



Consolidated Segmental Statement (CSS)

For the year ended 31 March 2020

Consolidated Segmental Statement

	Unit	Electricity Generation		Aggregate	Electricity Supply		Gas Supply		Aggregate
		Thermal 2020	Renewable 2020	Generation Business 2020	Domestic 2020 - 9.5 months	Non-domestic 2020	Domestic 2020 - 9.5 months	Non-domestic 2020	Supply Business 2020
Total revenue	£m	952.5	1,034.5	1,987.0	1,674.8	2,240.9	833.8	216.5	4,965.9
Revenue from sales of electricity and gas	£m	636.0	883.7	1,519.6	1,673.1	2,239.0	833.8	216.5	4,962.2
Other revenue	£m	316.5	150.8	467.3	1.7	1.9	0.0	-	3.6
Total operating costs	£m	788.7	348.1	1,136.8	1,647.5	2,248.9	845.2	226.9	4,968.5
Direct fuel costs	£m	419.5		419.5	555.3	907.9	355.6	137.6	1,956.4
Transportation costs	£m	102.3	111.6	213.9	380.8	543.5	248.0	59.7	1,232.0
Env & social obligation costs	£m	46.1		46.1	439.2	680.1	40.8	-	1,160.1
Other direct costs	£m	106.3	14.3	120.7	11.7	10.3	4.6	2.3	28.8
Indirect costs	£m	114.5	222.2	336.6	260.6	107.1	196.2	27.4	591.2
EBITDA	£m	163.8	686.4	850.1	27.2	(8.0)	(11.5)	(10.5)	2.7
DA	£m	46.1	189.9	236.0	23.8	0.3	15.9	0	40.1
EBIT	£m	117.7	496.5	614.1	3.4	(8.2)	(27.4)	(10.5)	(42.7)
Volume	TWh, mTherms	13.3	9.5	22.8	8.9	16.9	664.6	272.4	962.8
WACOF/E/G	£/MWh, p/th	31.5	-		62.3	53.7	53.5	50.5	
Customer numbers	000s				3,385.0	463.5	2,271.8	75.5	6,195.8

Please refer to the notes below to gain a full understanding of how the CSS numbers have been prepared.



BASIS OF PREPARATION AND DISCLOSURE NOTES

The Group's operating segments are those used internally by the Board to run the business and make strategic decisions. The types of products and services from which each reportable segment derives its revenues are:

Business Area	Reported Segments	Description
Continuing operations		
Transmission	Electricity Transmission	The economically regulated high voltage transmission of electricity from generating plant to the distribution network in the North of Scotland. Revenue earned from constructing, maintaining and renovating our transmission network is determined in accordance with the regulatory licence, based on an Ofgem approved revenue model and is recognised as charged to National Grid. The revenue earned from other transmission services such as generator plant connections is recognised in line with delivery of that service over the expected contractual period and at the contracted rate.
Distribution	Electricity Distribution	The economically regulated lower voltage distribution of electricity to customer premises in the North of Scotland and the South of England. Revenue earned from delivery of electricity supply to customers is recognised based on the volume of electricity distributed to those customers and the set customer tariff. The revenue earned from other distribution services such as domestic customer connections is recognised in line with delivery of that service over the expected contractual period and at the contracted rate.
	Gas Distribution	SSE's share of Scotia Gas Networks, which operates two economically regulated gas distribution networks in Scotland and the South of England. The revenue earned from transportation of natural gas to customers is recognised based on the volume of gas distributed to those customers and the set customer tariff.
Renewables	Renewables (covered by CSS)	The generation of electricity from renewable sources, such as onshore and offshore windfarms and run of river and pumped storage hydro assets in the UK and Ireland. Revenue from physical generation of electricity sold to SSE EPM is recognised as generated, based on the spot price at the time of delivery. Revenue from national support schemes (such as Renewable Obligation Certificates or the Capacity Market) may either be recognised in line with electricity being physically generated or over the contractual period, depending on the underlying performance obligation.
Thermal	Thermal Generation (covered by CSS)	The generation of electricity from thermal plant and the Group's interests in multifuel assets in the UK and Ireland. Revenue from physical generation of electricity to SSE EPM is recognised as generated, based on the spot price at the time of delivery. Revenue from national support schemes (such as the Capacity Market) and ancillary generation services may either be recognised in line with electricity being physically generated or over the contractual period, depending on the underlying performance obligation.
	Gas Storage	The operation of gas storage facilities in the UK, providing a mix of capacity products to the external gas market with excess capacity used to develop secondary trading opportunities. For capacity products, revenue from the injection and withdrawal of gas is recognised when provided, with revenue from the provision of storage services is recognised based on the number of days utilised at the contractual rate. Revenue arising on secondary trading activities is recognised as gas is injected into the network, based on the spot price at the time of delivery.
Customers	Business Energy (covered by CSS)	The supply of electricity and gas to business customers in GB. Revenue earned from the supply of energy is recognised in line with the volume delivered to the customer, based on actual and estimated volumes, and reflecting the applicable customer tariff after deductions or discounts.
	Airtricity	The supply of electricity, gas and energy related services to domestic and business customers in the Republic of Ireland and Northern Ireland. Revenue earned from the supply of energy is recognised in line with the volume delivered to the customer, based on actual and estimated volumes, and reflecting the applicable customer tariff after deductions or discounts. Revenue earned from energy related services may either be recognised over the expected contractual period or following performance of the service, depending on the underlying performance obligation.
Enterprise	Enterprise	The integrated provision of services in competitive markets for industrial and commercial customers including electrical contracting, private energy networks, lighting services and SSE's share of telecoms capacity and bandwidth. Revenue is recognised by reference to the progress towards completion of the contractual performance obligation, based on the proportion of costs incurred to date relative to total expected costs, provided the contract outcome can be assessed with reasonable certainty.
EPM & I	Energy Portfolio Management (EPM)	The optimisation of SSE's electricity, gas and other commodity requirements. Revenue from physical sales of electricity, gas and other commodities produced by SSE is recognised as supplied to either the national settlements body or the customer, based on either the spot price at the time of delivery or trade price where that trade is eligible for "own use" designation. The sale of commodity optimisation trades are presented net in cost of sales alongside purchase commodity optimisation trades.



