

## How we're doing: Powergen UK

As one of the UK's largest electricity generators and energy retailers, we at Powergen recognise that we have significant economic, environmental and social responsibilities.



**"I believe that corporate responsibility fused with our strategic business interests is the winning formula for our company's future."**

From an interview with Dr Paul Golby, CEO, Powergen UK

## Introduction

**With over 9 million customer accounts and over 8,000 MW of generating capacity, Powergen UK is one of the UK's leading energy companies.**

In 1998, we acquired East Midlands Electricity plc, a large regional electricity company comprising retail and distribution businesses.

In October 2002, we acquired the UK retail business of TXU Europe Group plc (TXU Energi), together with three TXU coal-fired power stations and certain TXU gas supply contracts. This acquisition has enabled Powergen UK to better balance its generation output with its retail demand, thereby limiting exposure to wholesale price fluctuations.

Our operations include electricity generation (including combined heat and power), distribution, retail and energy trading businesses. At the end of December 2002, we owned, or through joint ventures had an interest in, approximately 8,200 MW of core generation capacity and 140 MW of operational wind and hydroelectric generation capacity. The company served approximately 9.1 million customer accounts, making us the UK's second largest retail energy supplier.

Since we only took control of TXU in December 2002, information for TXU operations is not included in this Report.

## Introduction

### CEO interview

**"I believe that corporate responsibility fused with our strategic business interests is the winning formula for our company's future."**

Dr. Paul Golby, CEO, Powergen UK, talks to Steve Connor, corporate responsibility specialist and director of Creative Concern, an issues-based communications consultancy.

*SC: I wanted to start with your strong emphasis on corporate responsibility being value driven. For Powergen, how are those values arrived at?*

PG: I think the values we have are not necessarily unique to us, but we do put a lot of time into developing them. For us, it's all about Energy, Simplicity and Openness – and that's when we deal with both other people and also our customers. That's very much the way we do things around here and it's very important to us. Our customers are looking for us to be open and honest with them, they're looking for simple solutions and looking for somebody to support them in their relationship with the company, which is where our other core value of energy comes in. And those are very much our internal values as well – how we like to treat each other.

Those values also reflect the fact that, as an energy company, particularly a large energy company, we have a big influence in the areas in which we operate. That means at the national level with our customer base, where they expect a reliable, affordable source of energy, and also at the local level where our power plants clearly have an environmental impact on the community and our offices are major employers in local communities. All of that makes our approach very much embedded in the community.

*SC: That's one of the things that I wanted to talk about: the scale of Powergen. To my mind there are two issues here: firstly, if a company of your size and significance puts its power behind corporate responsibility, doesn't it send out incredibly strong signals to the rest of the business community? Secondly, given your scale and your commitment to being a community partner, you're more than just a leading example – your activities surely can lead to significant changes right across sectors or communities, can't they?*

PG: Clearly our company is of a significant scale – we have nine million customers, which is over 20% of the UK customer base. We also have about 14% of power generation in the UK. All of this means that the things we do, and the moves we make, are influential on a number of levels. We're influential with regard to the Government, where we're working very hard in terms of energy efficiency initiatives, and we're also planning over the next 10 years to invest about £1 billion in renewable energy.

Also some of the things that we do and say because of our scale have a big impact on other enterprises and communities. That scale means we have a responsibility to put something back and to take a leadership position.

*SC: What I think is exciting about a large utility like Powergen, is that particularly in terms of environmental challenges for the future, energy is one of the most fast changing and dramatic areas to be in. Where will a low carbon future take Powergen?*

PG: Let me start with a bit of history. We started life as a fossil fuel generator. Our history is in that area. We recognise that, simply put, that isn't sustainable. It's not sustainable from an environmental point of view, and, of course, we only have finite reserves of coal. We need to move on. We see that as being the socially responsible thing to do. But it also gives us a competitive advantage because it means that we've been looking at alternative forms of generation for some time. By taking a lead and being a major investor in renewable energy – particularly wind farms and also biomass – we can make a big contribution to the environment and also position ourselves effectively against our competitors. We also believe that, by investing in renewable generation, we're doing the sort of things that our customers want to see us doing.

*SC: Forgive me for playing devil's advocate here, but a lot of customers aren't crying out for a low carbon future, are they? Isn't that very much part of our world of think tanks, NGOs and policy specialists?*

PG: I disagree with you. I think that if you give customers a choice, they do want a low carbon future but they don't particularly want to pay a lot more money for it. So our approach is partly educational and partly offering customers a way of achieving a low carbon future that is affordable. I think it's important to say that because energy is a natural right and people are so dependent on it, we have a duty to make it affordable as well as environmentally friendly. So it's important that we work on both those fronts. You can't put either environmental concerns or economic cost at the top of the agenda, you've got to have a balance.

