

NDR2010.Revaluation@communities.gsi.gov.uk
Department of Communities and Local Government
Zone 5/C1
Eland House
Bressenden Place
London
SW1E 5DU

23 September

Dear Sir/Madam,

The transitional arrangements for the non-domestic rating revaluation 2010 in England Consultation paper

Scottish and Southern Energy (SSE) welcomes the opportunity to respond to the above consultation on the transitional arrangements for non-domestic business rates.

In this submission, SSE has provided an overview of the company, some headline points on business rates in England and then specific responses to each of the questions posed by the consultation paper.

Company Overview

Scottish and Southern Energy (SSE) is one of the UK's leading energy companies. It is involved in the generation, transmission, distribution and supply of electricity; energy trading; the development of major renewable energy projects; the storage, distribution and supply of gas; electrical and utility contracting; and telecoms.

SSE owns around 10,700MW of electricity generation capacity, including its share of joint ventures and associates. This makes it the second largest electricity generator across the UK and Ireland. The capacity comprises 4,500MW of gas- and oil-fired capacity, 4,000MW of coal-fired capacity (with biomass 'co-firing' capability), and over 2,200MW of renewable capacity.

In England, SSE owns a number of large premises including 5 large fossil fuel power stations, gas storage facilities and other facilities. In addition SSE has substantial English investment plans going forward.

Following initial discussions between our ratings consultants (Gerald Eve) and the VOA, early indications from the VOA point to a 2010 rateable value that will be significantly higher (potentially over 2 to 3 times higher) for many of our properties, particularly for energy generation plant.

Given the widely publicised issues concerning the need to invest in new generation plant in order to meet binding European renewables targets, while simultaneously maintaining secure energy supplies in order to "keep the lights on", it is highly important that key generation assets are protected as much as possible from additional costs over the coming decade. If generation plant become too expensive to run, then companies will shut them down ahead of their natural lifetime, which will create serious problems for the UK Government.

The purpose of this consultation is not to examine the rateable value, so SSE will not go into any more detail here, beyond stating that it would welcome any intervention from Government which will help protect these vital generation assets.

Correspondingly, our responses to the below questions are firmly from the position of attempting to minimise the likely effects of rateable value increases on operational plant.

Question 1: having regard to the cost of the transitional relief, do you think the caps on increases for small properties adopted at the 2005 revaluation should be repeated for the 2010 revaluation?

Question 2: having regard to the cost of the transitional relief, do you think the caps on increases for large properties adopted at the 2005 revaluation should be repeated for the 2010 revaluation?

SSE supports a phased approach in order to minimise the impact on key power generation plants in order to “cushion” the likely very high increases in the rateable value. Without a phased liability, there would be an increased likelihood of generation plants having to shut down ahead of their need.

SSE therefore fully supports the proposal to put in place annual caps on the increase in liability.

Question 3: do you think that transitional relief should be provided over four years (options 1 and 2) or 5 years (options 3 and 4)?

SSE is likely to be one of the companies heavily affected by the likely increases in rateable values applied. It is also likely, given the probable scale of increases in the rateable value, that certain SSE assets of national significance will still be facing large increases in 2014-15.

Correspondingly, it is important that transitional relief is extended over the full 5 year period to ensure that SSE and other businesses have time to adjust to the impact of the increase in liability and that the potential for a sudden leap in liability for any business in 2014/15 is avoided.

Question 4: do you think the transitional relief should be funded by downward caps on reductions in bills (options 1 and 3) or by a supplement levied on other ratepayers (options 2 and 4)?

SSE believes that a general supplement on the Universal Business Rate would be a more appropriate mechanism for bearing the costs of the transitional relief than by taking the funding from “the gainers” from the re-evaluation.

SSE supports this supplement approach as it will limit the effect on businesses who have been affected by inaccurately high previous ratings, and, on having lower ratings restored, are still penalised. SSE expects to be in this position in the future, so would support a change in this direction.

For further information, please contact Sam Peacock at Scottish and Southern Energy on 0207 953 4064 or sam.peacock@scottish-southern.co.uk