customer Experience

### ► Performance | Continued

To reinforce ScottishPower's competitive price position as "cheaper than British Gas" for Dual Fuel, we offer a British Gas Tracker product that has the added guarantee, for the duration of the contract, of always having combined units prices that are below the equivalent Dual Fuel offer provided by British Gas.

Managing your account online and paying monthly by Direct Debit continues to be the cheapest option for Dual Fuel customers. At March 2006 we had 430,000 Online Energy customers. During the year we started offering online facilities for customers who continue to receive a paper bill. The Manage Your Paper Bill service allows customers to input meter readings and make bill payments online.

### Green Energy

ScottishPower offers 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.

During the year we supplied 2.4 TWh of renewable and CHP energy to our Business customers.

For our Business Green Source offer, over 190 large organisations have purchased green energy representing around 18,000 sites across Great Britain. The total consumption for these organisations was 2.2 TWh (2005/06) – almost double the volume of green energy sold by ScottishPower in the previous year. Our Green Source customers include Scottish Water, the Authorities Buying Consortium (ABC) and the Co-op Group.

During the year the ScottishPower Green Energy Trust awarded funding totalling £128,901 to another 11 projects. As of March 2006, the Green Energy Trust had pledged funds totalling £682,702 to 68 small renewable energy projects across the UK.

In 2005 for the first time, the positive impact Green Energy Trust projects are having on the environment and local communities was recognised with a Big Tick from Business in the Community in its annual awards scheme. The Big Tick was reaccredited in June 2006.

For more information on our Green Energy products, and projects that receive funding from the Green Energy Trust, see Green Energy case study on our website.

"The Green Energy Trust projects – many in schools – are helping to save CO<sub>2</sub> emissions, educating hundreds of people about the benefits of renewable energy and, in many cases, helping to save money on fuel bills."

### Chris Brennan

ScottishPower

Energy Services Marketing Manager

To see our full range of products visit our Energy Retail website.



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► Performance | Continued

**Price and Value**

During the year, in common with most other energy suppliers, we were forced to increase prices for gas and electricity as a result of an 80% increase in wholesale energy costs over a year compared to the previous 12-month period.

We have been proactive in advising customers how to reduce the impact of the price rises. We:

- Launched a new Capped Price Offer to shield customers from further price increases until October 2008
- Advised customers of the savings they could make if they pay by Direct Debit or sign up for the Online Energy service
- Applied only 75% of the price increase to customers who use prepayment meters on 10 July 2006
- Aligned prepayment, weekly and quarterly cash/cheque electricity prices; and
- Will make a £50 winter payment to existing Priority Service Register customers who have a prepayment meter or pay by weekly card

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## Our 12 Impacts | Climate Change and Emissions to Air

### ► Overview

Climate change is one of the most important issues facing the world – and the energy industry is a contributor to it. Generating electricity from coal and gas produces emissions of CO<sub>2</sub>, the most abundant of the “greenhouse gases.” Reducing the impacts of climate change will require a reduction in CO<sub>2</sub> emissions globally to stabilise the concentration of CO<sub>2</sub> in the atmosphere.

Demand for electricity continues to grow as the developed world uses more electrical products and processes. The CO<sub>2</sub> output of developing nations is rising as new power stations, including many coal plants, are built to power their growing economies.

While the scale of the challenge in addressing the long-term threat of climate change is gaining acceptance internationally (as evidenced by the Kyoto Agreement), a global framework for action to reduce CO<sub>2</sub> emissions has yet to emerge that includes all developed countries. The United States have signed up to the United Nations Framework Convention on Climate Change (UNFCCC), but have not accepted targets via the Kyoto Protocol.

The UK is one of a handful of countries on track to meet its Kyoto target – an 8% – 12.5% reduction in the Kyoto basket of Greenhouse Gases by 2012, based on 1990 levels – but achieving the UK Government target of a 20% reduction in CO<sub>2</sub> by 2010 is even more challenging. The UK Government’s Energy Review, published in July 2006, proposes a range of measures designed to ensure security of supply, while tackling climate change.

**John Campbell**  
Impact Leader

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## Our 12 Impacts | Climate Change and Emissions to Air

### ► Approach

We are committed to reducing the impact of power generation on air quality and on the environment. Our investment programme reflects this commitment, with considerable progress made throughout the course of this decade in reducing emissions by rebalancing our generation portfolio, primarily through increased investment in CCGT and renewables.

Whilst European and UK Government policy objectives such as the Emissions Trading Scheme and the Renewables Obligation are designed to deliver environmental benefits, the implementation and interpretation of these policy goals can create significant uncertainty for power generators. Despite this uncertainty we remain committed to reducing the environmental footprint of our existing generation stations, as evidenced by the recent decision to install Flue Gas Desulphurisation equipment at Longannet power station.

Similarly, the emergence of new power generation and carbon abatement technologies offer the potential to make a further step change in environmental performance. These emerging technologies are not currently competitive with conventional generation on an economic basis, and in some cases the technologies have not yet been proven at scale. We will actively support the development of low carbon power generation technology and will look to be involved in pilot and demonstration projects where practical.

Our long-term environmental goals are geared towards reducing the carbon intensity of the electricity we supply and cutting levels of other environmental pollutants, while keeping the cost of energy affordable for our customers. We aim to be the leading generator of wind energy in the UK and a leading wind generator in the US and through the successful delivery of the following approach, and to reduce our Group emissions by 2010 against a 1999 baseline, as follows:

- CO<sub>2</sub> 25%
- SO<sub>2</sub> 85%
- NO<sub>x</sub> 50%

Our approach to meeting this challenge includes:

- **Large-scale investment in renewable energy, particularly wind power** – we aim to achieve a renewable energy portfolio of at least 1,000 MW in the UK by 2010 and have increased our 2010 target in the US from 2,300 MW to 3,500 MW.
- **Large-scale investment in the transmission network** to support renewable energy developments – and investing in low loss transformers during network refurbishment, where practical.
- **Diversifying our coal fired plant towards cleaner fuels such as natural gas, biomass and Waste Derived Fuel** – we co-fire environmentally friendly biomass fuels at our two coal fired power stations and we are developing a dedicated biomass plant.
- **Improving the environmental footprint of existing coal fired power stations** through Flue Gas Desulphurisation (FGD) and NO<sub>x</sub> abatement technologies. We are investing £170 million on Flue Gas Desulphurisation at Longannet Power Station. We are also introducing air over firing techniques to reduce emissions of NO<sub>x</sub> at Longannet Power Station.

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### ► Approach | Continued

- **Working to improve the efficiency of our power stations.** For our existing coal stations, we use retrofit technologies to ensure cleaner standards for emissions as well as thermal efficiency improvements in our plant. For our newer plant, our current investment is targeted towards high efficiency Combined Cycle Gas Turbine (CCGT) operations. Looking to the future, we are actively reviewing the latest Integrated Gasification Combined Cycle (IGCC) technologies as we proceed with resource planning decisions for the UK.
- **Hydro Generation** – many of our hydro stations regularly undergo maintenance and refurbishment to ensure prolonged life and higher efficiency, enabling them to qualify for Renewable Obligation Certificates (ROCs).
- **Meeting or exceeding our customer energy efficiency targets set out in Phase 2 of the Government's Energy Efficiency Commitment.**
- **Promoting green energy products for customers** – we continue to promote green energy products for business and domestic customers, and manage a substantial energy efficiency programme in the domestic sector.

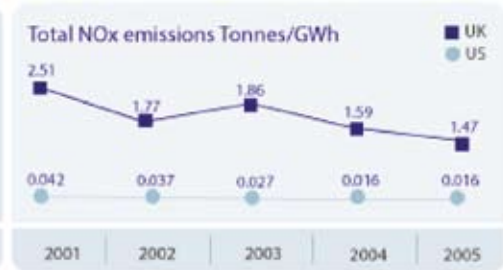
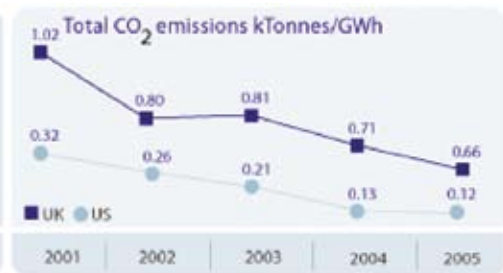
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## Our 12 Impacts | Climate Change and Emissions to Air

### ► Performance Performance Summary

#### Total Greenhouse Gas Footprint

	2005	2004
Total ScottishPower Greenhouse Gas (CO2) footprint	16,245,945	16,466,894



Added 704 MW of new wind generation capacity, with ScottishPower now the largest developer of onshore wind in the UK, and second largest in the US. Including Whitelee, we operate or have planning consent for 778 MW of wind generation in the UK, representing almost 80% of our 2010 target of 1,000 MW.

Announced plans to invest £170 million on Flue Gas Desulphurisation (FGD) at Longannet.

Burned 100,000 tonnes of Waste Derived Fuel and Biomass to reduce amounts of coal used.

We carried forward almost 30% of our three year energy saving target as a result of our customer energy efficiency projects carried out under the first Energy Efficiency Commitment (EEC) scheme.

In 2005 we completed major refurbishments at our five smallest hydro stations, enabling them to qualify for Renewable Obligation Certificates (ROCs).

Complied with legal requirements of the EU ETS by submitting 15 Mt of permits during 2005, and improved our redemption of Renewable Obligation Certificates (ROCs) from 64% (2003/4) to 73% (2004/5), against an industry average of 69% (2004/5).

We also announced that:

We would establish a consortium with the University of Strathclyde and Rolls Royce in a project to examine the network requirements for integrating different generation, particularly those connecting into the low voltage network. This project aims to define network strategy dynamics for the future.

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### ► Performance | Continued

We would continue to work with the clean coal consortium.

We started trials on boosted over fired air techniques to reduce emissions of NO<sub>x</sub> at Longannet power station, and at Rye House Power Station invested in new low NO<sub>x</sub> burners, which curtail the amount of NO<sub>x</sub> formed during fuel combustion.

### Performance Targets 2010

- To have 1,000 MW of wind capacity in the UK
- To have 3,500 MW of wind capacity in the US (increase from 2,300 MW)
- Reductions in group emissions against 1999 baseline as follows:
  - CO<sub>2</sub> – 25%
  - SO<sub>2</sub> – 85%
  - NO<sub>x</sub> – 50%

### Company Greenhouse Gas (CO<sub>2</sub>) Emissions

	2005	2004
<b>UK</b>		
From power stations (for energy generated – tonnes)	<b>15,167,496*</b>	15,330,000
From transport (tonnes)	<b>15,628</b>	14,409
From internal energy and process use (tonnes)	<b>636,944</b>	687,298
Equivalent from SF6 released (tonnes)	<b>41,108</b>	24,378
Total CO <sub>2</sub> emissions (tonnes)	<b>15,861,176</b>	16,056,085
<b>PPM Energy (US)</b>		
From power stations (for energy generated – tonnes)	<b>377,588</b>	402,293
Fugitive emissions from gas facilities	-	178
Transport (tonnes)	-	829
From internal energy process use (tonnes)	<b>7,181</b>	7,509
Total CO <sub>2</sub> emissions (tonnes)	<b>384,769</b>	410,809
Total ScottishPower Greenhouse Gas (CO <sub>2</sub> ) footprint	<b>16,245,945</b>	16,466,894

\* Made up of EU ETS installations figure 15,070,401 tonnes and PI CO<sub>2</sub> figure for Blackburn Mill CHP (this site is opted out of EU ETS) 97,095 tonnes

Total greenhouse gas emissions, including CO<sub>2</sub> from generation and transport and SF6 gas (used as an insulator in electrical equipment) reduced by 220,000 tonnes (1.3%) during the year across the group.