Discontinued operations		
SSE Energy Services	SSE Energy Services (covered by CSS)	The supply of electricity and gas and the provision of energy related goods and services to domestic customers in GB. Revenue earned from the supply of energy is recognised in line with the volume delivered to the customer, based on actual and estimated volumes, and reflecting the applicable customer tariff after deductions or discounts. Revenue earned from energy related services may either be recognised over the expected contractual period or following performance of the service, depending on the underlying performance obligation.
EPM & I	Gas Production	The production and processing of gas and oil from North Sea fields. Revenue is recognised based on the production that has been delivered to the customer at the specified delivery point, at the applicable contractual market price.

SSE Energy Services (shown as a discontinued operation in the SSE plc’s consolidated Financial Statements for the years ended 31 March 20 & 31 March 19) comprises SSE’s household energy and related services businesses in Great Britain. SSE Energy Services was sold to Ovo Group Limited on 15 January 2020 and therefore this CSS only includes the contribution of that business until that date.

The Group’s reportable operating segments for ‘Business Energy’, ‘Renewables’, ‘Thermal Generation’ and ‘SSE Energy Services’ are substantially aligned to the business segments reported in the Consolidated Segmental Statement (CSS). However, it should be recognised that there are differences between the two disclosures, primarily driven by the Licence requirements - these are described in the notes below and shown in the table reconciling the CSS to the financial statements.

How the accounts are presented

The financial information presented in the CSS is based on operating activities of a GB electricity generation business (“Renewables” and “Thermal Generation” segments described above) and four GB energy supply businesses (the reported “SSE Energy Services” and “Business Energy” segments described above). The paragraphs that follow describe how SSE’s Thermal and Renewable Generation, Business Energy (non-domestic supply) and SSE Energy Services – Supply (domestic supply) interact with Energy Portfolio Management (EPM), defines the revenues, costs and profits of each business and describe in more detail the transfer pricing arrangements in place for the financial year ended 31 March 2020. The CSS has been prepared on a going concern basis as set out in note A6.3 of SSE plc’s Annual Report.

Summary

‘Thermal Generation’ sells electricity in respect of coal and gas generation and renewable generation and Renewable Obligation Certificates (ROCs) from wind and qualifying hydro to EPM. It also receives external income in respect of ancillary services, balancing market participation and other contractual arrangements with third parties including government. It purchases its requirement for gas, coal, oil and carbon from EPM.

Renewables sells electricity and Renewable Obligation Certificates (ROCs) from wind and qualifying hydro to EPM to EPM.



