



**Good
Energy**

Living our values 2009—2010



-
- 2 Letter from our CEO**

 - 3 Our highlights 2009–2010**

 - 7 Turning the market upside down**

 - 12 Our verification report**

 - 14 Our additional environmental benefit**

 - 17 Join the homegrown energy movement**

Together we do this



Dear friends,

Good Energy was set up in response to climate change, to be a catalyst for change in the UK energy market.

We were the first utility to offer individuals an easy way to support the renewable sector, by switching to a 100% renewable electricity supplier. Our award-winning reward schemes for independent generators were the forerunners of the Feed-in Tariff and the Renewable Heat Incentive. We redeveloped the UK's first commercial wind farm; and we're continuing to invest in new generation capacity through a pipeline of wind farm development projects for the future.

We've come a long way in just 10 years, and we have ambitious plans for the future: a goal of making the UK 100% renewable by 2050, built around a British homegrown energy movement. Read more about how Good Energy is turning the energy market upside down on page 7.

Both 2009 and 2010 were characterised by the longest and deepest global recession we've seen for a generation. Despite these difficult conditions however, some bright sparks of optimism have been glimmering on the horizon.

In the international sphere the hopes that many green campaigners pinned on the Copenhagen meeting at the end of 2009 may have been dashed; but

disappointment was short-lived as a new exciting campaign emerged from its ashes – 10:10. Like many great ideas this was very a very simple one – individuals and organisations pledging to cut their carbon emissions by 10 percent in 2010. Good Energy supported it and we're delighted at how it's snowballed into a global phenomenon.

Here in the UK, the new government has staked a claim to be 'the greenest ever'. I've already met several members of the coalition cabinet and, as ever, I can assure you that we'll be working with them to ensure they deliver on their ambitious promise.

Meanwhile, in the last couple of years the number of independent generators we support has really taken off, while the number of customers who buy our 100% renewable electricity has continued to grow steadily. Now, one in 20 of our customers is also a generator, so we're actually bringing people closer to the source of their energy.

Thanks for your help on the journey so far.



Continued growth

- Our community of independent generators, producing homegrown energy from wind, water and sunlight, has tripled since the end of 2008 to reach 1500 by end-October 2010. Now one in 20 of our customers is also a generator.
- This includes 460 renewable heat generators who we support through our award-winning HotROCs scheme – our own version of a renewable heat incentive.
- Our customer numbers have continued to grow – we had 26,160 electricity customers by end October 2010; using 127,000 MWh of 100% renewable electricity a year.
- Having launched Gas+ in 2008, we had 3,150 gas customers as of the end of October 2010.
- During 2009 our customers reduced their personal carbon emissions by 69,243 tonnes – which means that since we started in 1999 we've saved 365,243 tonnes of carbon.

New wind farm at Delabole

The development of our wind farm in Delabole, North Cornwall, is on target for completion by the end of 2010. By replacing the original 10 turbines with four modern, more powerful turbines, the wind farm will now harness the wind resource more effectively, providing enough energy to supply around 20% of our customers' electricity requirements and saving approximately 13,000 tonnes of CO₂ a year.

Delabole was the UK's first commercial wind farm, and this not only marks an exciting new chapter for us, but it symbolises the technological progress that has been made with onshore wind over the course of the last 20 years.

The collaborative approach we developed at Delabole, working with the local community, our customers and shareholders, sets a benchmark for future onshore wind development. The team is now working on other exciting wind farm opportunities – we'll keep you posted.

We'd like to thank our shareholders, our customers and the Delabole community for their help and support with our new wind farm project.



Industry leading Feed-in Tariff services

We've always believed that decentralised generation, with energy being generated at home and in communities, is as important for our future energy security as for cutting carbon emissions. So we were very pleased when many years of campaigning culminated in the introduction of a Feed-in Tariff scheme (FIT) to reward independent generators in April 2010.

Our own award-winning HomeGen and SmartGen schemes were precursors of the FIT, so we already had the systems and knowledge in place to deliver it to our generation customers, and have seen very fast growth in the numbers of generators since it was announced. As the leading supporter of small and medium-sized renewable generators, we believe our expertise, processes and systems are unmatched in the industry.