In the UK, the amount of greenhouse gases reduced not only within our generation, but from internal energy and process usage. The following contributed to that reduction;

- Increasing the proportion of gas and renewable generation in our mix. Looking to the future, we are actively reviewing the latest Integrated Gasification Combined Cycle (IGCC) technologies as we proceed with resource planning decisions for the UK
- Burning 100,000 tonnes of Biomass and Waste Derived Fuel (WDF) rather than coal in our stations
- Completing a major refurbishment at Cruachan pumped storage/hydro station that increased capacity by 10% to 440 MW.

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 Summary Emissions Information

Fact table for UK – totals	2005	2004
Total electricity generated/controlled (GWh)	<b>23,000</b>	21,447
<b>CO<sub>2</sub></b>		
Total CO <sub>2</sub> emissions per GWh of energy generated/controlled (ktonnes)	<b>0.66</b>	0.71
Total CO <sub>2</sub> emissions for energy generated/controlled (ktonnes)	<b>15,167</b>	15,330
<b>SO<sub>2</sub></b>		
Total SO <sub>2</sub> emissions per GWh of energy generated/controlled (tonnes)	<b>2.07</b>	2.88
Total SO <sub>2</sub> emissions for energy generated/controlled (ktonnes)	<b>47.79</b>	61.69
<b>NO<sub>x</sub></b>		
Total NO <sub>x</sub> emissions per GWh of energy generated/controlled (tonnes)	<b>1.47</b>	1.59
Total NO <sub>x</sub> emissions for energy generated/controlled (ktonnes)	<b>33.7</b>	34.2
<b>Particulates</b>		
Total particulate per GWh of energy generated/controlled (tonnes)	<b>0.07</b>	0.08
Total particulate for energy generated/controlled (ktonnes)	<b>1.699</b>	1.800
<b>Heavy metals and other emissions (tonnes)</b>		
Arsenic	<b>0.041</b>	0.0674
Cadmium	<b>0.14</b>	0.13
Chromium	<b>0.544</b>	1.013
Copper	<b>0.558</b>	1.04
Lead	<b>1.367</b>	3.06
Mercury	<b>0.125</b>	0.14
Nickel	<b>0.798</b>	1.6
Selenium	<b>0.898</b>	1.87
Vanadium	<b>0.450</b>	0.958
Zinc	<b>0.419</b>	1.063
PM 10 (t)	<b>1,359.32</b>	1,438.09
Hydrocarbons (as CH <sub>4</sub> )	<b>93.356</b>	100.25
Carbon monoxide	<b>6,214.88</b>	5,791.52
NM VOCs	<b>129.74</b>	141.49
HCL	<b>1,286.16</b>	1,825.87
N <sub>2</sub> O	<b>160.821</b>	133.2
HF	<b>298.441</b>	340.39
Dioxin ITEQ	<b>1.54337E-06</b>	0.000036158
Dioxin WHO TEQ	<b>1.69877E-06</b>	0.000041987
Boron	<b>42.4459</b>	51.449
Maganese	<b>0.54854</b>	0.874
Beryllium	<b>0.02831</b>	0.0472

For detailed performance data by station visit SEPA website for sites in Scotland, and the Environment Agency website for sites in England.

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**Summary Emissions Information**

Fact table for PPM Energy – totals	2005	2004
Total Electricity generated/controlled (GWh)	<b>3,228</b>	3,201
<b>CO<sub>2</sub></b>		
Total CO <sub>2</sub> emissions per GWh of energy generated/controlled (tons)	<b>129</b>	138
Total CO <sub>2</sub> emissions for energy generated/controlled (tons)	<b>416,179</b>	443,445
<b>SO<sub>2</sub></b>		
Total SO <sub>2</sub> emissions per GWh of energy generated/controlled (tons)	<b>0.0007</b>	0.0007
Total SO <sub>2</sub> emissions for energy generated/controlled (tons)	<b>2.26</b>	2.31
<b>NO<sub>x</sub></b>		
Total NO <sub>x</sub> emissions per GWh of energy generated/controlled (tons)	<b>0.0172</b>	0.0176
Total NO <sub>x</sub> emissions for energy generated/controlled (tons)	<b>55.46</b>	56.27



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## Our 12 Impacts | Waste and Resource Use

### ► Overview

Waste is a very significant issue for us all. It represents an inefficient use of resources – and a potential environmental hazard. According to the Department for Food and Rural Affairs (Defra), around 400 million tonnes of waste are produced in the UK each year, 100 million tonnes of which is from businesses and households. The rest comes from construction and demolition wastes, mining and agricultural wastes, sewage sludge and dredged spoils.

Despite increasing focus on waste minimisation and recycling schemes, there is a high dependence on landfill for waste management, but with limited landfill space available there is an urgent need to reduce the volume of waste going to landfill. Landfill Tax, brought in by the Government in 1996 to reduce the amount of waste land filled in the UK is encouraging the industrial and commercial sectors to reduce the volume of waste they send to landfill – around 35% of industrial and commercial waste is now recycled. During the year new waste regulations were introduced, increasing the responsibilities of business to manage waste appropriately.

Waste is also part of the wider issue of overall resource efficiency – sustainable production and consumption – that is essential to sustainable economic growth. Resource efficiency helps to avoid the unnecessary depletion of natural resources, as well as the environmental impacts of energy and water consumption and waste disposal.

Inefficient use of resources affects not only the environment, but the prosperity of business and the national economy. Department of Trade and Industry figures suggest that inefficient use of resources costs UK businesses around £20 billion a year and that 30% of energy used in business is wasted – equivalent to £12 billion per annum. Clearly, as large industrial consumers, energy companies have a critical role to play not only in the efficient use of resources, but in ensuring responsible reuse, recycling and disposal of waste.

**Susan Reilly**  
Impact Leader

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## Our 12 Impacts | Waste and Resource Use

### ► Approach

Our aim is to manage our resources wisely to minimise environmental and economic impact and ensure we comply with all the relevant legislation. We manage waste as part of our Environmental Management Systems (EMS), and have processes in place to identify, segregate, recycle and dispose of waste appropriately. New regulations on “special” or “hazardous” wastes came into force in July 2005 and our businesses reviewed operations to ensure we would comply. We plan our resource use with care to balance environmental impact with economic needs.

Our approach includes:

#### Waste

- **Reducing** – looking at ways to reduce the amount of energy, water, vehicle fuel and other raw materials we use through process improvements and encouraging employees to be waste aware. Waste minimisation and waste data systems are in place across Energy Wholesale and Energy Networks.
- **Reusing** – utilising resources, such as refurbished meters and transformers and reconditioned oils and selling surplus equipment for reuse. We also use Waste Derived Fuel (WDF) and biomass products and are building a new 25 MW biomass generating station that will increase the volume of this material we can use. ScotAsh, our ash processing joint venture with Lafarge Cement, processes ash from our coal stations into products for the construction industry. ScotAsh aims eventually to recycle ScottishPower’s total ash output as construction materials.
- **Recycling** – we have segregation and recycling programmes in place across the company. Materials recycled include wood, metals, SF6 gas, power station ash, paper and other office consumables, from toner cartridges to light bulbs and mobile phones. Another significant waste is spoil from excavation of roads and pavements to lay cables or carry out repairs to our distribution network.
- **Responsible Disposal** – where we cannot reuse or recycle wastes, disposal is carried out by certified contractors inline with all relevant regulations and inline with our duty of care obligations.

#### Resource Use

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

#### Contaminated Land

- **Contaminated Land Policy** – includes a number of activities to help identify, assess, control and remediate 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.

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## Our 12 Impacts | Waste and Resource Use

### ► Performance

- The volume of waste created across the group varies from year to year in line with the number and type of refurbishment or construction projects we have undertaken, such as replacing large items of power station plant. In addition, upgrades to the transmission and distribution network may involve some redesign, enabling us to remove short stretches of overhead lines.
- Following a court ruling on the definition of waste instigated by Scottish Environmental Protection Agency (SEPA) in respect of the co-firing of Waste Derived Fuel (WDF) at Longannet Power Station, we have announced the decision to build a multi-million pound dedicated biomass plant at Longannet to generate electricity from WDF and other biomass fuels.

Key Waste and Resource Use measures summarised in the table below.

Reduce	Movement	2005/06	2004/05
Coal ('000 tonnes)	+ve	4,894	5,402
Gas ('000 tonnes)	neutral	1,630	1,777
Biomass & WDF ('000 tonnes) *	+ve	100	-
Internal Energy (GWh)	+ve	1,406	1,587
Townswater (million m <sup>3</sup> )	-ve	5.5	5.2
<b>Reuse</b>			
PFA Ash By-product reused	+ve	310,432	229,534
<b>Recycle</b>			
Oil ('000 litres)	+ve	1,611	1,576
<b>Losses</b>			
FFC Oil containment losses (litres)	-ve	9,917	7,957

\* The co-firing of biomass fuels, such as sawdust, is helping to offset the volume of coal burned

\*\* nb The above does not include waste data for PPM that is not material at a group level

### Performance Targets 2006/07

- To complete the Waste Strategy Review within Energy Networks to rationalise the number of contractors that handle waste on our behalf.
- To upgrade our reporting system for wastes and resource use across our UK businesses, and to implement targets for 2007/08.

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**UK – General Waste Data**

<b>UK Wastes Data</b>	<b>2005/06</b>	<b>2004/05</b>
<b>Waste Produced</b>		
General waste (tonnes)	11,138	10,916
General waste (litres)	512,390	*716,246
General waste (m <sup>3</sup> )	16,944	25,220
Inert Waste (Tonnes)	164,511	Not available
Special waste (tonnes)	3,726	3,025
Special waste (litres)	1,667,359	1,802,200*
<i>* Restated and reclassified</i>		
<b>Recycled and Recovered Waste</b>		
Wood and herbage (tonnes)	137	152
Paper/card (tonnes)	23	16
Scrap metal (tonnes)	3,221	6,105
Oil (litres)	1,610,561	1,575,987
Solvents	25,218	3,182
Glass (tonnes)	1.10	1.90
Aluminium (tonnes)	0.16	0.04
Batteries (tonnes)	25	7
Batteries (items)	56	15
Printer cartridges (items)	85	54
IT equipment (recycled tonnes)	33	62
IT equipment (recovered for use – items)	931	–
Recovered SF <sub>6</sub> (tonnes)	0.046	0.158
Inert spoil (tonnes)(estimated)	82,256	n/a

**UK Power Station Ash Data**

<b>Generation (UK)</b>	<b>2005/06</b>	<b>2004/05</b>
Total FBA generated (tonnes)	62,805	60,728
Total FBA reused (tonnes)	44,594	45,290
Total PFA generated (tonnes)	598,833	635,206
Total PFA reused (tonnes)	310,432	229,534

FBA – Furnace Bottom Ash

PFA – Pulverised Fuel Ash

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**UK SF<sub>6</sub> Released, Quantities Held and Reused**

<b>SF 6 Releases and Quantities Held</b>	<b>2005/06</b>	<b>2004/05</b>
Total UK quantity held (tonnes)	56	54
Total UK number of switchgear units holding SF6	15,401	11,268
Total UK quantity of SF 6 released (tonnes)	1.72	1.02
Total UK quantity of SF 6 recycled / reused (tonnes)	0.046	6.096

2004/05 data includes 6 tonnes of SF6 recycled as part of work undertaken at Torness.

