

ScottishPower Segmental Generation and Supply Statements for the year ended 31 December 2010

**Required under Standard Condition 16B of Electricity Generation Licences and Standard Condition 19A of
Electricity and Gas Supply Licences**



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Consolidated Statement

for the year ended 31 December 2010

	Unit	ScottishPower	ScottishPower	Aggregate	Electricity supply		Gas supply		Aggregate supply
		Generation ¹	Renewable Energy ²	generation business	Domestic	Non-domestic	Domestic	Non-domestic	business
		2010	2010	2010	2010	2010	2010	2010	2010
Total revenue	£m	1,540.5	103.0	1,643.5	1,458.3	857.1	1,108.3	30.7	3,454.4
Revenue from sales of electricity and gas	£m	1,540.5	103.0	1,643.5	1,458.3	857.1	1,108.3	30.7	3,454.4
Other revenue	£m	-	-	-	-	-	-	-	-
Total operating costs	£m	(1,233.3)	(28.4)	(1,261.7)	(1,532.0)	(778.4)	(1,038.1)	(24.1)	(3,372.6)
Direct fuel costs	£m	(1,101.0)	-	(1,101.0)	(914.7)	(509.3)	(655.4)	(16.9)	(2,096.3)
Other direct costs	£m	(75.2)	(27.0)	(102.2)	(424.8)	(235.7)	(240.0)	(4.6)	(905.1)
Indirect costs	£m	(57.1)	(1.4)	(58.5)	(192.5)	(33.4)	(142.7)	(2.6)	(371.2)
WACO F/E/G	£/MWh, p/th	42.5	-	40.9	68.3	52.5	58.9	62.1	NA
EBITDA	£m	307.2	74.6	381.8	(73.7)	78.7	70.2	6.6	81.8
DA ³	£m	(118.8)	(30.4)	(149.2)	(0.6)	-	(0.3)	-	(0.9)
EBIT	£m	188.4	44.2	232.6	(74.3)	78.7	69.9	6.6	80.9
Volume	TWh, mtherms	25.9	1.0	26.9	13.4	9.7	1,112.3	27.2	NA

¹ ScottishPower Generation comprises the generation belonging to wholly owned subsidiaries of ScottishPower.

² ScottishPower Renewable Energy is an 80% owned subsidiary of Iberdrola S.A. (ScottishPower's holding company) and therefore requires to be included in this consolidated statement. 80% of the relevant revenues and costs are shown reflecting the percentage owned.

³ Depreciation, amortisation and impairment



Definitions

Revenues

ScottishPower Generation

Revenue from sales of electricity and gas comprises the sales value of energy and other related services¹ supplied to Iberdrola group companies and external customers during the year and excludes Value Added Tax. Revenue from the sales of electricity and gas is the value of units supplied during the year. Units are based on energy volumes that can actually be sold on the wholesale market and are recorded on power station meters and industry-wide trading and settlement systems. All revenue is earned wholly within Great Britain.

The majority of generation revenues arise from internal transactions with other ScottishPower group companies. These transactions are based on appropriate transfer price arrangements. Internal Generation revenue transfer price arrangements are market based reflecting the group's trading policies. They also include charges to reflect the volume and price risk in the market (risks include market liquidity, unscheduled plant outages and profile of running).

Generation revenue includes all ancillary services, balancing mechanism and constraint management revenues.

ScottishPower Renewable Energy

Revenue from sales of electricity and gas comprises the sales value of energy, Renewable Obligation Certificates and Levy Exemption Certificates to Iberdrola group companies and external customers during the year and excludes Value Added Tax. Revenue from the sales of electricity is the value of units supplied during the year. Units are based on energy volumes that can actually be sold on the wholesale market and are recorded on meters and industry-wide trading and settlement systems. The revenues in the segmental accounts exclude revenues arising from a 15MW windfarm in the Republic of Ireland and 41.9MW capacity in Northern Ireland, thus all revenue included in the segmental accounts is earned within Great Britain and the majority of these revenues arise from transactions with ScottishPower group companies.

Supply

Revenue comprises the sales value of energy supplied to customers during the year, and excludes Value Added Tax. Revenue from the sales of electricity and gas is the value of units supplied during the year and includes an estimate of the value of units supplied to customers between the date of their last meter reading and the year end, based on external data supplied by the electricity and gas market settlement processes. All revenue is earned wholly within Great Britain and is stated after deducting the costs of the Fresh Start tariff; the costs of other social initiatives are included within indirect costs.