Better Customer Care

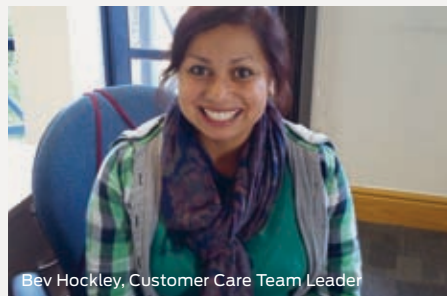
We already know that our customers appreciate the fact that when they call us they quickly get through to a real person in our Wiltshire offices 90 percent of the time. We're also particularly proud of the high standard of advice our Customer Care team members can offer, and in 2009 we introduced two new initiatives to help develop their skills further. As part of Good Energy's partnership with the Energy Savings Trust, we've developed a new EST-endorsed energy savings advice service. To keep them at the top of their game, our Customer Care team regularly takes part in tailored energy-efficiency workshops.

We also launched our Good Energy Academy. This aims to ensure a consistently high level of service to customers, help employees fulfill their role to their best of their ability, encourage personal and professional development, and that achievements are recognised. Each advisor can answer a broad range of customer queries – from how to reduce energy bills to putting solar panels on the roof.

We're confident these initiatives make our Customer Care team one of the best around – which was affirmed when Good Energy topped Which? magazine's utility satisfaction survey in April 2010 for our customer service.



Solar pv in Bristol



Bev Hockley, Customer Care Team Leader

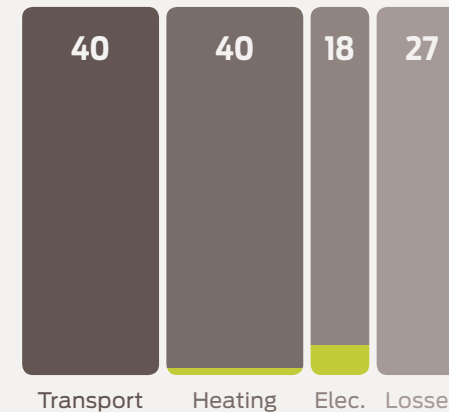
Still the UK's only dedicated 100% supplier

Good Energy remains unique in the electricity supply industry in having a 100% renewable fuel mix. But it is still the case that the vast majority of Britain's electricity comes from brown energy, as the graphic below shows.

Those utilities which supply brown power will continue to depend on fossil fuels and focus on maintaining the status quo. They aren't interested in change, there's no incentive for them to change, and they'll continue lobbying government to keep the things the way they are.

Good Energy's approach is different. We believe in an energy future based on wind, hydro, tidal and solar power. And we're prepared to ask the government the difficult questions we believe need asking about the future of renewable energy.

Current UK energy consumption (kWh/d per person)



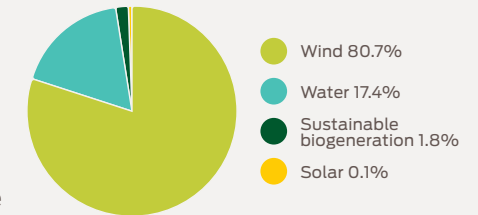
● Fossil fuels & nuclear ● Renewable

Source: David McKay, *Sustainable Energy – without the hot air*

Our electricity mix

During the period 2009 – 2010, 6% of our power was supplied by our wind farm in Delabole. From 2011 onwards we expect this to increase to around 20%. The rest comes from our community of small to medium-sized independent renewable generators across Britain. The graph below shows how it's accounted for by different green energy sources:

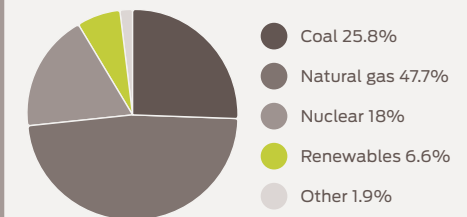
Good Energy electricity mix



Period: April 2009 to March 2010

While Good Energy's electricity has always been 100% renewable, the UK's average electricity fuel mix still only includes 6.6% renewables – see below

UK average fuel mix



Fuel mix disclosure period: April 2009 to March 2010
Source: Department for Energy and Climate Change

Personal carbon trading scheme

When it comes to saving carbon, we wanted to encourage Good Energy employees to practice what they preach. So, in September 2010 we launched a new voluntary carbon trading scheme at our offices. We chose PACT – Personal Allowance Carbon Tracking – because it recognises that renewable energy is zero carbon and can make a real difference to your carbon footprint, while many other schemes treat all electricity as having the same 'grid-average' emissions. More than two-thirds of Good Energy employees have opted in to the scheme and are having their carbon usage monitored on a quarterly basis using a web-based, tracker tool.