**Contaminated Land**

<b>Site review</b>	<b>2005/06</b>
Phase I surveys	67
Phase II surveys	2
Remediation expenditure	0

**Oil Containment**

<b>FFC Oil losses from underground cables</b>	<b>2005/06</b>	<b>2004/05</b>
Litres lost	9,917	7,957
<b>Transformer &amp; switchgear oil containment data</b>		
Total volume of oil held (litres)	81,450,080	81,183,720
Volume of oil lost (litres)	6,927	*13,420
Total number of transformers banded to date	440	433
Annual investment in banding (£'000)	104	674

\*restated

**UK Polychlorinated Biphenyl (PCB) Status and Disposal**

<b>PCB Status of Equipment</b>	<b>2005/06</b>	<b>2004/05</b>
Number of samples tested – We currently have no programme to test equipment. Issues will be managed if they arise.	0	1
Number of samples above 50 ppm	0	1
Volume of PCB contaminated oils disposed (litres)	n/a	205
% equipment now tested for PCB levels (Ground mounted equipment)	100	100

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UK Resource Use Total	2005	2004
Coal burn (000 tonnes)	4,894.26	5,402.03
Oil burn (000 tonnes)	21.94	35.54
Gas burn (000 tonnes)	1,630.25	1,777.26
Townwater water use (million m <sup>3</sup> )	5.5	5.2
Tidal/River Water use (million m <sup>3</sup> )	1,949	n/a
Biomass & WDF ('000 tonnes)	100	-

### Transport

Total Business Mileage	2005/06	2004/05
UK businesses	18,860,457	15,269,011
<b>Vehicle Fuel Consumption for Main Group Fleets (estimated figures)</b>		
Volume of unleaded petrol used ('000 litres)	66	86
Volume of leaded petrol used ('000 litres)	1	0
Volume of diesel used ('000 litres)	3,359	3,230
Volume of Liquefied Petroleum Gas (LPG) used ('000 litres)	5	11

### Internal Energy Use

Internal Energy Use	2005/06	2004/05
UK businesses		
Electricity (GWh)	1,406.30	1,586.62
Gas (GWh)	151.46*	25.22
Gas/diesel oil (litres)	1,226,662**	27,775
LPG (kWh)	515,022	795,914
<b>PPM Energy – Klamath Energy Plant Only</b>		
Electricity (GWh)	46.3	43.59
Natural gas (mm SCF)	0.90	0.46
Other (gallons diesel)	n/a	305

\*Includes Daldowie not reported in previous years

\*\*Includes data from our Generation business not previously reported

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## Our 12 Impacts | Biodiversity

### ► Overview

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

However, the world is losing biodiversity at an ever increasing rate as a result of human activity.

International action to sustain the variety of life on Earth is based on the Convention on Biological Diversity, signed by more than 150 countries following the Rio Earth Summit in 1992. Each signatory country has committed to developing a national strategy for the conservation and sustainable use of biological diversity.

In response, the UK Government has implemented the UK Biodiversity Action Plan (BAP) that has published action plans for 45 vulnerable habitats and 391 of our most threatened species – some rare but others very familiar, such as Song Thrushes and Bluebells, that have undergone severe declines in population.

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

In the US, there is no national biodiversity policy, though the majority of states have biodiversity policies that have been developed in various ways including Governors' executive orders, memoranda of understanding and statutory law. State Wildlife Action Plans, incorporating biodiversity programmes, have been created in most states under the State Wildlife Grants Program. In addition, many states have incorporated environmental issues in their planning laws.

The key piece of legislation at federal level is the Endangered Species Act (ESA) which provides protection for listed species and their habitats, as well as recovery plans. However, the Endangered Species Act does not cover species in slow decline or ecosystems that are deemed "at risk".

ScottishPower has both a direct and indirect impact on biodiversity. Directly, how and where we use land and water for our operations affects biodiversity. Indirectly, climate change is a significant threat to biodiversity and our operations have an influence on climate change. As a key element of sustainable development, biodiversity has been an integral part of our Environmental Policy for many years.

As indicated in the DEFRA Environmental Key Performance Indicator – Reporting Guidelines for UK Business, there is no single, universally accepted method for measuring the impacts of company activity on biodiversity. This report highlights the breadth of activity across our various UK and US operations, summarises the work of our Biodiversity/Habitat Management Plans and lists some case examples of good practice.

**Susan Reilly**  
Impact Leader

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## Our 12 Impacts | Biodiversity

### ► Approach

ScottishPower has significant land holdings – power stations, windfarms, and substations – ranging from southern England to the Scottish Highlands, many of which are rich in wildlife. We recognise that our activities in the fields of power station, windfarm, transmission line and gas storage construction and operation could have potential effects on biodiversity. Our policies aim not only to minimise the effects of our operations on biodiversity, but also to promote wildlife and habitats through implementing positive conservation management and research at our sites and in the wider countryside. You can read our Biodiversity Policy here.

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

Our approach includes:

- **Developing our windfarms in accordance with industry leading policies that focus on careful site selection, extensive consultation and proactive conservation management.**
- **Carrying out Environmental Impact Assessments** for new build developments, such as overhead lines, and ensuring Environmental Management Plans are developed for projects where aspects of nature conservation value are identified.
- **Implementing Biodiversity Action Plans (BAPs)** at all of our electricity generation and gas storage sites in the UK.
- **Developing Windfarm Habitat Management Areas.** Setting aside 3,424 hectares of land to promote biodiversity at four of our windfarms – Beinn an Tuirc and Cruach Mhor in Argyll, Black Law in Lanarkshire and Beinn Tharsuinn in the Scottish Highlands.
- **Setting aside** additional land as conservation easements at windfarm sites in the US to conserve rare habitat, such as wetlands and preserve grassland, shrub-steppe habitats that are being lost to agriculture and development.
- 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.
- Following a Biodiversity Procedure to protect wildlife and habitats during overhead line or substation construction. Much of our biodiversity work goes well beyond any statutory obligations or planning conditions. For example, the Habitat Management Plans at UK windfarms go beyond mitigation for the effects of the windfarm and aim to preserve special wildlife species such as Golden Eagles, Black Grouse and Otters.
- Playing a key role in pioneering research into bird and bat interactions with windfarms, blanket bog restoration, and supporting the development of best practice habitat management techniques in a partnership with WWF, Scottish Natural Heritage and RSPB in the UK and with the National Wind Co-ordinating Committee Wildlife Workgroup and others in the US.



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## Our 12 Impacts | Biodiversity

### ► Performance

In the UK we:

Launched Biodiversity Action Plans (BAPs) at Damhead Creek and Shoreham power stations, bringing the number of BAPs at power station to nine.

Set aside further windfarm habitat management areas in the UK windfarms increasing the total to 3,424 hectares.

Supported groundbreaking research into Golden Eagle and Hen Harrier interaction with wind turbines and blanket bog restoration. For more information see Raptor Studies Highlight Positive Effect of Habitat Management case study.

Launched our largest Habitat Management Plan to date, covering 1,440 hectares, at Black Law Windfarm in Lanarkshire.

Continued to engage ecological clerks of works for major projects and co-sponsored Countryside Rangers at four sites – Valleyfield and Musselburgh Ash Lagoons, the Lanark Hydros and our Kintyre windfarms – to monitor the effects of our operations on land and the Aquatic Environment.

Developed a Biodiversity Protocol for Major Energy Networks Projects.

Sponsored Argyll & Bute Community Action for Biodiversity as part of our commitment to support initiatives that promote conservation of nationally and internationally important habitats and species in the wider countryside.

Participated for the first time this year in the Insight Investment Management/Fauna Flora International biodiversity benchmarking exercise. Scores were ranked into three bands. We were placed in the middle band.

In the US we:

Developed a new Windfarm Siting and Avian Policy.

Represented the industry in the US Fish and Wildlife Service's guidelines revision process, led American Wind Energy Association conferences on biodiversity issues and participated in the development of biodiversity guidelines for several states, including California, Texas, and New York.

Built Shiloh Windfarm in line with requirements to protect Californian Tiger Salamander.

Established or instigated negotiations on four Habitat Management Areas (conservation easements) on land adjacent to US windfarms to be managed for biodiversity. Conservation easements established or planned include 280 acres at Big Horn in Washington, 120 acres at Shiloh, California, 65 acres at Leaning Juniper, Oregon and 30 acres at Klondike III in Oregon.

Provided funding for several biodiversity research programmes including a four year project by the Kansas State University Foundation on the effects of wind energy development on Prairie Grouse and a project by the Bat-Wind Energy Cooperative for research on bat interactions with wind turbines at our Casselman site in Pennsylvania. Commitments have been made to fund additional bat conservation projects associated with the Klondike III wind project in Oregon and the Hoosac wind project in Massachusetts.

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**Performance Targets 2006/07**

- Launch of Biodiversity Action Plans at Hagshaw Hill, Hare Hill and Dun Law windfarms.

**Biodiversity Action Plans (BAPs)**  
**Biodiversity Management**

UK Biodiversity Management	2005/06	2004/05
Implemented Biodiversity Action Plans	Damhead Creek and Shoreham finalised and began implementing their Biodiversity Action Plans during 2005, taking the total number of sites with Biodiversity Action Plans to 9	
Hectares of land subject to habitat management	3,424	3,232
PPM Energy Biodiversity Management	2005/06	2004/05
Hectares of land subject to habitat management	188	–

During 2005/06, Biodiversity Action Plans were launched for the first time at Shoreham and Damhead Creek power stations. This means a total of nine of our generating sites have adopted Biodiversity Action Plans as a way of formalising their approach to biodiversity. The Biodiversity Action Plans we have developed at our generation sites are not part of any statutory obligations or license conditions and we are following this up by developing Biodiversity Action Plans for existing windfarm sites not covered by Habitat Management Plans.

**Biodiversity Action Plans**

Site	Habitat/Species
Longannet	Wetland, grassland, breeding and roosting waders, nestbox scheme, Ranger sponsorship
Cockenzie	Wetlands and wader scrapes, woodland creation, nestbox scheme, Ranger sponsorship
Rye House	Pond creation, grasslands, bat and bird nest boxes, Great Crested Newt
Damhead Creek	Wetland, reedbeds, wader scrapes, nestbox scheme, Barn Owls, Water Vole
Shoreham	Vegetated shingle, fish monitoring, Peregrine nestbox, wildflowers
Cruachan	Native woodland, meadows, bird, bat and insect boxes, upland species
Lanark / Galloway Hydros	Native woodland, wetland, nestbox scheme, sponsorship of Ranger
Knapton	Grassland, hedgerows, Water Vole, amphibians
Hatfield Moor	Grassland, heathland, Nightjar, Wood Lark

“We’ve mostly operational land at Rye House – some grass verges and a little garden – but even little actions are important to help biodiversity.”

**Henry Scrivens**  
 Rye House Power Station

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Site	HMA Area	Key elements / species
Beinn an Tuirc, Kintyre, Argyll	1,215 hectares	Removal of 450 hectares of forestry and management of upland moor to create feeding conditions for Red and Black Grouse, Golden Eagles
Cruach Mhor, Cowal, Argyll	577 hectares	Removal of 386 hectares of forestry and management of moor to create feeding conditions for Hen Harrier, Short-eared Owl, Black Grouse
Black Law, Lanarkshire	1,440 hectares	Removal of 400 hectares of forestry and restoration of opencast coal mine. Creation of wader scrapes and management of moor for waders
Beinn Tharsuinn, The Scottish Highlands	192 hectares	Planting of deciduous trees to regenerate native woodland and upland habitat to benefit Black Grouse, Capercaillie and Hen Harrier. Existing blanket bog and grassland to be managed for upland birds, such as Meadow Pipit, Skylark, Curlew and Snipe.

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

We have Habitat Management Areas at four windfarms throughout Scotland, totalling 3,424 hectares.

By improving habitats through measures such as the removal of commercial forestry and restoration of blanket bog, we aim to demonstrate that our windfarms can live in harmony with wildlife and local people.

Key species benefiting from our work include Golden Eagle, Hen Harrier, Black Grouse, Otter, Water Vole and wading birds.

In spring 2005, work commenced on our most ambitious Habitat Management Area yet at Black Law Windfarm and on a smaller Habitat Management Area at Beinn Tharsuinn Windfarm, in the Scottish Highlands.