'Energy Services' sells electricity and gas to circa 5.6m domestic customer accounts in Great Britain. It procured electricity, gas and ROCs from EPM until the date of disposal on 15 January 2020. 'Business Energy' sells electricity and gas to circa 0.5m business customer accounts in Great Britain and procures electricity, gas and ROCs from EPM.

EPM acts as a route to market for Renewables and Thermal Generation and as counterparty with the external market for the procurement of electricity and gas for SSE Energy Services and Business Energy. *Note - EPM does not form part of the CSS.*

The forward hedging policies for the Group are overseen by Energy Markets Risk Committee, whose responsibilities and roles are described on page 130 of SSE Annual Report for the year ended 31 March 2020.



Renewables and Thermal Generation

The Renewables and Thermal Generation profit and loss accounts above are presented split between Conventional (Thermal) and Renewable generation. Conventional generation is considered to be any generation where fuel is consumed to produce electricity and includes gas, coal and biomass/waste fuelled generation. Renewable generation is considered to be where no fuel is consumed to produce electricity and includes wind, hydro and pump storage powered generation.

Revenue From Sales of Electricity - revenue is recognised as generated and supplied to the national settlements body. Revenue is sold to the wholesale market through EPM at either the spot price at the time of delivery, or trade price where that trade is eligible for 'own use' designation. Revenue includes the sale of ROCs generated from qualifying plant to EPM. Generation volumes are the volume of power actually sold to the wholesale market.

Other Revenue - includes ancillary services, capacity income, balancing market participation and other miscellaneous income.

Direct Fuel Costs – Thermal Generation procures fuel and carbon from EPM at wholesale market prices. The cost of fuel also includes the long term external purchase contracts and the impact of financial hedges. The WACOF (weighted average cost of fuel) calculation includes the costs of carbon emissions (which are reported in the environmental and social obligations cost line in the CSS).

Transportation Costs - include Use of System charges and market participation costs.

Environmental and Social Costs - include carbon costs (EUETS and Carbon Price Floor).

Other Direct Costs - include power purchase agreement ('PPA') costs, site costs and management charges from EPM.

Indirect Costs - include salaries and other people costs, asset maintenance, rates, corporate costs and IT charges.

Depreciation and Amortisation - the depreciation shown in the CSS is the underlying amount and excludes exceptional generation asset impairments



Thermal Generation as presented in the CSS includes revenue and operating profit for wholly owned thermal generation assets and also a proportion of turnover and operating profit in respect of joint ventures¹. The principal joint ventures included are Seabank Power Ltd, Marchwood Power Ltd and Multifuel Energy Ltd. A full list can be found in note A3 of SSE's audited financial statements.

The Thermal Generation profitability statement bears the risks and rewards for plant performance, changes in market 'spark' and 'dark' (the marginal profit for generating electricity by gas and coal), changes in government and EU policy particularly surrounding emissions.

Renewables as presented in the CSS includes revenue and operating profit for wholly owned renewable generation assets and also a proportion of turnover and operating profit in respect of joint ventures, joint operations and associate generation companies². The principal Joint Ventures, Joint Operations and Associates included are Beatrice Offshore Windfarm Limited, Clyde Windfarm (Scotland) Limited, Stronelairg Windfarm Limited, Dunmaglass Windfarm Limited, Walney (UK) Offshore Windfarms Ltd and Greater Gabbard Offshore Winds Ltd. A full list can be found in note A3 of SSE's audited financial statements.

The Renewables profitability statement bears the risks and rewards for plant performance and renewable generation output, changes in the power price achieved for renewable generation and the impact of weather.

SSE Energy Services (Domestic)

Revenue from Sales of Electricity and Gas - revenues are the value of electricity and gas supplied to domestic customers in Great Britain during the period to 15 January 2020 and includes an estimate of the value of units supplied between the date of the last meter reading and the disposal date. Revenue is expressed net of discounts, loyalty products and Warm Home Discount (WHD) and other social tariff costs. Domestic volumes are expressed at customer meter point net of transmission and distribution losses and are based on external settlements data.

Direct Fuel Costs – SSE Energy Services does not engage in the trading of electricity and gas and procured all of its electricity and gas from EPM to the date of disposal. The method by which EPM procures energy at an arm's length arrangement on behalf of SSE Energy Services is governed by SSE Energy Services forward hedging policy. The forward trades between SSE Energy Services and EPM are priced at wholesale market prices at the time of execution and any

¹ The tolling arrangements that SSE has with its joint venture companies Seabank Power Ltd, Marchwood Power Ltd and Multifuel Energy Limited provide SSE with contractual entitlement to 100% of the output of the power stations. Accordingly, SSE has reported its rights to those volumes within its Thermal Generation statistics and has also, as mandated by Ofgem, included 50% of the JV revenue in the CSS.