“Choosing Good Energy as your electricity supplier encourages small-scale generation in the UK; it's like shopping at the local farmers' market rather than a supermarket.”

Good Energy customers Mark and Samantha Fletcher.

Awards and accolades

Winning awards is an independent affirmation that others understand and value the work we are doing. In 2009 we gained the following accolades:

- Topped Which? utility customer satisfaction survey
- West of England Business of the Year
- Observer Ethical Award for Good Energy Shop
- Sunday Times Best Green Companies Award (for the second year running)
- Wiltshire Wildlife Trust Green Award for Climate Change Impact for HotROCs
- Sustainable Housing Awards Innovation Award
- Ethical Company Organisation's Ethical Company Status
- Ethical Consumer magazine's Best Buy for Green Electricity
- Juliet was named a Top 20 Eco Hero by At Home magazine; and Plus Markets CEO of the Year for the second year in a row



Turning the market upside down

We've always worked hard where it counts to influence policy-makers and the industry, and 2010 saw some of our lobbying work come to fruition with the introduction of two new schemes to support the growth of renewable energy in the UK: Green Energy Certification and the Feed-in Tariff.

Green Certification

The independent Green Energy Supply Scheme launched in February 2010 guarantees the environmental benefit of your green electricity supply, in much the same way as the Fair Trade mark guarantees the ethical provenance of products you buy. For many years Good Energy campaigned for a form of certification for green electricity, and we chaired the working party which implemented the scheme.

As well as guaranteeing the 100% renewable provenance of green electricity the scheme highlights the importance of suppliers' fuel mix – something we felt was critical to make a fair comparison of the green credentials of different energy companies. It also requires that for every customer there must be an additional measurable carbon mitigation of 50kg per customer per year. For customers on our main tariff, we've chosen to do this by investing in renewable heat generation projects that will benefit local communities. With heat accounting for 36% of the UK's overall energy usage, creating 175 million tonnes of carbon emissions per year, we're going some way towards redressing this.

Customers on our main tariff will still be getting the same 100% renewable electricity, guaranteed and certified, but now they will be helping grow renewable heat in the UK as well.

Our first community biomass project

The first such project we invested in on behalf of our customers is the installation of a biomass boiler at St Mary's School, Timsbury, near Bath. Powered by sustainable, locally-sourced wood pellets, the new boiler heats the whole school. Over the next seven years, as the pupils move from reception to Year 6, St Mary's Primary School will have saved 280 tonnes of CO2, and typically save 15% a year on its fuel bills.

Headteacher Sue Heal said: "Here at St Mary's we aspire to raise environmentally aware pupils, regardless of their age, and going forward we will be educating our pupils on the boiler's installation as part of their wider education on how to care for our environment."

We chose St Mary's because it has been working towards this target for seven years; Good Energy was the catalyst that enabled it to happen.



Turning the market upside down

Rewards for renewable generators

We led the market with our own innovative reward schemes, HomeGen and SmartGen, which culminated in the government launching the Feed-in Tariff scheme in 2010. We'll be continuing to work with our campaign partners to make sure the FIT remains fit for purpose.

We've also been lobbying for a Renewable Heat Incentive. We showed the government how it could work when we launched HotROCs, our own version of an RHI, which pays domestic solar thermal generators for their heat energy and is funded by revenues from Gas+. So we're very pleased the government has confirmed it will introduce the RHI in 2011-2012.

Working with the government

The new coalition government took office in May 2010 claiming to be 'the greenest government ever.' How it deals with the challenges we face regarding climate change and increasing concerns about the security of energy supply will be of critical importance, and we will continue to lobby policy-makers to help shape their policies, ensuring they are both cost effective and deliver on their targets.

Juliet Davenport met Chris Huhne, Secretary of State for Energy and Climate Change, shortly before the election and he clearly understands the need for a strong energy policy to deal with climate change. The Comprehensive Spending Review in October 2010 was a big test of the government's green credentials, and we were pleased that the government reaffirmed its support for Feed-in Tariffs and the Renewable Heat Incentive.