Direct fuel costs

ScottishPower Generation

The direct fuel costs represents the cost of fuel (coal, gas and power) and the cost of emissions allowances certificates required to be surrendered under the EU Emission Trading Scheme.

The cost of coal is that of externally procured coal consumed.

The cost of gas consumed and power purchased is predominantly covered by internal Generation procurement transfer price arrangements².

Internal Generation transfer price arrangements are market based reflecting the group's procurement and trading policies. They also include charges to reflect the volume and price risk in the market (risks include market liquidity, unscheduled plant outages and profile of running).

The remainder of the power and gas cost arises from purchases from external parties (e.g. external imbalance charges).

Supply

The direct fuel costs represents the cost of power and gas. The cost of power and gas is predominantly covered by internal Supply procurement transfer price arrangements.

Internal Supply transfer price arrangements reflect the group's procurement and trading policies. They are market based and in the case of gas, include a significant component priced according to the group's long term purchase contracts. They also include charges to reflect the volume and price risk in the market (risks include market liquidity, demand and shape volatility).

The remainder of the power and gas cost arises from contracts such as Renewable Power Purchase Agreements with external and Iberdrola group companies and external imbalance charges.

1 Generation revenue includes income from its Hydro and Combined Heat and Power plants for the sale of Renewable Obligation Certificates and/or Levy Exemption Certificates to Iberdrola group companies and external customers.

2 Generation Internal Transfer price arrangement for power relates to the power cost required to operate the Cruachan pump storage facility.

Definitions – continued

Other direct costs

ScottishPower Generation

This represents any additional direct costs of the generation of electricity i.e. balancing charges from National Grid (known as BSUOS), operational costs and maintenance costs.

ScottishPower Renewable Energy

This represents any additional direct costs of the generation of electricity i.e. BSUOS, operational costs and maintenance costs.

Supply

The other direct costs of supply reflect

- (a) the costs associated with transmitting units of energy through the electricity transmission and distribution networks, the gas transportation network, and other costs directly related to customer energy consumption;
- (b) the costs of participating in the Carbon Emissions Reduction Target (“CERT”) programme and the Community Energy Savings Programme (“CESP”), and;
- (c) the cost of acquiring Renewable Obligation Certificates, Levy Exemption Certificates, and fulfilling other related obligations.

Indirect costs

ScottishPower Generation

This represents the indirect costs of the business such as Generation head office costs, staff costs, non operational plant costs, and the costs of centralised services¹ provided by Scottish Power UK plc.

Other operating income, such as insurance claim proceeds, has been netted within indirect costs.

ScottishPower Renewable Energy

This represents the indirect costs of the business such as head office costs and non operational plant costs.

Other operating income has been netted within indirect costs.

Supply²

Indirect costs reflect the costs of billing, metering, customer service, debt collection, support services, sales and marketing, staff costs, and the costs of centralised services¹ provided by Scottish Power UK plc.

Other operating income, such as customer fees and meter operator income has been netted within indirect costs.

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- 1 The majority of central service costs are directly allocated where they are known, such as a large portion of IT costs. The remainder of the central service costs, such as finance and legal functions, are allocated based on a basket of indicators of revenue, operating profits, net assets and employee numbers. This allocation is consistent with the subsidiary accounts methodology.
 - 2 Supply indirect costs are directly allocated where information is easily available by segment (e.g. debt). Other supply indirect costs are allocated based on a basket of indicators including budget centres, cost types and customer numbers.

Reconciliation to Statutory Accounts – ScottishPower Generation

for the year ended 31 December 2010

Registered number:	Statutory account mapping:	Unit	ScottishPower	SP(DCL)	SP(SCPL)	Total	Trading Activities			Consolidated Statement: ScottishPower Generation
			Generation Limited SC189124	Limited 2675504	Limited 2532240		Emissions ¹	Gas contracts ¹	MtM ¹	
			(A)	(B)	(C)	(A+B+C)				
Total revenue	Revenue	£m	1,071.2	341.5	156.2	1,568.9	-	(28.4)	-	1,540.5
Revenue from sales of electricity and gas		£m	1,071.2	341.5	156.2	1,568.9	-	(28.4)	-	1,540.5
Other revenue		£m	-	-	-	-	-	-	-	-
Total operating costs	Procurements, staff costs, outside services, other operating income, taxes (other than income taxes) including allowances and provisions	£m	(780.5)	(262.9)	(61.1)	(1,104.5)	(119.4)	13.6	(23.0)	(1,233.3)
Direct fuel costs		£m	(777.5)	(256.5)	(57.6)	(1,091.6)	-	13.6	(23.0)	(1,101.0)
Other direct costs		£m	(58.2)	(11.9)	(5.1)	(75.2)	-	-	-	(75.2)
Indirect costs		£m	55.2	5.5	1.6	62.3	(119.4)	-	-	(57.1)
EBITDA		£m	290.7	78.6	95.1	464.4	(119.4)	(14.8)	(23.0)	307.2
DA	Depreciation and amortisation charge, allowances and provisions (excluding allowances and provisions)	£m	(97.1)	(13.7)	(8.0)	(118.8)	-	-	-	(118.8)
EBIT	Profit from operations	£m	193.6	64.9	87.1	345.6	(119.4)	(14.8)	(23.0)	188.4
Generation Capacity			MW	MW	MW	MW				
Coal			3,456	-	-	3,456				
CCGT			715	800	400	1,915				
Hydro, Pump Storage & Other			665	-	-	665				
Capacity Total			4,836	800	400	6,036				