² The tolling arrangements that SSE has with its joint venture companies Clyde Windfarm (Scotland) Limited, Stronelairg Windfarm Limited and Dunmaglass Windfarm Limited provide SSE with contractual entitlement to 100% of the output of the windfarms. Accordingly, SSE has reported its rights to those volumes within its Renewables statistics and has also, as mandated by Ofgem, included 50% of the JV revenue in the CSS.



differences in volume and reconciliation at the time of delivery is marked to the spot price on the day. WACOG (weighted average cost of gas) also includes the energy cost element of Reconciliation by Difference (RbD) and Unidentified Gas. This transfer pricing methodology reflects how SSE Energy Services actually acquired its energy. The forward hedging policies are determined by SSE Energy Service's Risk and Trading Committee. There have been no material changes in the transfer pricing policy in respect of SSE Energy Services since the CSS for the financial year ending 31 March 2019.

Transportation Costs - these are network type costs and include: electricity transmission and distribution use of system costs; gas transportation costs including the transportation element of RbD and market participation costs.

Environmental and Social Obligation Costs - relate to policies designed to modernise and decarbonise the energy system in Great Britain and include ROCs, Feed in Tariff, Energy Company Obligation (ECO), charges under the Capacity Mechanism and CfD schemes and charges in relation to 'assistance for areas with high electricity distribution costs' (AAHEDC).

Other Direct Costs - include: settlement costs, wider Smart Metering costs, management charges from EPM and commissions paid to Internet Comparison Sites.

Indirect Costs - include: sales and marketing, customer service, bad debts, commercial costs, central costs - including information technology, property, corporate, telecoms costs, metering asset and meter reading costs and operational Smart Metering costs (net of revenues). Where costs cannot be directly allocated to a fuel (electricity/gas), they have been allocated using costing models based on activity, customer billing or customer numbers - whichever is the most appropriate.

Depreciation and Amortisation - charges which relate to depreciation of Smart Metering Systems and other IT software. Depreciation has been included within the CSS, but due to the business being held for sale within the financial statements, no depreciation was recognised within the financial statements. This has been included as a reconciling difference in the reconciliation below.

The SSE Energy Services profit and loss account bears the risk and rewards arising from the volatility in demand for energy, caused by the weather, consumption per customer and customer churn. It is also exposed to swings in wholesale costs and the uncertainty surrounding government environmental and social schemes.

Business Energy (Non Domestic)

Revenue from Sales of Electricity and Gas - revenues are the value of electricity and gas supplied to business customers in Great Britain during the year and includes an estimate of the value of units supplied between the date of the last meter reading and the year end. Non domestic volumes are expressed at customer meter point, net of transmission and distribution losses and are based on external settlements data.



Direct Fuel Costs - Business Energy does not engage in the trading of electricity and gas and procures all of its electricity and gas from EPM. The method by which EPM procures energy at an arm's length arrangement on behalf of Business Energy is governed by Business Energy's forward hedging policy. The forward trades between Business Energy and EPM are priced at wholesale market prices at the time of execution and any differences in volume and reconciliation at the time of delivery is marked to the spot price on the day. WACOG (weighted average cost of gas) also includes the energy cost element of Reconciliation by Difference (RbD) and Unidentified Gas. The WACOE and WACOG also consist of trades marked to wholesale prices when committed at the point of sale for fixed price customer contracts or when a customer instructs SSE to purchase energy in respect of flexi-priced contracts. This transfer pricing methodology reflects how Business Energy actually acquired its energy. There have been no material changes in the transfer pricing policy in respect of Business Energy since the CSS for the financial year ending 31 March 2019.

Transportation Costs - these are network type costs and include: electricity transmission and distribution use of system costs; gas transportation costs including the transportation element of RbD and market participation costs.

Environmental and Social Obligation Costs - relate to policies designed to modernise and decarbonise the energy system in Great Britain and include ROCs, Feed in Tariff, charges under the Capacity Mechanism and CfD schemes and charges in relation to 'assistance for areas with high electricity distribution costs' (AAHEDC).

Other Direct Costs - include: settlement costs, management charges from EPM and other miscellaneous costs.