Smarter usage

Another core feature of the UK's future energy landscape is Smart Metering, and we've been making good progress in that area too. We've already installed Smart Meters at some of our flagship and large business customers, including Friends of the Earth and Greenpeace – and in our own offices. We are also involved with the government's consultation and workshops on Smart Metering, and partnered in smart meter trials for some of our generators. We are expecting the government to make the final specifications known around late 2011, when we'll be able to tell our customers our plans for rolling out Smart Meters. Until then, our customers can track their energy usage with one of the latest energy monitors from the Good Energy shop. www.goodenergyshop.co.uk

“Solar panels don't need direct sunlight to generate energy. It's actually more viable to have solar panels here in central Manchester than it is in the Sahara, because of the Feed-in Tariffs.”

Stephen Beech, Solar PV generator, Manchester landlord

“Climate change is the definition of a global threat. A failure to act in time will affect us all. If we cannot deal collectively with such a threat to our very existence as a species on this planet, we are lost.”

Chris Huhne, MP, September 2010, to Chatham House

100% Renewable Britain

The UK has a binding target to meet by 2050; reducing carbon emissions by 80% from a 1990 baseline figure. Business as usual will not get us there. We need to turn the energy market upside-down.

But Good Energy believes we can not only meet these targets, but exceed them. We believe that the UK can become 100% renewable by 2050.

We've been working on changing Britain's energy landscape for 10 years with our innovative approach. We understand what needs to be done, and what we need to do.

If we are to reach our emissions targets we're not just going to have to change how we keep the lights on, we'll need to completely transform how we heat our homes; how we travel; and how we power industry. The answer will be increased electrification of all our networks, in turn pushing electricity demand to at least double current levels. Meeting that increased demand from renewable sources will be more than a goal, it'll be a necessity.

Professor David McKay is a personal hero of ours for his clear and simple approach. Based on the analysis laid out in his seminal book 'Sustainable Energy Without the Hot Air', we've developed a pathway which clearly maps out how the rest of the energy market can join us to provide 100% renewable energy to the UK by 2050. This involves changes to UK energy at every stage of the process, from grid management to investment, and from R&D to transport.

For example, because renewable electricity comes from nature's abundant resources – wind, water and the sun – its output isn't always predictable. Our systems require massive improvements in how to forecast, store and manage renewable power, and how to back it up.

“This is crunch time right now. All of the climate prediction models suggest we're on the worst-case trajectory, and some cases worse than the worst case. That's my depressing take on it. My optimistic take, however, says you must never underestimate how much positive change can achieve.”

James Murdoch, Sky

Consumers will also need to develop a new, much closer and more intelligent relationship with the energy they use. When people understand where their energy comes from, they will value it more and use it less.

It won't be easy, but a 100% renewable future by 2050 is possible.

We'll be signposting the way with a series of detailed reports on how we will get there, starting with research into the electrification of transport and potential for biogas.

To keep up with our progress, subscribe to our enews; read our blog www.greenenergyrepublic.com and follow us on Facebook and Twitter.

“If there's reason for hope, it lies in man's occasional binges of co-operation. To save our planet, we'll need that kind of heroic effort, in which all types of people join forces for the common good”

George Meyer, writer for *The Simpsons*

2010 Today's Energy is

- 97% brown
- Undervalued and wasted
- Centrally owned and imported
- Complex and opaque
- Volatile and vulnerable
- Damages the environment
- Finite

2050 Homegrown Energy is

- 100% green
- Intelligently managed
- Independent and locally sourced
- Easily understood
- Stable and secure
- Preserves the environment
- Renewable

Smith & Williamson

Independent Assurance Report to the Directors of Good Energy Limited on Renewable Obligation Certificates of for the year ended 31 March 2009

We have been engaged by the directors of Good Energy Limited ("the Company") to perform an independent reasonable assurance engagement in respect of Renewable Obligation Certificates (ROC) of the Company for the year ended 31 March 2009. The directors have represented to us the following statements (together "the ROC Statement") that:

- in the period from 1 April 2008 to 31 March 2009 the Company sold 128,003 MWh of electricity to its customers; and
- for the period from 1 April 2008 to 31 March 2009 the Company surrendered sufficient renewable obligation certificates (ROC) to meet the Government's target of 9.1% of MWh usage for the period. Good Energy also retired ROCs to the equivalent economic value of 5% above the compliance level (Value of £54.37 per Ofgem annual report 2008/09).