*SC: You mentioned two sets of partnerships: government and local communities. You're very committed to active partnerships with like people like Age Concern, aren't you? Partnerships that help to deliver business benefits, as well as corporate responsibility. For me that's the dream ticket. Would you agree with that?*

PG: It is, as far as I'm concerned, a win-win situation for everyone. People in the segment of the population that is likely to be covered by Age Concern have particular issues but are also very stable, loyal customers. The work we're doing with our special Age Concern tariff – cold weather payments in parallel to the government scheme – is a major benefit to those customers. The win we get from that is that we have customers who are extremely loyal to Powergen and who are going to stay with us. So we're spending money in a very sensible manner rather than spending a lot more money chasing customers who are constantly switching from one supplier to another. So it's a real win-win scenario, as we're doing something for these particularly vulnerable customers and, in return, they're making a commitment to Powergen.

The other thing that we do with Age Concern is electric blanket testing. That, to me, is something that is so simple and so easy for us to do yet it's absolutely necessary

because of the sheer quantity of dangerous products that are out there in people's homes, which is quite alarming. We have a product – electricity – that, essentially, is quite dangerous and anything we can be doing to protect people is a win as far as I'm concerned.

*SC: In many respects it could be said that there was a time when corporate responsibility might have been charitable donations and hurling a cheque over the fence. But now whether it is the environment which you talk about and the investments you are making there to be a market leader through to customers, very much building your brand really.*

PG: Absolutely. I believe that corporate responsibility fused with our strategic business interests is the winning formula for our company's future. I think positioning ourselves in this way is vital.

*SC: You speak quite passionately about the work with Age Concern – what's interesting there in terms of your transition as a company is that you're talking about delivering domestic energy solutions rather than purely pumping energy into a home.*

PG: Yes indeed. You could take the Changing Climates programme we offer to schools as another example. Powergen is well-known because of our sponsorship of the national weather forecasts on television, so we're in the perfect position to emphasise that climate change, and the greenhouse effect, are very important. It's about educating these young people on the real demand for low carbon energy, which is clearly an important lesson. If we attract the young, get them to understand the issues and educate their parents, that's a win for the environment.

In addition, we're also using this programme to get our people into some of the schools – into school governor positions and volunteering to spend some time with classes – and hopefully adding value to the community while also developing our own people. So it's a double win there. It adds value to the communities and to the schools, and we're developing our younger managers, giving them a different aspect to their role and enhancing their job back in the company.

*SC: And what are the more personal corporate responsibility challenges for you? Particularly in longer term areas and pressure points?*

PG: I think that the most challenging aspect is to really succeed in embedding corporate responsibility into the company culture.

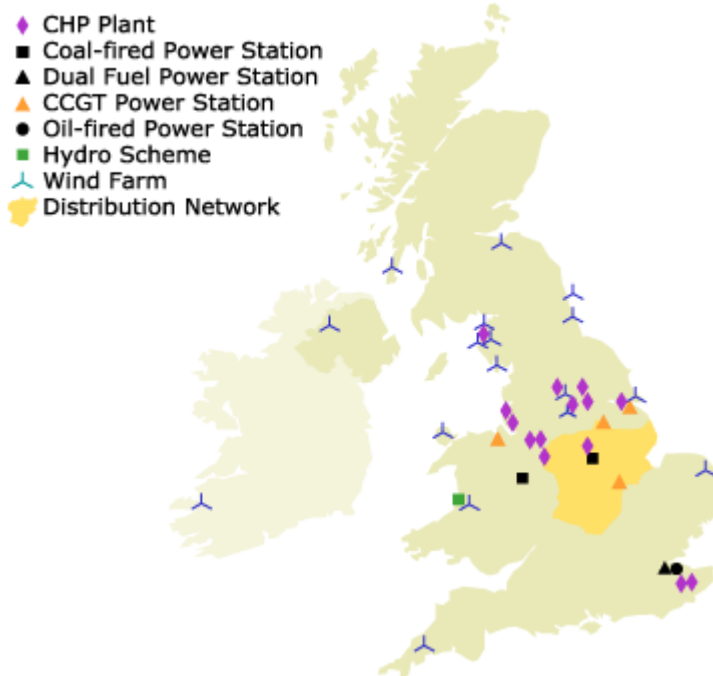
I think it's pretty well embedded already, but, as an industry, we're going through enormous change which means that we could lose sight of it. You only have to look at what's happened to British Energy to see that. We at Powergen have also gone through significant changes, particularly with the acquisition of TXU. So, when you're operating in an industry that's going through such change, you can sometimes lose sight of some of these activities because you're so busy with the day job. It would be very easy to put corporate responsibility to one side but we don't want to do that and that's really the biggest challenge – embedding it in the business. No matter what the challenges are as we move the business forward, corporate responsibility has to be part of the way we do things around here.