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#### **Aquatic Environment**

We work closely with Fisheries Boards, River Trusts and others to preserve or enhance biodiversity in the aquatic environment associated with our power stations.

During 2005/06 at our Galloway Hydroelectric Scheme we funded a hatchery at Loch Ken as part of a project to reverse the decline in number of Atlantic Salmon in local rivers.

We also continued to monitor numbers of fish going through our fish passes and managed debris within the fish pass chambers to ensure salmon could pass through unimpeded. During the year we launched a project to examine the feasibility of installing a barrier directing fish to the pass. This project will run until March 2007.

At Longannet Power Station we are continuing to work on the ongoing issue of fish entrainment in the cooling water system. We have explored various solutions to this problem over a number of years.

The initial approach was to install special screens at the 12 cooling water intakes. However, these quickly became clogged with leaves and other debris, affecting cooling water flow to the power station to the extent that operation was compromised.

More recently we conducted studies into the feasibility of installing an acoustic fish deterrent system similar to the type used with great success at Shoreham Power Station. However, the acoustic deterrent did not meet performance expectations, having a limited effect on some rarer fish species that have smaller swim bladders and are not easily deterred by sound barriers.

The proposed location of the sound projectors – inside the cooling water intake – also raised significant health and safety concerns relating to installation and ongoing, frequent maintenance.

We are continuing to work on this issue and trials of a new “catch and release” system attached to the cooling water drum screens will be launched in summer 2006.

#### **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. Follow up maintenance and monitoring after completion of construction is also a key part of the procedure.

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### Protecting Wildlife During Windfarm Construction

PPM Energy worked closely with biologists to protect the endangered California Tiger Salamander during construction of the Shiloh 1 Wind Plant Project.

The amphibian spends much of its life underground to escape the heat of the sun but needs seasonal ponds for successful breeding. These vernal pools are fast disappearing, with 95% of such habitat in California lost to development.

During construction of the 150 MW windfarm, located in Solano County, contractors followed best practice guidelines that aimed to minimise disturbance to the salamander, its habitat and other wildlife species.

All turbines, collection cables and other project facilities were located away from vernal pools and stock ponds, with a 567 feet exclusion area maintained for all on-site activities.

Contractors underwent training to raise awareness of the species on site and biologists were involved at key stages of construction to offer advice and carry out inspections.

If a salamander was located, work at Shiloh was stopped until the animal could be relocated by approved biologists, while measures were taken to prevent individuals being trapped in trenches on the site.

Other measures were taken to avoid disturbance to breeding birds of prey, including Burrowing Owls and Golden Eagles.

### US Conservation Easements

#### Big Horn

At the Big Horn wind project in Klickitat County, Washington, 280 acres are being set aside as a conservation area in line with the Washington State Wind/Wildlife Guidelines.

The guidelines call for PPM Energy to acquire 238 acres, according to a formula based on the size of the site and temporary impacts on particular habitats, but we are going beyond that, acquiring a conservation area of 280 acres for the life of the project.

The objective of the conservation area is to protect valued shrub-steppe and lithosol (shallow soil) habitats that are being lost to agriculture and development in Eastern Washington.

The area, a beautiful canyon along Big Horn Creek, includes permanent pools of water and associated wetlands, which are rare in the region's arid environment, as well as steep basalt canyon walls. Among the native species in the area are Black Bear, deer, elk and a wide range of raptors.

#### Leaning Juniper

The conservation area at Leaning Juniper, Gilliam County, Oregon, is being acquired to meet the conditions of our Oregon Energy Facility Siting Council Site Certificate, which requires mitigation for impacts to higher level habitats of 65 acres. We are negotiating to acquire 80 acres to protect high quality grassland that has the potential to support the Washington Ground Squirrel, a rodent that is an endangered species in Oregon.

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**US Conservation Easements | Continued**

**Shiloh**

At Shiloh wind project, in Solano County, California, PPM's Solano County Conditional Use Permit requires the company to acquire, within two years of starting commercial operation, a 120-acre tract of land that is suitable for raptors, such as Golden Eagle and Red Tail Hawk. Once a parcel of land has been selected and acquired, it will be managed by a conservation land trust. Measures such as tree planting will be carried out to enhance habitat value for raptors and nesting song birds.

We have also committed to carry out three years of avian monitoring, post construction. The findings will be shared with Solano County's Technical Advisory Committee, on which the US fish and Wildlife Service and the Californian Department of Fish and Game are represented.

**Klondike III**

We have committed to enhance 30 acres of low quality grassland at the Klondike III wind project in Sherman County, Oregon, to meet the conditions of our Oregon Energy Facility Siting Council Site Certificate. The grassland will be improved to create a higher quality habitat that will diversify the range of grassland nesting birds, and support big game wildlife.

**Supporting Research**

**Bat Conservation International**

We are contributing \$50,000 a year for three years to Bat Conservation International (BCI) in relation to our Casselman wind project in Pennsylvania to fund research that will improve understanding of the effects of wind turbines on bats and develop mitigation solutions. Commitments have been made to fund additional bat conservation projects associated with the Klondike III wind project in Oregon and \$100,000 for bat research at the Hoosac wind project in Massachusetts.

**Prairie Chicken**

We invested \$25,000 – and have committed to \$100,000 in total over four years – to fund a collaborative research project into the effects of wind power on the Demography and Population Genetics of the Greater Prairie Chicken.

The study is being conducted by researchers at Kansas State University, on behalf of the Grassland and Shrub Steppe Species Collaborative (GS3C) a sub group of the National Wind Co-ordinating Committee Wildlife Workgroup.

Greater Prairie Chicken populations indicate the overall health of grassland ecosystems in Kansas, Oklahoma and other parts of the Great Plains.

The collaborative study aims to identify the potential impacts of wind power on populations of the birds and develop mitigation strategies to address them.

PPM owns and operates the largest windfarm in Kansas, the 150 MW Elk River project in Butler County.

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## Our 12 Impacts | Sites, Siting and Infrastructure

### ► Overview

Energy generation and delivery requires physical structures. In order to provide energy we build, operate and maintain distribution, transmission, storage and generation facilities including plants, windfarms, gas storage, substations, and overhead and underground lines. These sites and structures, in environments ranging from remote hillsides, prairies and desert, to facilities that are right in the heart of local communities, inevitably have an impact on land and homeowners, businesses, communities and the local environment.

Operating in this diverse range of locations means we must have effective policies that balance our need to maintain the safety and integrity of our plant with the landowners' activities and wishes.

During the last few years, site selection and land stewardship have become increasingly important issues for us as we expand our windfarm portfolio and reinforce the electricity networks to transport electricity from renewables sites to population centres.

An emerging issue for the industry nationally is the need to co-ordinate the planning process for windfarm developments and associated networks projects to ensure that renewable energy sites can be connected to the grid as soon as they are ready to start generating. Delays in obtaining planning approval for network reinforcements could limit the availability of green energy in the UK and result in the government targets for renewable energy not being met. ScottishPower has been raising awareness of this issue with national and local government.

**David Rutherford**  
Impact Leader

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## Our 12 Impacts | Sites, Siting and Infrastructure

### ► Approach

**Our approach to the development of distribution, transmission, storage and generation facilities includes widespread engagement with stakeholders and proactive consideration of landscape and ecological issues early in the design stage.**

We consult with communities across our operations, and particularly where we are planning new developments. This helps ensure that community groups can give us feedback and allows them to have the opportunity to input into the planning process. At major sites that are close to communities, we establish Local Liaison Committees and we have visitor centres at four sites so that local communities and other interested groups can visit our operations. Equally, our community programmes play an important role in identifying and addressing key issues of local concern.

We sponsor countryside rangers at four generation sites, including our ash lagoons, our Kintyre windfarms and the Lanark Hydro-electric Scheme, to enhance biodiversity as part of our commitment to responsible land management.

Wind power is a long-term commitment for ScottishPower and we have established a unique and socially responsible approach to windfarm development that was recognised in April 2006 with a Queen's Award in the Sustainable Development category for ScottishPower Renewables. Our approach includes:

- Careful site selection choosing low impact sites and avoiding locations where development would have an unacceptable impact upon ecology, landscape or amenity.
- Extensive consultation with communities, local authorities, landowners, wildlife and heritage bodies at the earliest stages of development.
- Incorporating feedback from consultation into the final designs.

Last year we detailed our approach in two policy documents that provide a benchmark of best practice for the industry. The documents: Windfarm Sustainable Development Policy and Windfarm Biodiversity Conservation Strategy were developed with input from Scottish Natural Heritage, the Royal Society for the Protection of Birds (RSPB), Friends of the Earth Scotland and WWF.

For the construction of new overhead lines we have developed separate policies to ensure that construction of distribution and transmission overhead lines are carried out with consideration for the environment through which they pass.

- This ensures that routes are planned carefully to avoid areas with outstanding landscape, ecological or heritage value, and extensive consultation with communities, landowners, Scottish Natural Heritage, Historic Scotland and Non-governmental organisations such as the Royal Society for the Protection of Birds.
- We are also working to reduce the impact of our networks operations in scenic areas, including undergrounding sections of overhead line in suitable areas, trialling a new technique to plough in cables, which creates significantly less disturbance to landscape and ecology than conventional trench excavation.
- We recognise the possibility, even if very low, of the concern of an increased risk to public health from electro magnetic fields (EMF). We take the issue of EMF very seriously, and outline our approach in more detail here.

Our US business, PPM Energy, developed a similar Windfarm Siting and Avian Policy in January 2006.



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ScottishPower Renewables won a Queen's Award 2006 in the Sustainable Development category for their responsible, collaborative approach to windfarm development.

Completed the construction of Black Law Windfarm, the UK's largest operational windfarm.

Final consent received for Whitelee Europe's largest onshore windfarm.

PPM Energy developed a new Windfarm Siting and Avian Policy during the year, setting the benchmark for the American Wind Energy Association on siting and environmental issues.

Landscape improvements were completed at Black Law Windfarm include restoring an opencast mine with a capacity of 1.5 million cubic metres, felling 400 hectares of non-native forestry and restoring a 320 metre stretch of diverted river to its original course.

In June 2006 Longannet Power Station opened the final link in a network of public footpaths at the Valleyfield Ash Lagoons.

Over the last five years, Energy Networks removed approximately 54 km of ageing 132 kV overhead lines in densely populated areas of north Lanarkshire and the south side of Glasgow, replacing these with only 6 km of new 275 kV construction along a new route with minimum environmental impact.

Work started on building a substation at Sparling Street in Liverpool to complement redeveloped buildings as Liverpool prepares to become European City of Culture in 2008.

We announced plans to include a visitor centre as part of the Whitelee Windfarm development.

There were no environmental prosecutions during the year in the UK or the US.

Increase in customer enquiries to Energy Networks from 3,200 to 5,000 during the year indicating increase in public interest and thoroughness in responding to such enquiries.

**Performance Targets 2006/07**

- No environmental prosecutions in the UK or US.

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### ► Overview

Having the right people, with the right knowledge, skills and attitude is essential to the success of any organisation.

With demand for many skills now outstripping supply, attracting high quality employees and retaining valued members of the workforce has become a competitive business.

To do this successfully requires a competitive package of benefits and a positive employment experience. This includes a safe working environment, good training and development, work that is interesting and stimulating and good performance management systems that deliver motivation, encouragement and feedback.

It also involves providing opportunities for personal and professional development and taking time to recognise and celebrate success. In short, it means effective leadership – and providing a career path, rather than just a job.

Finally, a crucial part of the employment experience is shared goals, a pride in the organisation and confidence among employees that their company operates responsibly with the environment, its employees and society, and is committed to doing the right thing in both its daily business and long-term plans.