Respective responsibilities of the Directors and Nexia Smith & Williamson

The Directors are responsible for preparing the above statements in accordance with the criteria set out in the Renewables Obligation Order 2006 and the Renewables Obligation (Scotland) Order 2007.

Our responsibility is to form an independent opinion, based on our assurance procedures, on whether the ROC Statement is fairly stated, in all material respects.

This report, including the opinion, has been prepared for the Company to assist the Directors in reporting compliance with the criteria set out in the Renewables Obligation Order 2006 and the Renewables Obligation (Scotland) Order 2007. We permit the disclosure of this report by the Directors in the Company's Values Report to enable the Directors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the ROC Statement. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors and the Company for our work or this report save where terms are expressly agreed and with our prior consent in writing.

Assurance work performed

We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 - 'Assurance Engagements other than Audits or Reviews of Historical financial Information' issued by the International Auditing and Assurance Standards Board.

Our work included examination, on a test basis, of evidence relevant to the ROC Statement. It also included an assessment of the significant estimates and judgements made by the Directors in the preparation of the ROC Statement. We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence on which to base our opinion in respect of the ROC Statement.



Our work included the following procedures:

- Making enquiries of relevant management;
- Testing the preparation and collation of the electricity supply data including review of the underlying input information on a sample basis;
- Undertaking analytical procedures over electricity supply data; and
- Obtaining written representations from management.

Inherent limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable measurement techniques which can result in materially different measurements and can affect comparability. The precision of different measurement techniques may also vary. Furthermore the nature and methods to determine such information, as well as the measurement criteria and precision thereof, may change over time. It is important to read the ROC Statement in the context of the criteria set out in the Renewables Obligation Order 2006 and the Renewables Obligation (Scotland) Order 2007. Our assurance work has not included examination of the derivation of those factors and other third party information.

Conclusion

In our opinion, in all material respects, based on the criteria set out in the Renewables Obligation Order 2006 and the Renewables Obligation (Scotland) Order 2007,

- in the period from 1 April 2008 to 31 March 2009 the Company sold 128,003 MWh of electricity to its customers; and
- for the period from 1 April 2008 to 31 March 2009 the Company surrendered sufficient renewable obligation certificates (ROC) to meet the Government's target of 9.1% of MWh usage for the period. Good Energy also retired ROCs to the equivalent economic value of 5% above the compliance level (Value of £54.37 per Ofgem annual report 2008/09).

Nexia Smith & Williamson

Nexia Smith & Williamson

Bristol

Date 9 December 2010

Our additional environmental benefit

From ROC retirement to Green Certification

Since 2002, our main electricity tariff has followed the Green Energy Guidelines published by Ofgem in that year. Our 'additionality' – the requirement that our electricity should result in an additional net environmental benefit for the consumer – was achieved through retiring Renewable Obligation Certificates (ROCs) above and beyond our regulatory requirement. This was a simple mechanism to verify and offered additional support to the UK's renewable energy market. We retired ROCs for the last time for the period up to April 2010, and wrote to all our customers explaining this earlier this year.

We have always employed an independent auditor to verify our claims on ROC retirement – and their verification report is reproduced on pages 12 and 13.

Under the new 2010 Green Certification Scheme Good Energy will achieve our additionality by supporting the development of the UK's renewable heat market, a market that has been long forgotten by our policy-makers in the UK. Our plans are explained in greater detail on page 7.

A recent consultation by Consumer Focus, Britain's consumer watchdog, recommended that utility broker sites only list certified electricity tariffs as 'green'; and that they rank those listings according to fuel mix. A decision we were delighted with as it validates our belief that 100% renewable is as green as you can get.

Our pricing policy

We are often asked why it costs more to supply electricity from purely renewable sources (around £1 a week more for the average household). The answer is due to intrinsic differences between the way renewables are traded compared with fuel from conventional sources.

As well as supplying electricity from our own wind farm Good Energy buys from renewable generators who, by definition, rely on the natural elements for their 'power source'. Over a 12-month period, we commit to buy the same amount of electricity from renewable generators as we supply to our customers. The challenge we face is how to deliver power securely to our customers when our fuel sources – wind, solar, biogeneration and small-scale hydro – are variable, unlike fossil fuel power stations which can be run to a set time and agreed capacity.

