

# SSE Consolidated Segmental Statement - 2009/2010

	Generation		Supply		
	£m	Electricity		Gas	
		Domestic £m	Non Domestic £m	Domestic £m	Non Domestic £m
<b>Revenue</b>					
Volume (TWh) @ customer meter	33	23	37	57	7
Revenues from sales of electricity and gas	841	2,605	3,170	1,890	183
Other Revenues	35	1	0	0	0
<b>Operating Costs</b>					
Direct Costs					
WACO(E)/(G)	0	1,461	2,248	1,280	129
Other Costs	109	795	759	536	41
Indirect Costs	343	186	61	134	11
<b>EBIT</b>	<b>424</b>	<b>164</b>	<b>102</b>	<b>-60</b>	<b>2</b>
Adjustment for depreciation and amortisation	132	0	0	0	0
<b>EBITDA</b>	<b>556</b>	<b>164</b>	<b>102</b>	<b>-60</b>	<b>2</b>



## DISCLOSURE NOTES

SSE operates its Generation and Supply business segment as an integrated value chain and does not separate out the generation and supply components. **A stand alone retail supply business does not exist in SSE and it does not operate transfer pricing.** As such, the licence requirement to produce a Consolidated Segmental Statement requires SSE to report financial information in a different way to how the business is operated. The notes below document the assumptions made and the approach taken in allocating costs between the different market segments required by the relevant licence obligation and take account of Ofgem's guidelines.

### Revenue

#### **Generation**

Revenue for thermal power stations represents an availability payment based on the daily availability of each major power station plus a small variable fee based on station output. The availability payment calculation is based on similar 3<sup>rd</sup> party commercial contracts.

Revenue for renewable plant (wind and hydro) is based on a marked-to-market valuation of the output. Full value for Renewable Obligation Certificates (ROCs) and Levy Exempt Certificates (LECs) has also been included, as well as ancillary services and miscellaneous income.

#### **Retail Supply**

Turnover is the value of gas and electricity units supplied during the year, excluding Value Added Tax, and includes an estimate of the value of units supplied between the date of the last meter reading and the year end. Total sales volumes are based on external settlements data.

### Weighted Average Cost of Electricity/Gas (WACOE/G)

#### **Generation**

There are no fuel costs attributed to the generation segment because the turnover for thermal stations is based on availability rather than output.

#### **Retail Domestic**

The WACOE/G represents the estimated cost of acquiring electricity and gas based on an assumed 24 month hedging strategy similar to that outlined in Ofgem's Electricity and Gas Supply Market Reports and includes charges to reflect the volume and price risk in the market including market liquidity, demand and shape volatility.

#### **Retail Industrial and Commercial**

WACOE/G represents the shaped cost at the point of sale for the duration of the customer contract.

## Other Direct Costs

**Generation** - these include Transmission Use of System charges and miscellaneous charges.

**Supply** - direct costs include Distribution Use of System, Gas transportation, Renewable Obligation Certificates (ROCs), Levy Exempt Certificates (LECs), Reconciliation by Difference costs (RbD), market participation costs and Government schemes such as Carbon Emissions Reduction Target (CERT) and Community Energy Saving Programme (CESP).

## Indirect Costs

**Generation** - includes depreciation, maintenance, rates and manpower costs.

**Supply** - includes sales and marketing, customer service, bad debts, supply costs, corporate recharges including information technology and telecoms. Where costs are not directly attributable to a particular customer segment, they are allocated based on the most appropriate activity, billing frequency or customer numbers.

## Operating Profit (EBIT)

This is taken from the operating profit reported in the SSE Group Accounts for the Generation and Supply segment.

## Reconciliation to SSE Group Accounts 2009/2010

SSE assesses Generation and Supply as a single value chain within a vertically-integrated business. This means that its power stations and fuel supply contracts are used to support performance in the supply of energy.

The table opposite reconciles the EBIT figures provided in the Consolidated Segmental Statement, to the Generation and Supply segment EBIT figure reported in SSE's Annual Report for the year ending 31 March 2010. This has been done by highlighting the additional business areas that contribute to the Generation and Supply segment EBIT figure.

\*Portfolio optimisation represents profits arising from how SSE runs its business, that are not directly attributable to Generation or Supply, but relate to these activities.

	EBIT £m
Generation	424
Electricity Supply Domestic	164
Electricity Supply Non Domestic	102
Gas Supply Domestic	-60
Gas Supply Non Domestic	2
Portfolio Optimisation*	127
Non Energy Retail	15
Airtricity	42
Joint Ventures	80
<b>Generation and Supply segment total</b>	<b>896</b>
<small>(As reported in SSE's Annual Report 2010)</small>	