**Stephen Dunn**  
Impact Leader

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### ► Approach

ScottishPower aims to be an “employer of choice” and during the last few years we have been working with our managers and team leaders to build a high performance culture that provides a positive employment experience for our people.

- Central to this strategy is a firm commitment to providing a **safe and healthy working environment** and a renewed focus **on performance management**, talent development and succession planning.
- We are committed to **equality in recruitment, training and career development** and operate a range of progressive people policies that support the integrity of our company and the work life balance of employees. The company is committed to equal opportunities based on ability and performance, irrespective of age, disability, ethnic origin or any other considerations that do not affect a person’s ability to do the job. See our Human Resources Policies below. Our package of employee benefits includes development programmes, competitive salaries, pension schemes, access to health and fitness facilities at many locations, and on-line learning facilities.
- As part of our commitment to performance management we have a number of schemes in place to **recognise and reward employee successes**. We also encourage employee participation in the company’s success by offering a number of share ownership plans.
- We are committed to providing employees with **effective and engaging development opportunities**, using a range of channels to ensure that staff access the right development in a way that suits them, from online programmes, through classroom training to community based development.

### Human Resource Policies

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

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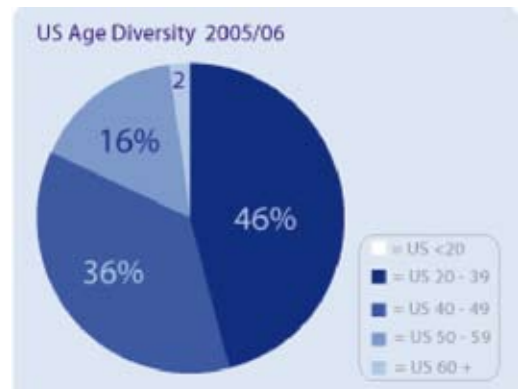
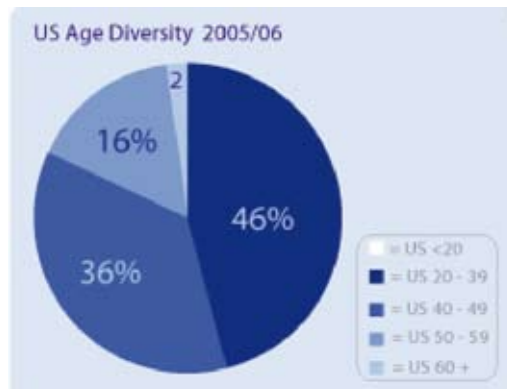
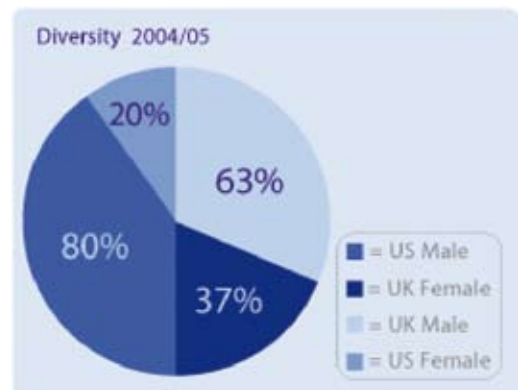
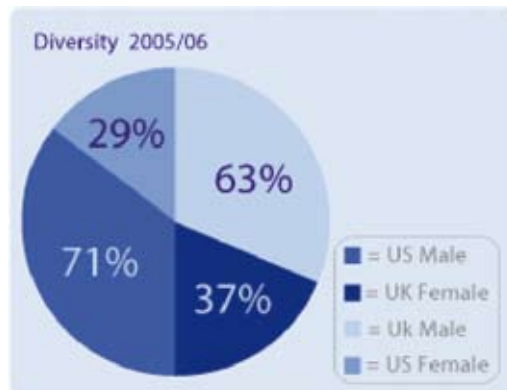
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**Employee Statistics**

	2005/06	Restated 2004/05	From 2005 reporting 2004/05
Number of employees	9,793	9,496	16,142
Total payroll	£376.5 million	£327.5 million	£721.7 million



	2005/06
Employee turnover	UK 19%
	US 13%
Sickness absence	UK 5.5%

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#### Executive Pay

During the year, following changes to the Board we made termination payments to directors who left the company. We paid their contractual entitlements and there were no enhancements. Their pension entitlements were made to fund the company's obligations to the date of their retirement. However, changes to pension provision will mean that in future we will provide senior executives with a salary supplement rather than funded pension benefits. This reflects the objective of simplifying the delivery of benefits and giving individuals more control over how they provide for their retirement. Full detail can be found within the Annual Report & Accounts.

#### Restructuring

Following the decision to sell PacifiCorp, the opportunity was taken to consider our future structure. This review was undertaken in September 2005. The aim was to create a company that will have a renewed focus on operational excellence and superior customer service, at lowest unit cost of delivery, with a world-class safety record. The new structure consists of three businesses in the UK – Energy Wholesale, Energy Networks and Energy Retail – and PPM Energy in North America, along with slimmed down corporate services.

As a consequence of the restructure we forecast that around 720 positions were no longer required, including 270 unfilled vacancies, requiring 450 redundancies between September 2005 and March 2007. As in previous restructures, ScottishPower gave a commitment to employees that we would make every effort to avoid compulsory redundancies if possible. Our first priority is to ensure that employees are given every opportunity to be redeployed into suitable alternative roles within the organisation. We have also been working closely with the Trade Unions and Employee Representatives throughout the restructure, introduced enhanced redundancy terms and offered outplacement support to employees to enhance their opportunities to find alternative employment. All of these actions have ensured that, to date, we have avoided compulsory redundancies with 179 voluntary redundancies made up to March 2006.

#### Employee Satisfaction

Following on from our decision to sell PacifiCorp, we reviewed our quarterly Attitude & Action survey and concluded that the survey was no longer appropriate. A new group-wide survey will be launched in 2006 that will go to all of our people to collect baseline data on employee satisfaction. This will also drive action planning and ultimately HR strategy going forward.

While we did not conduct a group-wide employee satisfaction survey during 2005/06, we did carry out business level satisfaction surveys within four of our main business areas. The results of our most recent group-wide Attitude and Action survey from 2004/05 can be found on our website. This indicated an improvement in our average score from the previous year.

In May 2006 we started a series of workshops to ask groups of employees "What matters to you," and the Executive Team has committed to act on the outputs of this exercise.

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### Pension Arrangements

Increased life expectancy is putting increased pressure on pension funds globally and ScottishPower predicted that its costs could rise unsustainably by as much as 30% over the next 10 years. After extensive consultation with employees and the trade unions, we decided to close our final salary pension scheme to new members and replace it with a new plan, an innovative defined contribution option that builds over time to reward long service. New employees who complete 10 years membership of the Stakeholder Plan will be offered the option of continuing to build up pension benefits in this way or, if it suits them, to join a final salary arrangement to build up future benefits. We also ploughed an additional £130 million of extra cash into the existing pension arrangements, to fund existing deficit.

### Learning and Development

	2005/06	2004/05
Total training days – UK	48,488	55,387

The majority of training continues to take place in our networks and retail business, where we employ the most staff, and have most interaction with the public.

### Leadership

Completed one Business Leadership Programme for senior employees, in association with Wharton University. Over 600 team members undertook our Team Leadership Programmes.

### Consultation and Communication

Following the introduction of the Information and Consultation of Employees Regulations in April 2005, we have reviewed our existing arrangements at both group and business level. As a result of this, new forums are being set up to allow us to consult more effectively with non-collective staff that are not covered by existing arrangements.

### Performance Targets 2006/07

- Complete group-wide survey using 100 Best Companies model

### Well Being

Levels of sickness absence – UK	
Energy Networks	3.2%
Energy Retail	8.0%
Energy Wholesale, Generation	2.6%
Energy Wholesale, Energy Management	1.2%
Energy Wholesale, Strategic Transactions	1.3%
Corporate	3.5%
Overall UK	5.5%

For more information on health at work initiatives, see Health and Safety.

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#### Pensions

ScottishPower – in consultation with its trade unions – has developed an innovative solution to the problem of meeting escalating pension costs well into the future.

Increased life expectancy is putting increased pressure on pension funds globally and ScottishPower predicted that its costs could rise by as much as 30% over the next 10 years.

Our solution was to close our final salary arrangement to new members and to design a new scheme that offers employees a flexible way to save for retirement – and rewards employees for long service.

Under the new defined contribution arrangement- the ScottishPower Stakeholder Pension Plan -the company's contribution starts at 6% of an employee's salary. This rises in line with the employee's length of service, up to a maximum of 14% of salary on completion of 25 years membership.

Employees who complete 10 years membership of the Stakeholder Plan will be offered the option of continuing to build up pension benefits in this way or, if it suits them, to join a final salary arrangement to build up future benefits.

ScottishPower's Head of Pensions, Paul Mulhern, said: "During the last few years we have seen many companies close their final salary schemes altogether. We are maintaining our final salary arrangements for existing members, but new recruits will join the ScottishPower Stakeholder Pension Plan.

"It means that employees who are only with us for a couple of years can still carry on using their Stakeholder account to build up retirement savings even after they have left the company, whilst those who want to have a career with us know that in 10 years time they will have a sizeable contribution from the company into their Stakeholder Plan and can either carry on building up pension benefits in this way or, start accumulating final salary benefits over the next phase of their career."

Paul added: "The new Stakeholder Plan is not just for new recruits – existing employees can use it to top up their retirement savings, with full tax relief. Now that the restrictions on pension contributions have disappeared, employees who can afford it can save up to 100% of their salary with full tax relief to build up their pension."

In addition to the above changes to pension provision, the company will provide future senior executive appointments with a salary supplement rather than funded pension benefits. This reflects the objective of simplifying the delivery of benefits and giving individuals more control over how they provide for their retirement.

Pension costs have risen by 20% during the last three years and ScottishPower's new pension arrangements, along with raising the standard pension age from 63 to 65 for a group of members in the final salary arrangements, will help to control these costs, while ensuring that pension obligations can continue to be met. The company merged the administration of two pension schemes during 2005/06 to achieve efficiency improvements.

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## Our 12 Impacts | Employment Experience

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Before closing its final salary scheme to new members, the company held an “amnesty” to allow existing employees who had previously opted out to rejoin and more than 300 people took up the offer.

ScottishPower ran a series of road shows to explain the changes to pensions and new opportunities for employees to make tax efficient savings for their retirement at all key UK locations. The road shows, attended by around 1,000 employees, included evening as well as daytime sessions to accommodate shift workers.

The company has also been running financial awareness workshops in association with the Financial Services Authority to provide independent advice to employees on key financial issues such as pensions and mortgages.

### Learning and Development

Ongoing development for staff at all levels is an essential part of our performance-based culture. We run modern apprenticeships, a graduate development programme, support for professional qualifications and ongoing upskilling and health and safety training for staff at all levels.

A key focus for us during the last two years has been the launch of Team Leader development programmes to assist our current people managers to lead and manage our people more effectively.

Our Learning4Work programme is open to all employees – several hundred programmes are available online at learning centres, at workstations and from home.

We also encourage staff to develop their skills by participating in community-based development programmes. During 2005/06, 169 staff participated in community development programmes through ScottishPower Learning. These ranged from frontline staff becoming mentors to young unemployed school leavers on our Skillseeker programme, to secondment as a Prince’s Trust Team Leader, to senior managers joining the boards of charitable organisations.

For more information on ScottishPower Learning and its programmes see the Community section of our website.



### Key Statistics

Training Events	Delegates	Training Days	Online Courses	Online Hours
2,027	20,175	48,488	11,000	28,000



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**Leadership**

Leadership is critical at all levels of the organisation and in support of this ScottishPower designs and runs programmes for our people leaders. Over 600 Team Managers undertook leadership development in our main businesses over the last year and the programmes continue.

