

SSE's Economic Contribution to Ireland

Financial Years 2011/12 & 2012/13

Addendum report

June 2016



pwc

About this report

This report is part of our work assessing the economic contribution SSE makes to the markets in which it operates. It discusses the contribution SSE made to Irish GDP and employment in financial years 2011/2012 and 2012/2013.

The UK report, which includes more detail on our approach and methodology, can be accessed online at:

<http://sse.com/media/229256/SSE-Economic-Contribution-Study-FINAL-REPORT.pdf>

Contents

Purpose and scope of analysis	3
Our approach	4
Key findings	5
Total contribution to Irish GDP	6
Total contribution to employment in Ireland	7

About SSE in Ireland

SSE (“the company”) is the only major energy provider which is both UK headquartered and operates exclusively in the UK and the Republic of Ireland (“Ireland”). Its core purpose is to ‘provide the energy people need in a reliable and sustainable way’ through its involvement predominantly in the generation, transmission, distribution and supply of electricity, as well as the production, storage, distribution and supply of gas. In FY13, SSE employed a total of over 19,700 people, 620 of which were in Ireland. SSE’s business in Ireland is organised into two segments: Wholesale and Retail.

- SSE Ireland has renewable energy generation capacity of over 500MW. It also owns and operates over 1,000MW of conventional generation facilities;
- SSE Ireland supplies over 500,000 electricity and gas customers;
- SSE Ireland is responsible for the maintenance of over 250,000 streetlights in 28 council areas.



Source: SSE

Purpose and scope of analysis

This report is part of our work assessing the economic contribution SSE makes to the markets in which it operates.¹ It discusses the contribution SSE made to Irish GDP and employment in financial years 2011/2012 and 2012/2013. It answers the following questions:

- What is SSE's contribution to the GDP of Ireland?
- How many jobs are supported by SSE in Ireland?
- What is the significance of such contributions?

The findings of the report aim to support both SSE and its stakeholders to further their understanding about the company's absolute contributions, but most importantly what these mean when contextualised and benchmarked. This study helps SSE to get a better perspective of what drives its impacts and the strategic levers it can pull to enhance its direct and indirect economic contribution going forward. This addendum follows the same structure as Section 2 of the main report on SSE's contribution to UK GDP and employment.

The study covers the following elements of scope:

- **Indicators:** SSE's contribution to GDP and employment.
- **Business units:** All are covered.
- **Time period:** The years of analysis are SSE's financial years 2011/12 (FY12) and 2012/13 (FY13) (running from 1 April to 31 March). The analysis is not forward-looking and does not take into account any developments since the end of FY13.

Limitations

This report focuses on contributions only and represents a gross analysis which does not take into account the extent to which part of these contributions might have happened anyway in the absence of SSE. Data on direct employment, supply chain purchases and financial accounts were requested and received from SSE and have not been audited by PwC. We estimated contributions to GDP and employment supported in SSE's supply chain and the wider economy using an Input-Output model. We round figures throughout the report for presentational purposes. More details about our economic contribution approach can be found in the main report.

Table 1: Indicators measured in this report²

Indicator covered in the study	Measured as...	Methodology
Contribution to GDP	Gross Value Added (GVA), which is the company-level equivalent of GDP ³	Input-Output modelling
Employment supported	Headcount	Input-Output modelling

Details of the methodologies can be found in the appendices of the main report

¹ This report was initially released in July 2014. In light of an update to our Irish economic model, in June 2016 we re-estimated SSE's economic contribution to Ireland in all years of analysis. This revision affects the estimates of SSE's indirect and induced contribution to Ireland only. In addition to this, SSE's direct GVA contribution was revised following the initial publication of our FY12 and FY13 report reflecting a change in our approach to apportioning SSE's profits between the UK and Ireland. This revision has also been included in this update.

² Note the four value indicators presented in this report are not additive. GVA and employment are two different ways of assessing the size of a company's contribution.

³ GVA is a measure of the value generated in the economy by a company or productive sector and represents the difference between the value of goods and services produced and the goods and services used as an input to this production. Hence, it is the company- and sector-level equivalent of GDP and adding up the GVA of all individual sectors or organisations in the economy gets you to a country's GDP.