- 1 Certain trading related activities have been subtracted from the statutory accounts of the generating companies in preparing the Consolidated Statement. This is because these activities are not part of the licensed generating activity and are not considered in the scheduling of the generation assets. The exclusion of these activities will better facilitate a clearer comparison of the licensed generating activities. This adjustment comprises the income statement impact associated with the following;
- (i) carbon permits allocated to ScottishPower free of charge under the EU Emission Trading Scheme;
 - (ii) the value of underlying sales and purchases associated with the gas purchase contracts acquired on acquisition of CCGTs in England and Wales during 2004. As noted on page 2 the benefit of this procurement is included in the aggregate retail business; and
 - (iii) the Mark to Market (MtM) gains and losses associated with the gas purchase contracts.
- 2 ScottishPower Generation excludes the subsidiary company SMW Ltd (SC165988) a waste water treatment plant operator.



Reconciliation to Statutory Accounts – ScottishPower Renewable Energy for the year ended 31 December 2010

Registered number:			ScottishPower Renewables (UK) Limited*	20% Minority Interest Adjustment	Consolidated Statement: ScottishPower Renewables Energy
Statutory account mapping			NI028425		
		Unit	(A)	(B)	(A-B)
Total revenue	Revenue	£m	128.7	(25.7)	103.0
	Revenue from sales of electricity and gas	£m	128.7	(25.7)	103.0
	Other revenue	£m	-	-	-
Total operating costs	Procurements, staff costs, outside services, other operating income, taxes (other than income taxes) including allowances and provisions	£m	(35.4)	7.0	(28.4)
	Direct fuel costs	£m	-	-	-
	Other direct costs	£m	(33.7)	6.7	(27.0)
	Indirect costs	£m	(1.7)	0.3	(1.4)
EBITDA		£m	93.3	(18.7)	74.6
DA	Depreciation and amortisation charge, allowances and provisions (excluding allowances and provisions)	£m	(38.1)	7.7	(30.4)
EBIT	Profit from operations	£m	55.2	(11.0)	44.2

Celtpower Limited, in which ScottishPower Renewables (UK) Limited holds a 50% share, has been excluded as it does not constitute an affiliate company. Coldham Limited, a 100% owned subsidiary of ScottishPower Renewables (UK) Limited, has been excluded as it does not hold a Generation Licence. ScottishPower Renewables (UK) Limited has a total capacity of 785.6MW within Great Britain. (It has a further 15MW in the Republic of Ireland and 41.9MW in Northern Ireland which are excluded from this statement).

*Audit Pending



Reconciliation to Statutory Accounts - Supply

for the year ended 31 December 2010

Registered number:			ScottishPower Energy Retail Limited SC190287	Consolidated Statement: Aggregate Supply Business
	Statutory account mapping	Unit		
Total revenue	Revenue	£m	3,454.4	3,454.4
	Revenue from sales of electricity and gas	£m	3,454.4	3,454.4
	Other revenue	£m	-	-
Total operating costs	Procurements, staff costs, outside services, other operating income, taxes (other than income taxes) including allowances and provisions	£m	(3,372.6)	(3,372.6)
	Direct fuel costs	£m	(2,096.3)	(2,096.3)
	Other direct costs	£m	(905.1)	(905.1)
	Indirect costs	£m	(371.2)	(371.2)
EBITDA		£m	81.8	81.8
DA	Depreciation and amortisation charge, allowances and provisions (excluding allowances and provisions)	£m	(0.9)	(0.9)
EBIT	Profit from operations	£m	80.9	80.9