During the year we completed another Business Leadership Programme in association with Wharton University. Investing in leadership development continues to remain a priority in our overall talent management approach. Four of our current Executive Team have been participants on the Business Leadership Programme.

Comments from participants of the BLP and GLP have been positive: “BLP was invaluable for networking with colleagues that are still on-going. Exposure to executives and also some new ways of thinking about business refreshed my perspective!”

“GLP went well beyond my expectations of in-depth learning from knowledgeable professionals.”

“The Group Leadership Program is the most well thought-out process we have seen. Many companies talk about the importance of development but rarely do they invest the time and resources needed. They have set the standard AND delivered!”

**Consultation and Communication**

We have an established tradition of consulting with our employees over change and have well established employee relations machinery that allows us to work closely with the trade unions on issues ranging from the introduction of new legislation to health and safety and pay and conditions.

In order to build on this further, we have recently set up a new forum aimed at building links between the trade union officials and key business managers. This aims to promote discussion between the company and the unions about emerging industry and company issues that may be of interest to the trade unions and their members.

Following the introduction of the Information and Consultation of Employees Regulations in April 2005, we have reviewed our existing arrangements at both a group and business level. As a result of this, new forums are being set up to allow us to consult more effectively with non-collective staff that are not covered by existing arrangements. This has allowed us to establish links with these employees, share information and consult on issues that are of interest to them.

In addition to this there are a number of other channels for employee communications including:

- Team meetings
- Conferences
- Employee road shows
- Health, safety and environment committees
- Toolbox talks
- Presentations
- Employee newspaper
- Company intranets

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## Our 12 Impacts | Customers with Special Circumstances

### ► Overview

Energy suppliers provide an essential public service that some customers, such as elderly people or those with medical conditions, are particularly dependent on. The UK industry recognises this and makes special arrangements to accommodate their needs and help others in special circumstances, such as non English speakers, people with disabilities or those on low incomes.

Due to the recent rises in energy prices, affordability is one of the most talked about social issues in the energy supply sector – and tackling fuel poverty effectively will require a combined effort by governments, housing providers and energy suppliers. The industry has responded through targeting its energy efficiency spend, establishing an independent helpline for customers facing payment difficulties and establishing charitable trusts or social tariffs – steps that together with Government actions and ongoing improvement of housing stock should help to reduce fuel poverty over time.

Under supply licence conditions, all UK energy suppliers must offer a specially tailored service for customers who have special needs, such as disabilities.

In providing such an essential service, we recognise our responsibilities to all our customers, especially those with special circumstances.

**Willie MacDiarmid**  
Impact Leader

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## Our 12 Impacts | Customers with Special Circumstances

### ► Approach

Our aim is to try and meet the needs of all our customers, regardless of their situation and to achieve that, we place a priority on doing that bit extra for customers who need it. This includes help and advice for customers who are finding it difficult to pay their energy bills and services for people who have disabilities or other special needs.

Our approach includes:

- Working in partnership with Government, housing providers and charities to alleviate fuel poverty, especially through our Customer Energy Efficiency programme.
- Funding projects to address fuel poverty, especially in families with young children, through our independent charity, the ScottishPower Energy People Trust.
- Working with Citizens' Advice Bureau (CAB) on energy debt prevention and management.
- Contributing to industry driven initiatives, such as the Home Heat Helpline.
- Maintaining and promoting our Carefree Priority Services Register for customers with special circumstances.
- Offering customer literature, including bills and advice leaflets, in a variety of formats and languages.
- Maintaining a team of experienced Community Liaison Officers who undertake home and community visits.

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## Our 12 Impacts | Customers with Special Circumstances

### ► Performance

#### Performance Summary 2005/06

ScottishPower contributed £2 million to the ScottishPower Energy People Trust, and during the year the trust awarded funding of £500,000 to 14 projects, helping over 6,800 people.

600 calls were referred to ScottishPower from Home Heat Helpline, an industry initiative to provide a free, central phone number offering practical energy advice for people concerned about paying their energy bills.

Provided Carefree Register customers who use prepayment meters with a £30 payment to help with their winter fuel costs.

14,500 customer visits made by ScottishPower's Community Liaison Officers.

We made significant investment in customer energy efficiency programmes to help achieve our energy saving target under the three year Energy Efficiency Commitment. In the long term energy efficiency is one of the best solutions to fuel poverty. Using energy more efficiently can dramatically reduce the cost of light and power in any home.

Introduced a free energy efficiency audit for anyone.

#### Performance Targets 2006/07

- Contribute a further £1 million to the ScottishPower Energy People Trust.
- In the next three years we will continue to spend millions of pounds on improving the energy efficiency of homes across Britain. Many of these projects will be carried out in partnership with local authorities and housing associations whose tenants include a high proportion of vulnerable people. We have well over 40 such partnerships including two Warm Zone projects and three Community Energy Partnerships.
- To provide existing Carefree Register customers who use prepayment meters or who pay weekly with a £50 payment to help with their winter fuel costs.

#### ScottishPower Energy People Trust

The ScottishPower Energy People Trust is an independent charity set up by ScottishPower to help end fuel poverty in Great 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 328,000 in Scotland, 2.2 million in England and 220,000 in Wales. 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 sector. The cost of energy also plays a part, and the consumer watchdog energywatch has expressed fears that recent price rises across the sector – the result of suppliers passing on some of the rises in wholesale gas prices – will drive more people into fuel poverty.

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## Our 12 Impacts | Customers with Special Circumstances

### ► Performance | Continued

#### **ScottishPower Energy People Trust | Continued**

ScottishPower opted to create a charitable trust rather than offer a social tariff, following a major research programme. We believe that by working with not for profit organisations the funding can be better targeted at those in need than would be possible with a social tariff. Visit the ScottishPower Energy People Trust website, telephone 0141 568 3388, or email: [enquiries@energypeopletrust.co.uk](mailto:enquiries@energypeopletrust.co.uk).

At March 2006 the ScottishPower Energy People Trust had awarded funding of £500,000 to 14 projects, helping at least 6,816 people.

Among the projects to be funded was Starter Packs Dundee, which helps some of the city's most vulnerable people to set up home in a new house or flat. By helping them with basic household items, their own money can be spent on food and fuel making them less likely to fall into the fuel poverty trap.

Other projects include crisis funding to cover fuel costs at a Women's Aid centre in Blackpool, help for young people in Glasgow to achieve social and economic independence and many other projects linked to energy efficiency. See our case studies for more information, or view a summary of projects funded.

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

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

#### **Home Heat Helpline**

ScottishPower supports the Home Heat Helpline, an independent telephone service, funded by the UK's six largest energy companies, designed to help people who are struggling to pay their energy bills, or to keep warm in winter.

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

In the five months since the helpline was launched in October 2005 it has received more than 27,000 calls – 600 of which were referred to ScottishPower.

The free phone number is 0800 33 66 99. For further information visit the Home Heat Helpline website [www.homeheathelpline.org](http://www.homeheathelpline.org)

"I would urge all older people and single parents on low incomes to take advantage of this helpline if they are having problems keeping their homes warm in winter. It is particularly pleasing to see the energy industry respond to the need to give appropriate advice on keeping warm and reducing energy costs to vulnerable customers."

#### **Norman Kerr**

Director of Energy Action Scotland

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## Our 12 Impacts | Customers with Special Circumstances

### ► Performance | Continued Carefree Register Payments

Whether they say they have come to check your meter, carry out repairs or tell you about new products, unexpected visitors to your door can make you feel uneasy.

To help offer you complete peace of mind, ScottishPower has special security measures in place through the Carefree scheme. As a Carefree member, you can choose a personal password to help you identify callers.

Your password is given only to staff who need to visit your home, so you can check quickly and easily that any visitors claiming to be from ScottishPower are telling the truth. Don't be embarrassed to ask – it only takes a minute and we are happy to help.

This year we provided existing Carefree Register customers who use prepayment meters with a £30 payment to help with their winter fuel costs. We will be providing existing Carefree customers who have a prepayment meter or pay by weekly payments an additional £50 in winter 2006.

### Community Liaison Officers

ScottishPower has a dedicated team of 12 Community Liaison Officers. Part of the role of these skilled and experienced employees is to identify and deal with vulnerable customers.

Last year ScottishPower's 12 Community Liaison Officers made 14,500 customer visits, including 1,200 relating to energy efficiency and 100 home visits to customers with special needs. They also attended 70 community events, resolved various customer complaints and provided advice and information on heating and the Carefree Register.

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### ► Overview

The nature of our business means that we are part of a wide variety of communities throughout the UK and US, from major cities, such as Glasgow and Liverpool, to vast rural areas, from the Scottish Borders to the prairies of Kansas.

Our presence, in the form of power stations, windfarms, electricity networks and offices can directly affect the well-being of those communities – positively by providing jobs or sharing our resources, or sometimes adversely through works traffic or environmental effects such as noise.

Even where we don't have much of a visible presence in terms of infrastructure, members of our workforce, such as meter readers are involved with individuals in local communities nearly every day of the year.

It is important that our communities trust us, as we often need their cooperation to do our job effectively. Our relationship with local communities is something we can never take for granted, and as a result we must work hard to maintain that trust.

**Stephen Dunn**

Impact Leader

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## Our 12 Impacts | Community

### ► Approach

Building the trust of communities and being a good corporate neighbour is essential to ScottishPower. 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 aim is to be trusted by the communities we serve by being open and honest, by keeping people informed and by fulfilling the promises we make. When we invest in a community, we tend to be there for the long-term. Our approach is as follows:

- **We consult with communities across our operations, particularly where we are planning new developments. This helps ensure community groups can give feedback and allows them the opportunity to input into the planning process.** For more information, see Sites, Siting and Infrastructure. At major sites, close to communities, we establish Local Liaison Committees. Where appropriate we have visitor centres to allow local communities and other interested groups to visit our operations. Equally our community programmes and sponsorships play an important role in identifying and addressing key issues of local concern.
- **We promote payroll giving and encourage staff development through community programmes** as we believe enabling our employees to contribute to community causes has a powerful and positive impact on their levels of job satisfaction and performance. By using our programmes to develop leadership and other people skills, our community programmes benefit both the community and our businesses, and helps ensure their sustainability.
- **Each of our businesses operates distinct community programmes relevant to their strategy.** These programmes, ranging from science and safety related educational projects, to support for energy efficiency are focused on helping young people. Our flagship community programme, ScottishPower Learning is focused on employability.
- **We recognise our economic impact on local communities** and we are committed to maximise local benefits wherever possible.



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## Our 12 Impacts | Community

### ► Performance

Overall Community Investment – £3.83 million (2004/05 – £3.74 million).

Community Consultation – Queen’s Award for ScottishPower Renewables’ windfarm development, reflecting our work in consultation with our communities. In June 2006 we were awarded an Environmental Big Tick from Business in the Community for our approach to windfarm development at Black Law.

During 2005/06, we worked hard to simplify our Community Programme to ensure alignment with our business strategy.

Employability – Milestone of 12,000 young people trained through ScottishPower Learning, with over 1,300 directly trained in 2005/06.

Public Safety – 3,703 pupils benefited from “Be Safe with ScottishPower” – a child electrical safety education programme for primary school children in Scotland, England and Wales.

Science – Innovative ‘S’ Cube committed to every primary school in South Ayrshire.

Energy Efficiency - 6,000 young people benefit from school athletics sponsorship.

169 staff participated in Community Development programmes during 2005/06.

Example of Excellence in Education Category of Business in the Community Awards 2005 for ScottishPower Learning’s Skillseeker programme, and 5 Big Ticks in the 2006 Awards.

### Performance Targets 2006/07

- Involve 150 staff in community programmes as part of their development, through ScottishPower Learning.
- Align employee charitable giving programme to community strategy.
- Involve a further 45,000 young people in Energy Network’s “Be Safe with ScottishPower” programme.