Indirect Costs - include: sales and marketing, customer service, bad debts, commercial costs, central costs - including information technology, property, corporate, telecoms costs, metering asset and meter reading costs and operational Smart Metering costs (net of revenues). Where costs cannot be directly allocated to a fuel (electricity/gas), they have been allocated using costing models based on activity, customer billing or customer numbers - whichever is the most appropriate.

Business Energy's profit and loss account bears the risk and rewards arising from the volatility in demand for energy, caused by the weather, consumption per customer and customer churn. It is also exposed to swings in wholesale costs and the uncertainty surrounding government environmental and social schemes.

EPM

The operating profit for EPM for the financial year ended March 2019 was a loss of £284.9m. In November 2018, the Group published a Statement on SSE's Approach to Hedging, which explained the changes that will be made to the current hedging strategy to reduce the Group's exposure to variations in earnings from assets subject to volatility in energy commodity prices. The Group is currently implementing this new hedging approach and aims to have it fully in place by April 2020.



Business Functions

The business functions in SSE have already been described in this document. The column headed 'Not included in the CSS' principally relates to EPM.

Business function	Note	Generation	Supply	Not included in CSS
Operates and maintains generation assets		Ü		
Responsible for scheduling decisions	1	P/L		F
Responsible for interactions with the Balancing Market	2	P/L		F
Responsible for determining hedging policy	3	Ü	Ü	
Responsible for implementing hedging policy / makes decisions to buy/sell energy	4	P/L	P/L	F
Interacts with wider market participants to buy/sell energy	5			Ü
Holds unhedged positions (either short or long)	3	Ü	Ü	Ü
Procures fuel for generation		P/L		F
Procures allowances for generation		P/L		F
Holds volume risk on positions sold (either internal or external)		Ü	Ü	
Matches own generation with own supply	6			Ü
Forecasts total system demand	7	P/L	P/L	F
Forecasts wholesale price		P/L	P/L	F
Forecasts customer demand	8		P/L	F
Determines retail pricing and marketing strategies			Ü	
Bears shape risk after initial hedge until market allows full hedge	9	P/L	P/L	F
Bears short term risk for variance between demand and forecast	10		Ü	

Key:

- P function and P&L impacting that area;
- P/L profit/losses of function recorded in that area;
- F function performed in that area.



Glossary and notes

1. "Scheduling decisions" means the decision to run individual power generation assets.
2. "Responsible for interactions with the Balancing Market" means interactions with the Balancing Mechanism in electricity.
3. Hedging policy was the responsibility of the Energy Markets Risk Committee which is a sub committee of the SSE Executive Committee.
4. SSE EPM implements the hedging policy determined by the Energy Markets Risk committee on behalf of Renewables, Thermal Generation, Business Energy and SSE Energy Services.
5. "Interacts with wider market participants to buy/sell energy" means the business unit responsible for interacting with wider market participants to buy/sell energy, not the entity responsible for the buy/sell decision itself, which falls under "Responsible for implementing hedging policy /makes decisions to buy/sell energy".
6. "Matches own generation with own supply" means where there is some internal matching of generation and supply before either generation or supply interact with the wider market. The total electricity demand for Business Energy and SSE Energy Services (expressed at NBP) was 25.8TWh and the total UK Generation output was 22.8TWh (88%).
7. "Forecasts total system demand" means forecasting total system electricity demand or total system gas demand.
8. "Forecasts customer demand" means forecasting the total demand of own supply customers.
9. "Bears shape risk after initial hedge until market allows full hedge" means the business unit which bears financial risk associated with hedges made before the market allows fully shaped hedging.
10. "Bears short term risk for variance between demand and forecast" means the business unit which bears financial risk associated with too little or too much supply for own customer demand.



Reconciliation of CSS to SSE Financial Statements 2019/20

The table below shows how the CSS reconciles with the adjusted earnings before tax in the SSE financial statements (note 5 of SSE's financial statements):

Reconciliation of CSS to SSE Financial Statements 2019/20

Reconciliation of CSS to SSE Financial Statements	Note	Revenue £m	EBIT £m
Retail			
CSS Supply - Non-Domestic		2,457.4	-18.7
Exceptional items	1		27.9
Total Retail segment in SSE Financial Statements		2,457.4	9.2
Generation			
Renewables			
CSS Renewables Electricity Generation		1,034.5	496.5
Non-GB Generation	2	117.0	70.9
JVs/Associate revenue in CSS	3	-	-
Total Renewables segment in SSE Financial Statements		848.1	567.3
Thermal			
CSS Thermal Electricity Generation		952.5	117.7
Non-GB Generation	4	216.5	35.0
JVs/Associate revenue in CSS	3	-131.4	-
Income Reclassification (Fiddlers Ferry)	5	169.3	-
Total Generation segment in SSE Financial Statements		1,206.9	152.7
SSE Energy Services - Discontinued Operations			
CSS Supply - Domestic		2,508.54	- 24.0
Income Reclassification	6	110.5	- 0.2
Energy Related Services	7	228.6	6.3
Depreciation (Retail held for sale)	8	-	39.7
Exceptional	9	-	10.8
Total SSE Energy Services segment in Financial Statements		2,847.6	32.7



