

Energy and Climate Change Committee

Committee Office House of Commons 7 Millbank London SW1P 3JA

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From Sir Robert Smith, on behalf of the Energy and Climate Change Committee

Mr Morris
SSE
Inveralmond House
200 Dunkeld Road
Perth
PH1 3AQ

30 October 2013

Dear Mr Morris,

Follow-up on energy prices evidence session

Thank you for giving evidence to the Committee yesterday. The full transcript of the session is available at:

<http://data.parliament.uk/writtenevidence/WrittenEvidence.svc/EvidenceHtml/3242>.

In oral evidence, Neil Clitheroe, CEO for Retail and Generation at ScottishPower broke down its 'cost movements' in a useful format (see the annex attached to this letter). For the sake of transparency and comparability we would like you to provide the Committee with a breakdown of your costs;

- for wholesale energy prices, transporting electricity and gas to customers homes and energy and climate change policy costs;
- for the period 2011-2012 and 2012-2013; and
- expressed in pounds and pence and percentages.

Please could you also answer the following questions:

In your supply business, what was a) the total cost and b) absolute profit in £ per kWh delivered for gas and electricity in 2009, 2010, 2011, 2012?

What is your profit margin, expressed as a percentage of an average dual fuel bill, less the costs which you pass through to customers (i.e. wholesale costs, transmission and distribution costs and Government imposed obligations)?

It would be most helpful if you could provide this information before the end of Tuesday 5 November 2013. We look forward to receiving your reply to these questions, along with any other information you committed to providing. We may be in contact with further questions in the future.

Yours sincerely,

Sir Robert Smith MP

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Annex

Q141

Neil Clitheroe: We broke down in detail what the cost movements are. Maybe I will go through those for a moment for the Committee. In transportation—the movement of gas and power to customers' homes—the cost of moving the Ofgem average consumption of 3,200 kW of electricity and 13,500 of gas went from £233 to £258 or £259, which was £26 or 11%. That £26 can be split into distribution costs of £10, transmission costs of £2 and gas transportation costs of £13. Those increases occurred on 1 April this year, in line with the normal regulatory timetable operated by Ofgem.

We then get into the environmental and social schemes. We announced an increase of £20. The £20 can be split. ECO rose £8. It went from £53 to £61 per household. The renewable obligation rose by £6, from £21 to £27 per household. Feed-in tariffs rose by £3, from £7 to £10 per household. The warm household discount rose £3, from £7 to £10. That is the £20.

We then saw a VAT increase of £5, which is just 5%. In other costs, we saw an increase of £13, which was 4%. That is the cost of the IT systems within ScottishPower, the cost of the people supporting the business and general inflationary costs. That is the full breakdown of the £98 that our prices moved, which we announced last week, from £1177 for a dual-fuel customer in 2012 to £1275 for a dual-fuel customer in 2013.

Obviously, we will write to the Committee straight after that with the detailed numbers so you can see the breakdown. In the announcement that we made on Thursday, we purposely decided to break down all the costs so that it was very clear where the increases were through the bill.