### Overall Community Investment

In order to encourage benchmarking and comparability, ScottishPower uses the London Benchmarking Group (LBG) model to evaluate community support activities across the group. The LBG is the standard for community reporting currently adopted by 101 leading UK companies. It endeavours to provide consistency and comparability across the companies and to account for the total impact on communities, rather than charitable contributions alone. ScottishPower’s use of the model is reviewed each year by the LBG to help ensure its evaluation principles are correctly and consistently applied.

During 2005/06, ScottishPower businesses in the UK contributed £3.83 million (2004/05: £3.74 million) in community support activity, of which £1.80 million was contributed to registered charitable organisations. The total also incorporated £631,000 categorised by the LBG model as charitable gifts, £2.98 million categorised as community investment and £218,000 categorised as commercial initiatives, given in cash, through staff time and in-kind donations.

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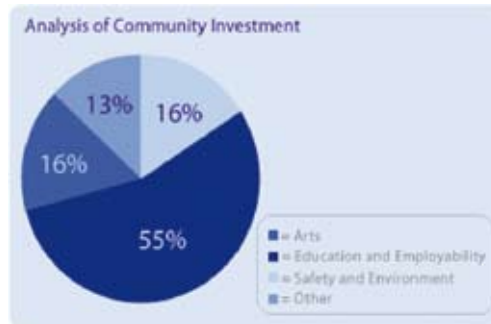
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### Strategic Alignment

We have worked hard over the year to simplify our community strategy, and align it more clearly to our business strategy. We have focused community programmes across the UK on helping young people. These programmes are themed to align specifically to each business. At a corporate level, following internal and external consultation, we have moved significantly to align all corporate sponsorships and programmes to a single theme – education /employability.

At a business level our community programmes focus on the following themes:

Corporate	Education/Employability
Energy Networks	Public Safety
Energy Wholesale	Science
Energy Retail	Energy Efficiency

### Community Consultation

We consult with communities when we are planning new developments to ensure they have the opportunity to input into the process. For more information, see Sites, Siting and Infrastructure.

In the last year, many of the key new developments we embarked upon were onshore windfarms. Before entering the formal planning process, we began extensive consultation with stakeholders, in particular those in the local community. This consultation continued throughout the planning process and beyond. During 2005/06, ScottishPower Renewables was recognised for its collaborative approach to windfarm development, including community consultation, with the prestigious Queen’s Award. For more information see Queen’s Award for ScottishPower Renewables case study.

At major sites that are close to communities, such as Longannet and Cockenzie power stations, we have established Local Liaison Committees that meet regularly to discuss topics of mutual interest. At these sites, we have close links with the local community. A £37,000 donation from ScottishPower via the Landfill Tax Credit Scheme funded the refurbishment of a dilapidated sports pavilion in Kincardine. Earlier donations, in lieu of ash disposal to lagoons at Valleyfield, provided new sports facilities, including a grass football pitch and an all-weather pitch for basketball, five-a-side football and hockey.

A giant seven tonne ring from Cockenzie’s coal mills was erected as a focal point in Cockenzie village as a symbol of the burgh’s links with energy production. The mill is part of a display put together by station staff and contractors for Cockenzie Community Council and Cockenzie and Port Seton in Bloom.

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### ► Performance | Continued

#### **Community Consultation | Continued**

We also have visitor centres at several of our sites – Cruachan Power Station's centre, near Oban, is particularly successful and welcomes visitors all year round. A new visitor centre is planned at our Whitelee Windfarm. For more information about our visitor centres, see the Community section of the website.

#### **Education/Employability**

ScottishPower Learning is ScottishPower's corporate community programme focusing on employability. During 2005/06, over 1,300 young people benefited from ScottishPower Learning's programmes. These can be split into three broad categories:

- **School-Based Programmes** designed to support the school to work transition and reignite a passion for learning:
  - Nearly 850 pupils participated in a range of intensive programmes including School to Work, Young Managers and Looking Forward to Work during 2005/06.
  - ScottishPower Learning has sponsored an innovative programme developed by the newly created National Theatre of Scotland. Transform allows schools and creative communities to transform their approaches to learning.
  - Through ScottishPower's sponsorship of the RSNO School Prom, more than 7,000 pupils participated in a range of musical workshops and performances.
- **Community Based Programmes** designed to help unemployed young people build their skills in preparation for work:
  - During 2005/06, ScottishPower Learning delivered 18 Prince's Trust Team programmes involving 228 young people. The quality of our partnership was recognised in both Merseyside and Scotland in 2005 through the Prince's Trust's Awards.
  - Community Champions is a community awards and recognition programme covering our operating areas in Merseyside and North Wales.
  - Project Scotland is an initiative which was created to connect young Scots with fulltime volunteering opportunities. ScottishPower is a founding champion and corporate sponsor of Project Scotland with financial support committed until 2007/08
- **Work Based/Vocational Programmes** designed to provide young people with work experience and training:
  - During 2005/06, 72 young people benefited from our Skillseeker programme. The programme's success rate has continued to improve in recent years with over 80% of participants in the last 3 years moving into sustainable employment. To date nearly 1,200 school leavers have benefited from the Skillseeker programme.
  - The Skillseekers programme achieved Business in the Community's UK Example of Excellence award in 2005.
  - We continued our sponsorship of Ballet Central, which provides young dancers with the essential experience in staging live dance performances which is required to support their future career aspirations.

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## Our 12 Impacts | Community

### ► Performance | Continued

#### Staff Development in the Community

We believe that enabling our employees to contribute to community causes has a powerful and positive impact on their levels of job satisfaction and performance. By using our programmes to develop leadership and other people skills, our community programmes benefit both the community and our businesses and helps ensure their sustainability. Sales and Marketing staff took part in a team-building exercise with a difference last autumn by joining a Prince's Trust team who transformed a children's play area at a nursery in Stenhousemuir. They painted murals, made a willow "den", a sensory pathway and revamped a playhouse, as well as planting shrubs.

During 2005/06, 169 staff participated in community development programmes through ScottishPower Learning. These ranged from frontline staff becoming mentors to young unemployed school leavers on our Skillseeker programme, to secondments as Prince's Trust team leaders, to senior managers joining the boards of charitable organisations.

For more information on ScottishPower Learning and its programmes, see the Community section of the website.

#### Public Safety

For Energy Networks, public safety is the key issue that drives its community programme. The business supports and runs a range of programmes designed to help improve the awareness in young people of the dangers of electricity.

"Be Safe with ScottishPower" is a child education programme for primary school children across our operating areas in Scotland, northwest England and Wales. In 2005/06, 53,703 pupils benefited from the programme.

During 2005/06, we also launched an interactive website – Powerwise, for primary school children ([www.olliendsparky.co.uk](http://www.olliendsparky.co.uk)), designed to help them identify hazards and dangers in their local community. The site can be accessed in both English and Welsh language versions, and has a series of online games and quizzes for children aged 5 to 11. It also provides a range of resources for teachers and parents. For more information, see Energy Networks School Safety Awareness Programme case study.

ScottishPower is interested in broader public safety, and in 2005/06 supported the opening of a Fixed Safety Centre in Talacre, North Wales, which opened in September 2005 and has already received over 4,000 visitors from groups such as scouts, guides and schools. The community safety centre we support in Priesthill, Glasgow had 5,500 visitors in 2005/06. In addition Energy Networks continues to support numerous Crucial Crew events along with emergency services and local authorities.

Energy Wholesale also supports public safety initiatives. In 2005/06 Longannet Power Station and its contractors continued to sponsor a community police vehicle that serves the people of 17 West Fife communities. Meanwhile Cruachan Power Station has joined forces with Oban Mountain Rescue Team. Rescue trials were conducted using Cruachan's tunnels and aqueducts as access routes to the mountains above. The initiative could avoid the need for casualties on Ben Cruachan, Glen Noe or Glen Lever having to be stretchered to safety over five miles or more of rough ground.

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#### Science

ScottishPower is a business built on science and technology so it makes real business sense for us to support initiatives that encourage a greater interest and understanding of science among young people. Interactivity is a common thread running through our science programmes, and during 2005/06 we supported an exciting range of science projects across the UK. These included:

- Energy Wholesale agreed to donate a £450 Solar Science Cube ('S' Cube) to every primary school in South Ayrshire over a two year period. The 'S' Cube is an educational tool based on renewable energy systems that supports the school curriculum. For more information on the 'S' Cube, see the 'S' Cube case study.
- We continued our sponsorship of the ScottishPower Planetarium – the UK's largest – at the Glasgow Science Centre. Each year, around 70,000 visitors visit the planetarium where 15 presenters, supplemented by guest speakers from the world of science, deliver five shows a day.
- Primary school pupils from all over Scotland got the chance to learn about light energy sources in a ScottishPower sponsored show as part of the Edinburgh International Science Festival. The show, called "Light Fantastic" was designed to educate and entertain youngsters in the 7 to 11 age group. It was one of the main events in the 2006 Generation Science Tour that visited Scottish schools. Almost 2,000 pupils from more than 60 schools saw the "Light Fantastic" show as part of the programme.
- As part of the show, the children were taught about solar, wind and wave power and learned how to use energy more efficiently. Light Fantastic was designed to make science exciting and easy to understand, as well as helping teachers to make the school science curriculum more fun in class.

#### Energy Efficiency

Within Energy Retail, community sponsorships are designed to help young people become more energy efficient. That's why we sponsored Scottish schools athletics through the "Energising Scotland's Youth" initiative, which is encouraging children to switch off their televisions, computers and hi-fis and engage in sport instead.

Around 6,000 young athletes were put through their paces at a series of sporting events. Junior athletes from across Scotland took part in events including the ScottishPower National Cross Country Championships at Falkirk's Callendar Park in February, the Secondary School Indoor Championships at Glasgow's Kelvin Hall International Sports Arena and primary and secondary schools cross country events at Irvine and Kirkcaldy.

Equally our Read for the Future campaign with Friends of the Earth is not only encouraging children to switch off electrical gadgets in favour of reading, but is helping to improve literacy standards and raising money for energy efficiency projects. For more information, see Read for the Future case study.

During 2005/06 the Green Energy Trust funded 11 projects across the UK, totaling £128,901. Many of the Trust's projects are in schools, and are helping to educate people about the benefits of renewable energy, and, in many cases, helping save money on fuel bills. In 2005, for the first time, the positive impact that Green Energy Trust projects are having on local communities was recognised with a Big Tick from Business in the Community in its annual awards scheme. The Big Tick was reaccredited in June 2006.

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### ► Overview

ScottishPower purchases goods and services from hundreds of suppliers to meet the needs of our businesses.

We purchase coal and gas to fuel our power stations, components for our windfarms, power stations and networks, and thousands of other items necessary for a large and diverse business, ranging from IT equipment to envelopes. We also buy in many services ranging from financial auditing and specialist engineering services, to catering, security, design, print and IT support.

We have an obligation to manage the sourcing and award of contracts in a fair, transparent and non-discriminatory manner and to treat suppliers fairly and with integrity. We also recognise that in doing work on our behalf, many of our suppliers are an extension of our business and therefore must be expected to adhere to acceptable social, environmental and business performance standards.

One of the major challenges for today's companies is maximising the benefits of globalisation without adverse social and environmental impacts. Whilst offering new opportunities, the globalisation of supply chains exposes business to the challenge of managing ethical risk.

ScottishPower operates increasingly in this global marketplace, sourcing products and services on a truly worldwide scale as the migration of many manufacturing and service providers to "lower cost economies" continues apace. For example, there is just one manufacturer of distribution transformers in the UK, compared with several only a few years ago – resulting in electricity companies having to widen their search across the globe to obtain a competitive pool of suppliers.