Our approach

This section discusses SSE's economic contribution to Ireland using two indicators:

- Contribution to GDP: Measured in terms of Gross Value Added (GVA)
- Employment supported: Expressed as number of jobs (headcount)

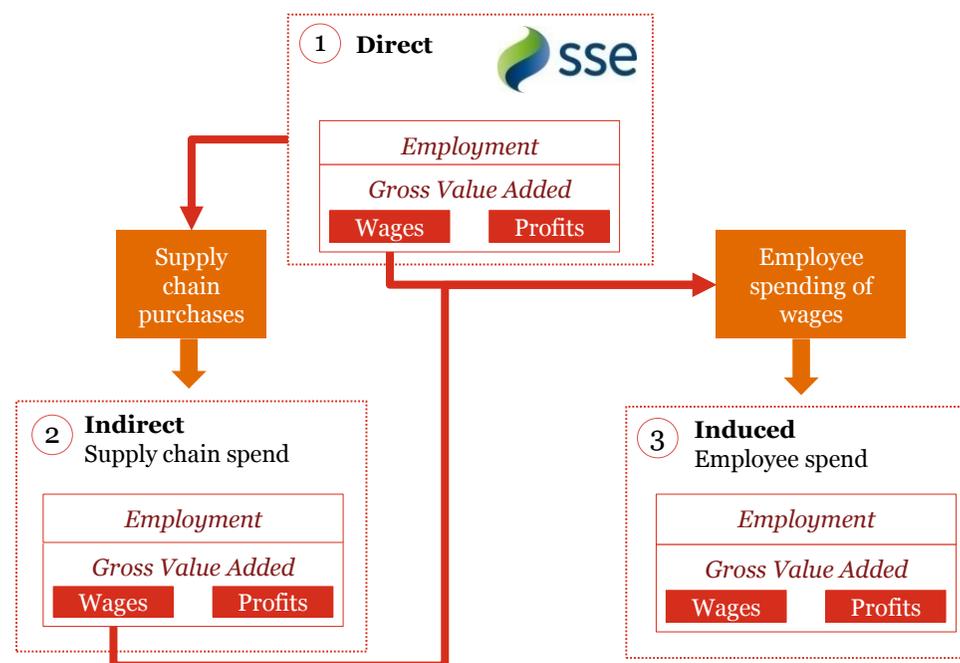
GVA is a measure of the value generated in the economy and represents the difference between the value of goods and services sold and the goods and services used as an input to their production. Hence, it is the company-level and sector-level equivalent of GDP and adding up the GVA of all individual sectors in the economy gets you to a country's GDP.⁴

GVA is distributed as profit and wages. SSE's direct contribution to GDP can, therefore, be calculated from its financial statements by adding earnings before interest, tax, depreciation and amortisation (EBITDA) and employee compensation.

The contribution to GDP and employment are both divided into three tiers:

- 1. Direct contribution:** The increase in GDP and employment as a result of supply of SSE's goods and services
- 2. Supply chain spend contribution (indirect):** The increase in GDP and employment from SSE's demand for goods and services from its suppliers and their suppliers. This is often known as 'indirect contribution'
- 3. Employee spend contribution (induced):** The increase in GDP and employment in the wider economy as a result of wages being spent by employees of SSE and of its suppliers. This is often known as 'induced contribution.'

Figure 1: The relation between the three tiers of economic contribution



Source: PwC

⁴ After adjusting for taxes and subsidies on products, a component of GDP which is not included in the calculation of GVA.

Key findings

Both the supply chain and employee spend contributions to GDP and employment are estimated using Input-Output modelling. For this we have collected data from SSE on how much it spends on goods and services for both its operating and capital expenditure.

A more detailed explanation of our methodology can be found in Appendix A of the main report.

Key findings⁵

- In FY 13, SSE supported a total of **4,500 jobs** in Ireland, which is equivalent to 0.2% of total employment in Ireland. Among this, approximately **620** are directly employed by SSE.
- This implies that for every Irish SSE employee another **6.2 jobs** are supported elsewhere in Ireland.
- In FY13 SSE contributed a total of **€772m** to Irish GDP, which is equivalent to 0.5% of Irish GDP. **€83m** of this is attributed to **SSE** directly.
- The largest beneficiary sector in SSE's supply chain is the *Electricity and gas* sector, with **€518m** of GVA.