There are some differences between SSE's financial statements and the CSS. There are items which are in the financial statements and not in the CSS; and also there are items which Ofgem has requested be included in the CSS which are not in the financial statements.

Notes

1. Exceptional items relate to bad debt charges related to coronavirus, which have been classified as exceptional within SSE's financial statements.
2. Non GB Electricity Generation relates to SSE's Renewables business in the Republic of Ireland and Northern Ireland;
3. SSE applies equity accounting for its investments in JVs and Associates (which means it only includes its share of the profits/losses), in accordance with International Financial Reporting Standards (IFRS). The Ofgem mandated basis of preparation of the CSS requires that the proportionate share of revenue, costs and profits are shown in the CSS. The revenue shown in the CSS for JVs and Associates is not present in the financial statements and is therefore a reconciling item. The share of profits however are present in both CSS and financial statements, therefore no reconciliation is necessary;
4. Non GB Electricity Generation relates to SSE's Thermal business in the Republic of Ireland;
5. During the year SSE announced the closure of Fiddlers Ferry power station and from that point onwards excluded the power station from the operations included within the CSS. From that date onwards, SSE excluded all operating losses from its segmental results.
6. Reclassification of metering income for CSS;
7. SSE Energy Services business has been included in the reported profit of the segment in the financial statements of SSE, but is excluded from the CSS;
8. SSE Energy Services was held for sale within the financial statements of SSE for the period to disposal. As a result, no depreciation was charged by the Group on the assets while part of the Group.
9. Exceptional items relate to restructuring costs prior to disposal, which have been classified as exceptional within SSE's financial statements.;

Adjustments to reported profit before tax. SSE focuses its internal and external reporting on 'adjusted profit before tax' which excludes exceptional items, re-measurements arising from IFRS 9, depreciation on fair value uplifts and removes taxation on profits of joint ventures and associates, because this reflects the underlying profits of SSE, reflects the basis on which it is managed and avoids the volatility that arises out of IFRS 9. Therefore, these items have been excluded from the CSS.



Appendix 1

Independent auditor's report to the directors of SSE plc

Opinion

We have audited the financial statements of SSE plc (the Company) for the year ended 31 March 2020, which comprise the Consolidated Segmental Statement (CSS), Basis of preparation, Reconciliation of CSS to the Annual Report of SSE plc and the related disclosure notes. The financial reporting framework that has been applied in their preparation is a special purpose framework comprising the financial reporting provisions of Ofgem's Standard condition 16B of Electricity Generation licences and Standard 19A of Electricity and Gas Supply Licences.

In our opinion, the accompanying CSS of the Company for the year ended 31 March 2020 are prepared, in all material respects, in accordance with the requirements of Standard condition 16B of Electricity Generation licences and Standard 19A of Electricity and Gas Supply Licences and the basis of preparation on pages 2 to 12.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) including '*ISA (UK) 800 (Revised) Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*'. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis of Accounting and Restriction on Distribution and Use

We draw attention to page 2 to 12 of the CSS, which describes the basis of accounting. The CSS is prepared to assist the Company in complying with the financial reporting provisions of the Licences referred to above. As a result, the CSS may not be suitable for another purpose. Our report is intended solely for the Company, in accordance with our engagement letter dated 12 June 2020, and should not be distributed to or used by parties other than the Company. Our opinion is not modified in respect of this matter.



Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Annual Report, other than the CSS and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the CSS does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the CSS, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

The directors are responsible for the preparation of the CSS in accordance with the financial reporting provisions of Ofgem's Standard condition 16B of Electricity Generation licences and Standard 19A of Electricity and Gas Supply Licences, and for such internal control as management determines is necessary to enable the preparation of CSS that are free from material misstatement, whether due to fraud or error.

In preparing the CSS, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the CSS as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matter

We have reported separately on the statutory Annual Report of SSE plc.

Hywel Ball (Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

Glasgow

16 June 2020