Meanwhile, the drive to reduce emissions through a low sulphur coal policy has involved a global search for suitable suppliers culminating in contracts being placed for the supply of coal from Russia, Colombia, South Africa and Australia. As the UK's domestic gas supplies diminish, British energy companies are having to look further afield to secure long term contracts that will ensure security of supply for their customers in the future.

**Susan Reilly**  
Impact Leader

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## Our 12 Impacts | Procurement

### ► Approach

Our aim is to ensure we source goods and materials at a cost and quality that best meet our needs, while ensuring full consideration is given to the environmental, social and ethical credentials of suppliers – both at home and overseas. Together with other utilities, ScottishPower is working to ensure that our formal supplier qualification process, Achilles meets these requirements.

The UK Procurement Team is committed to maintaining compliance of their operations against the increasingly complex range of UK and European legislation and codes and demonstrating this as part of the authorisation process for each contract.

ScottishPower's Red Book on compliance behaviour and the law sets out minimum standards, principles and policy for the Team's approach to compliance. During the year a centralised procurement function was created, to ensure standardisation of process, and to maximise efficiencies in the smaller ScottishPower group created following the disposal of PacifiCorp.

Our approach to procurement in the UK includes:

- **Implementing a standard approach to supplier prequalification and tender evaluation** that includes assessing the environmental, social and ethical credentials of potential suppliers in the UK and overseas, as well as ensuring good financial value.
- **Maintaining a multi disciplinary team of engineers, retail and IT specialists** for general procurement and a separate, **specialist team for fuel procurement.**
- **Ensuring health and safety induction training** for all contractors working on all our sites.
- **Conducting supplier audits and surveys.**
- **Introducing social factors into our coal supply contracts.** Fuel procurement, one of our biggest areas of spend, is handled by a separate specialist team in Energy Wholesale. During 2004/05 we introduced a review of social factors into our primary fuel procurement activity, by reviewing a number of factors as part of coal supply contracts. These factors include management of local operations, social and welfare arrangements for local employees, living standards, health and education provisions, and comparisons of local salaries against both industry and national average wages. No new long-term coal contracts were entered in to during 2005/06.

In the US it is PPM's policy that all materials, supplies, equipment and services shall be competitively procured from responsible and qualified contractors and suppliers, evaluated to provide the best overall value consistent with performance, technical, schedule, safety, risk management, credit, and environmental protection requirements. All procurement must be in compliance with all applicable laws, regulations, and company policies on ethical business conduct.

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Over £720 million spent on procurement excluding fuel, with contractors and suppliers in the UK and other European Union member states.

Audited and surveyed all suppliers in the UK where new contracts were awarded.

Energy Networks' procurement activities were accredited to the Environmental Standard, ISO 14001. A 15 point Environmental Action Plan developed by Energy Networks will be rolled out across UK procurement activities to ensure a consistent and proactive approach to the environment and working with suppliers.

Provided confidential feedback to all unsuccessful suppliers when requested.

**Performance Targets 2006/07**

- Conduct formal survey of top 50 suppliers to solicit feedback on our procurement activity.
- Hold a supplier conference to update suppliers on ScottishPower's activities and how they can help us.
- Continued participation in the Achilles Corporate Social Responsibility Steering Group
- Develop consistent approach to post award contractor/supplier audits, to ensure all relevant areas are reviewed.
- Roll out Chartered Institute of Purchasing and Supply (CIPS) award winning approach across other businesses.



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### ► Overview

A company's economic impacts are significant at individual, local, national and global levels. However, many of these are not measured and reported through traditional financial accounting.

ScottishPower is one of the few privatised UK energy companies to remain headquartered in Britain and makes a significant contribution to wealth creation not only to Scotland, but also to the whole of the UK. The company remains one of Scotland's largest by market capitalisation and operates assets valued at £5 billion.

We pay the wages and salaries of 9,800 people both here and in the US, and therefore indirectly support a whole range of businesses used by our staff, which in turn generates tax revenues for public services. The purchases we make from supplier companies indirectly benefit another tier of companies and employees, and generate further tax revenues for Government. Most of the UK's large pension funds invest in the stock market and therefore people throughout the UK benefit from ScottishPower's strong financial performance, whether or not they are directly linked to ScottishPower as suppliers, customers or employees.

With energy a fundamental part of the national economy, rises in wholesale energy prices affect many aspects of the economy, both directly and indirectly. ScottishPower is a major part of the UK energy industry, and recognises the impact of energy prices on society.

**Simon Lowth**  
Impact Leader

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### ► Approach

Our aim is to operate in a way that considers the economic effects of our actions on all our stakeholder groups:

### Shareholders

- As a publicly-owned company, we have a clear responsibility to shareholders, and believe that by operating our business in a responsible way with regard to our employees, the environment and society generally, we will generate the best return for our shareholders in the long-term

### Customers

- We recognise the impact of rising wholesale energy prices on our customers, and we report the measures we take to minimise that impact within Customer Experience

### Employees

- We aim to offer our employees a competitive employment benefits package, for more information, see Employment Experience

### Suppliers and Local Economies

*We aim to create relationships with suppliers and the local economies in which we operate which are long-term and mutually beneficial. Examples of our approach include:*

- Our Renewables and Major Projects business is committed to ensuring our windfarm developments provide economic opportunities for local businesses and has led a project in this area for FREDS – the Forum for Renewable Energy Development in Scotland.
- A major issue to emerge from our customer research during the year was concern over the number of UK companies outsourcing their customer call centre activities overseas. All our customer service centres are UK based – in Scotland, the northwest of England and in Wales – and we remain committed to supporting the economies of the communities we serve.
- We also support economies in our home territories by providing employability training for disadvantaged young people. This includes our award-winning ScottishPower Learning initiative which has to date trained over 12,000 young people within our local communities.
- We fund local community trusts, in all areas where we develop windfarms.
- In the US, property taxes for wind turbines amounting to many hundreds of thousands of dollars annually are helping to support small counties, funding schools and infrastructure, while lease payments to individual landowners are helping to preserve family farms, shielding them against the effects of fluctuating crop prices.

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#### Key Financial measures

	2005/06 £million	2004/05 £million
Revenues	5,446.1	4,595.0
Adjusted Operating Profit *	804.5	580.0
Non-fuel Purchases	723	690
Total Payroll	376.5	327.5
Corporation Taxes Paid	74.8	56.2
Donations and Community Investment	3.8	3.7

\* Adjusted Operating Profit above has been presented in accordance with the basis applied in the Annual Report & Accounts 2005/06.

For more information, see Annual Report & Accounts 2005/06

#### Share Price Over 5 Years



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**Other performance indicators of our wider economic impact include:**

- In January 2006, we announced the decision to invest £170 million in the Installation of Flue Gas Desulphurisation (FGD) Technology at Longannet. This will extend the life of the plant securing 320 permanent staff on site, improve its environmental performance and directly provide 300 construction jobs in Fife for the next two years

**Employability Training given**

	2005/06	2004/05
	1,300 people	1,500 people
(more than 12,000 to date)		

We continue to work with young people in our communities to enhance their employability and help them develop the skills necessary for the world of work.

**Skillseekers into Work**

	2005/06	2004/05
	80.3%	80.5%

Our Skillseekers programme continues to have a very high success rate of skillseekers moving on into employment or further education. Our average success rate over 10 years is 75%.

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## Assurance Statement



### Independent Assurance Statement

#### Scope and objectives

ScottishPower commissioned csrnetwork to undertake an independent assurance engagement over the information and data within the online version of the ScottishPower 2005-06 Corporate Responsibility Report ('the Report'). The objectives of the assurance process were to check claims and the systems for collection of data, and to review the arrangements for the management and reporting of sustainability issues. The assurance process was conducted in accordance with the AA1000 Assurance Standard, and we have commented on the report against the principles of materiality, completeness and responsiveness. Any financial information contained within the Report is excluded from the scope of this assurance process.

#### Responsibilities of the directors of ScottishPower and the assurance providers

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

#### Basis of our opinion

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

- We conducted interviews with a selection of directors and senior managers responsible for areas of management and stakeholder relationships covered by the Report. The objective of these discussions was to understand ScottishPower's governance arrangements and management priorities;
- We discussed ScottishPower's approach to stakeholder engagement with relevant managers, although we undertook no direct engagement with stakeholders to test the findings from these discussions;
- We conducted a top level review of issues raised by external parties that could be relevant to ScottishPower's policies to provide a check on the appropriateness of statements made in the report;
- Subject to the exclusions set out below under 'Observations', we reviewed data collated at the corporate level, and claims made in the Report. The assurance team worked in parallel with, but independently from, ScottishPower's internal assurance process that ensures formal internal verification of all data and claims. We met with managers responsible for this process, reviewed their processes and undertook a limited number of sample checks.
- The scope of our work included a visit to an operational site in the Energy Networks (PowerSystems) Division. Selected performance data at site and Divisional level were reviewed as part of our review of consolidated corporate data and the internal assurance process.

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### Basis of our opinion | Continued

- We undertook an assessment of the company's reporting and management processes against the principles of materiality, completeness and responsiveness as described in the AA1000 Assurance Standard.
- The scope of our work did not include a review of the Report against the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines.

### Observations:

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

*With the exception of the issues noted below the Report includes information on ScottishPower's main corporate responsibility performance issues and should enable stakeholders to make informed judgements.*

- The move this year to a report structure based around the 12 corporate responsibility impact areas is a positive step, re-enforced by the ownership for these impact areas adopted at Executive Team level.
- Reporting on atmospheric emissions from generation and the further development of the company's renewable energy portfolio in the UK is impressive. The report is strengthened by links to the company's detailed response to the UK Government's energy review consultation. We recommend that ScottishPower should consider providing, for example through an online position statement or case study, the further discussion of the reasons for changes in wholesale energy costs and the volatility of future domestic energy prices.
- The Report includes corporate targets for CO<sub>2</sub>, SO<sub>2</sub> and NO<sub>x</sub> emissions reductions. These targets are a significant element of ScottishPower's strategy, and future Reports should provide information on how the current emission levels compare with these targets against 1999 baseline data. Commentary should also be provided to explain how planned management actions will contribute towards meeting or exceeding these targets.
- In our statement last year, we recommended that future reports should include description of the policies and strategies that are being developed within the PPM business to address issues around the development of windfarms. The Report this year provides a web-link to the Windfarm Siting & Avian Policy launched by PPM Energy in January 2006.
- We repeat our recommendation from last year that additional commentary on lost time accident performance would be beneficial to enable stakeholders to understand the types of accidents that do occur, and the ways in which the risks of other types of accidents are being minimised.

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

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

- For **environmental performance data**, nothing came to our attention to suggest that these data have not been properly collated from information reported at divisional level.
- For **health and safety performance data**, nothing came to our attention to suggest that these data have not been properly collated from information reported at divisional level.

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- For other **social performance data**, nothing came to our attention to suggest that these data have not been properly collated from information reported at divisional level. Future Reports should include additional information on local community strategy and initiatives undertaken by the PPM business.
- Consideration should be given to more complete reporting on subsidiaries and joint ventures, for example to provide performance data across the 12 impact areas from joint ventures such as ScotAsh and wholly owned subsidiaries such as SMW.
- Further work is required to refresh ScottishPower's map of stakeholders and the company's understanding of how the Report meets their expectations and needs. We recommend that the outputs of such work should be explained in future Reports.

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

The move to reporting primarily using the internet is a logical solution to managing the volume of information available for reporting. It will be important to ensure that stakeholder feedback on this new approach is obtained, to inform future decisions around the structure and accessibility of information. It is also important that ScottishPower's position and approach to fundamental issues arising from and affecting its' activities continues to be made clear. For example, future Reports should continue to include information on the company's response to the recent Energy Review.

### **csr network ltd**

U.K. November 2006

**Jon Woodhead**  
Director

**Andy Riley**  
Associate