⁵ Throughout this section and the rest of the report we present rounded data for presentational purposes. This means that some numbers may not exactly match any equivalent numbers SSE reports in its financial accounts. It is also important to note that any derived statistics, such as multipliers or sector shares, are calculated on the basis of the underlying data, not the rounded totals presented in this report.

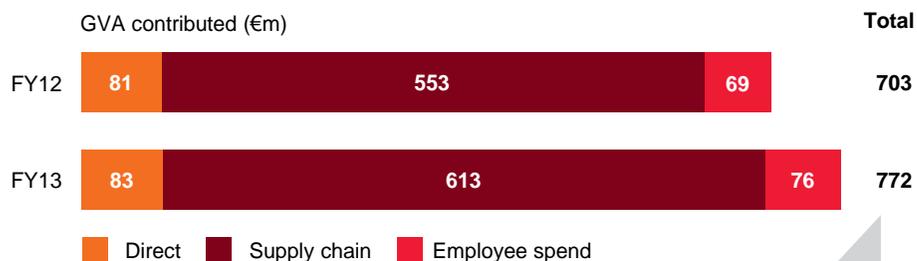
Total contribution to Irish GDP



While SSE's direct contribution to Irish GDP was €83m in FY13, it contributed €689m to the wider economy through its supply chain expenditure and employee wage spend.

This large indirect and induced effect is mainly due to SSE's expenditure on transmission and distribution charges and embedded energy generation. In line with this, the top sector in terms of SSE's supply chain contribution in Ireland is *electricity and gas supply*. At €518m, it accounts for 85% of SSE's supply chain contribution to GDP in Ireland in FY13, and 17% of the sector's total contribution to Irish GDP.

Figure 2: Total contribution to Irish GDP



Source: SSE, PwC analysis

This is equivalent to **0.5%**⁶ of Irish GDP in 2012

⁶ Source: Central Statistics Office Ireland, PwC analysis. Irish GDP measured at factor cost.

Table 2: Top sectors in terms of supply chain GDP contribution

Sector	GVA contributed (€m) in FY13	GVA contributed (€m) in FY12
Electricity and gas supply	518	469
Wholesale trade	27	28
Legal and accounting services (including management consultancy)	11	4
Architectural & engineering services	10	19
Repair/installation of machinery & equipment	9	0
All other sectors	38	33
Total	613	553

Source: PwC analysis, SSE. Note that the above ranking is based on the top 5 sectors in FY13

Total contribution to employment in Ireland



In FY13, SSE employed approximately 620 people in Ireland. Including the jobs supported in the wider economy, SSE's total supported employment in Ireland amounted to 4,500. This implies that for every Irish SSE employee a further 6.2 jobs are supported elsewhere in the Irish economy. In line with SSE's contribution to GDP, the dominance of SSE's indirect employment is due to its procurement of transmission and distribution and embedded energy generation services. For this reason, SSE's top sector in terms of supply chain employment is the *electricity and gas supply* sector.

Figure 3: SSE's employment multiplier in Ireland



Source: SSE, PwC analysis

Figure 4: Total Irish employment supported



This is equivalent to 0.2%⁷ of Irish employment in 2012

Source: SSE, PwC analysis

⁷ Source: Central Statistics Office Ireland, PwC analysis

Table 3: Supply chain contribution to employment in Top Five sectors by FY13 ranking

Sector	Number of jobs in FY13	Number of jobs in FY12
Electricity and gas supply	1,700	1,570
Architectural & engineering services	210	420
Wholesale trade	140	150
Repair/installation of machinery & equipment	140	0
Legal and accounting services (including management consultancy)	80	30
All other sectors	490	410
Total	2,760	2,580

Source: PwC analysis, SSE. Note that the above ranking is based on the top 5 sectors in FY13

This document has been prepared for and only for SSE Plc in accordance with the terms of our Engagement Letter signed on 24 February 2014 and subsequent variation signed on 28 March 2014 in addition to our Engagement Letter signed on 16 March 2016 and subsequent variation signed on 02 June 2016. We do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

© 2016 PricewaterhouseCoopers LLP. All rights reserved. In this document, 'PwC' refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom) which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.