Because of this variability in generation, we manage our energy portfolio on a daily basis using weather forecasts and weather information from across the UK, receiving seven separate weather feeds from the main wind power stations we buy power from, as well as general information about precipitation and cloud coverage.

So, rather than just buying a fixed amount of power well in advance to match our customers forecast needs, we have to balance our energy portfolio every day, which accounts for a large proportion of Good Energy's price premium. We are now working with Loughborough


University and risk advisors to optimise the way we trade power and reduce these costs.

Another additional cost relates to ensuring that green energy isn't double counted (i.e. sold twice to business and domestic customers), so we also purchase various certificates related to that power (Levy Exemption Certificates and Renewable Energy Guarantee of Origins, known in the industry as LECs and REGOs). Their additional cost makes up the remaining part of the price premium for supplying 100% renewable electricity.

Gas strategy

We've been supplying gas to customers since 2008, after more than half of them asked us for it. To ensure that was in line with our mission to make a difference to climate change, we've been using revenues from Gas+ to fund our own version of a renewable heat incentive, HotROCs.

Now that many years of campaigning for RHI have come to fruition, we'll be reviewing our Gas+ and HotROCs products in advance of the launch of the RHI in 2011. There is still huge potential to grow the contribution renewables can make to the heat sector, so our future strategy for supplying gas will be based on taking the most effective action to reduce emissions and create a sustainable, 100% renewable, energy future – in addition to the government's incentives.

	Electricity Mix	
	Coal 0% Natural Gas 0% Nuclear 0% Renewable 100% Other 0%	Our innovative approach continues to shape the energy industry. On behalf of customers on our Good Energy tariff we will invest in renewable heat generation projects that will benefit local communities. The income from these schemes will be entrusted to an independent body to invest in further projects, creating ongoing carbon savings.
Independently certified electricity which meets Ofgem's Supply Guidelines		



We're investing in better weather forecasting techniques so we can reduce costs

Join the homegrown energy movement

Looking ahead – our immediate priorities

Growing the number of customers Good Energy has gives us a louder voice for our campaigning work. In 2010 we developed our pathway to a 100% renewable future; in 2011 we'll be taking the first steps along that pathway focusing on the following priorities:

- A clear policy framework for renewables. The UK needs a stable, long-term set of policies to support the growth of green energy in the UK. At the heart of this is a clear and consistent approach to FITs so that both existing and new renewable generators are supported; but it also includes work on the RHI, climate change levy and the planning framework.
- Better recognition of the role of renewables in reducing carbon emissions. Renewable electricity is zero carbon, and should be recognised as such in evaluating a 'green' electricity tariff. Britain needs to come in line with common practice outside the UK which recognises that an organisation's emissions from electricity use should not be based on the average fuel mix of the national grid, but on the electricity mix of its choice of tariff – in the case of renewables, zero carbon. This would encourage much greater uptake for renewable energy and would be a fantastic step forward for the UK.
- The structure of the UK energy market. A clear advantage must be given to renewable energy in the structure of the electricity market in the UK. The National Grid should be required, through its licence, to prioritise the purchasing and access of renewable energy on the electricity grid, which would boost demand for renewables.

Help spread some Good Energy

We've been able to make real changes in the energy market thanks to the support of our growing community of customers and generators – and we know that personal recommendation is more powerful than any advertising. Please keep spreading the word. We continue to offer £25 off your bill as well as £25 for your friends as an incentive.

If you run a business, switching to 100% renewable electricity will help boost your environmental credentials with your customers. So please contact us and we'll be happy to give you a quote for supplying your business. We can also offer affiliate partnerships with financial rewards for encouraging your employees and customers to switch to Good Energy too.



We're powered by
Good Energy

“The solar PV is great. The panels just sit there generating. We have a monitor in the kitchen that tells us whether we are exporting electricity or not and when we are that's a trigger for us to put the washing machine on, for example. The combination of the monitor and the solar panels means we know we are making the best use of our electricity.”

The Hole family, 3 kWp PV array,
Shepton Mallet, Somerset



Good Energy

**Switch to 100% renewable
electricity today**

Visit goodenergy.co.uk to sign up
or call 0845 456 1640

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Cover and inside cover image:
A new turbine goes up at Delabole