*SC: My final question is another personal one. When you started out in business did you think that corporate responsibility, or sustainable development for that matter, would be such a mainstream concept?*

PG: Probably not. Thinking back I don't think I had the same view when I started out that I have today. In the early days I, together with my peers, probably thought that commerce and industry were places people went to earn a living and that was the only connection with the local community. Nowadays I don't think you can split the two. I don't think any successful enterprise can really prosper unless it's taking its social responsibility to the heart of its business. At the very least you're not going to attract the best people, because I have the belief that people want to work for organisations that take this responsibility very seriously. It really is just part of modern corporate culture and that really does have to be a good thing.

## Introduction

### Our locations



#### Power station sites

Connah's Quay power station and gas treatment plant, Flintshire.  
 Corby, Northamptonshire.  
 Cottam Development Centre (CDC) , Nottinghamshire.  
 Grain, Kent.  
 Killingholme, Lincolnshire.  
 Kingsnorth, Kent.  
 Ratcliffe-on-Soar, Nottinghamshire.  
 Reidol hydroelectric power station, Ceredigion.  
 Taylor's Lane, London.

#### Combined heat and power (CHP) plants

Castleford, Lancashire  
 Humber, Lincolnshire  
 Kemsley 1 and 2, Kent  
 Peaking Diesel stations, Yorkshire  
 Port of Liverpool, Liverpool  
 Sandbach, Cheshire  
 Small CHP stations, Bradford, Leeds and Nottinghamshire  
 Speke, Liverpool  
 Stoke, Staffordshire  
 Thornhill, West Yorkshire  
 Winnington, Cheshire  
 Workington, Cumbria

**Wind farm sites**

Askam, Cumbria  
Bessy Bell, County Tyrone  
Blood Hill, Norfolk  
Blyth Offshore, Northumberland  
Bowbeat, Scottish Borders  
Out Newton, East Yorkshire  
Deucheran Hill, Strathclyde  
Great Eppleton, Sunderland  
Lowca, Cumbria  
Oldside Cumbria  
Ovenden Moor, West Yorkshire  
Rheidol, Ponterwyd  
Rhyd-y-Groes, Anglesey  
Royd Moor, South Yorkshire  
Siddick, Cumbria  
St Breock, Cornwall  
Tursillagh, County Kerry (Eire)

**Other UK sites**

Bilborough offices, Nottinghamshire  
Dearne Valley offices, South Yorkshire  
Hornby Dock, Liverpool  
Leicester offices, Leicestershire  
Liverpool Bulk Terminal, Liverpool  
New Broad Street offices, London  
Newland House offices, Nottinghamshire  
Pegasus offices, Nottinghamshire  
Phoenix Centre offices, Nottinghamshire  
Power Technology, Nottinghamshire  
Power Workshops, Birmingham  
Sherwood Park offices, Nottinghamshire  
Tannochside offices, Tannochside  
Westwood offices, Coventry

**Indonesia**

Paiton II power station, Probolinggo, East Java

## Introduction

### Our management

Currently, the UK Business Team is comprised of:



Chief Executive, Powergen UK plc  
**Dr Paul Golby**



UK Finance Director  
**Graham Bartlett**



Director of Human Resources  
**Steve Williams**



General Counsel  
**Fiona Stark**



Director of Information Technology  
**Don Leiper**



Managing Director, Retail  
**Nick Horler**



Managing Director, Generation Business  
**Mark Draper**



Managing Director, Distribution  
**Bob Taylor**



Managing Director, Energy Trading  
**Tony Cocker**



Managing Director, Services  
**John Crackett**

**Note:**

In 2002 the position of Managing Director, Services was held by Bennett Gaines

## Introduction

### Our values

Powergen UK has developed its own brand values, consistent with those of the Powergen Group, which form the basis of the way we act and do business in the UK. The Values form the basis of our culture and how we present ourselves to our customers, partners and others.

From the perspective of our customers, we want to stand out through our 'know-how'. We are an energy generator and supplier, which means we understand the business that we are in and have experience. Deal with us and you will deal with people who use understanding, expertise and innovation to offer a better solution.

#### Our Values are:

- **Energy** – this is about being energetic in everything we do. It is what we deal in and are about. We make things happen at Powergen – spotting opportunities, managing change and operating at speed. We think things through and deliver on our promises;
- **Simplicity** – is about dedicating ourselves to making life easier for our customers and colleagues: that is being clear, relevant and customer-focused (thinking from their perspective), and asking "how could this be simpler?";
- **Openness** – understanding can only come with openness and honesty. An openness to new thinking, to other views and to other cultures. We build great relationships with customers and colleagues.

## Introduction

### Our strategy

- Maintain significant presence throughout the energy value chain to capture value as the market evolves;
- Drive value creation by selling high value products to retail customers;
- Energy Trading and Generation to support retail activity by minimising costs to the business and seeking out opportunities to add value;
- Drive high performance out of our distribution business;
- Attract, develop and retain talented people across the business.

## Introduction

### Our policies

In addition to the Powergen Group Policies, Powergen UK has developed policies in the following areas:

- Delegations of Authority;
- Health & Safety;
- Environment;
- Competition / Regulation;
- e-commerce;
- Information Technology;
- Human Resources;
- Crisis Management / Security.