

British Gas Trading Limited (submission for Centrica Plc Group)

Consolidated Segmental Statement (CSS) for the Year Ended 31 December 2023

The CSS is prepared in complying with the requirements of Ofgem's Standard Condition 19A of the Gas and Electricity Supply Licenses established by the regulator Ofgem. Ofgem's principal objective is to protect the interests of existing and future electricity and gas consumers. The CSS aims to provide transparency of supplier profitability which is key in monitoring whether the market is working well for consumers and is also important in building consumer confidence. The basis of preparation is not the same as segmental reporting under IFRS and/or statutory reporting. As a result, the CSS may not be suitable for another purpose.

Year ended 31 December 2023	Electricity Supply			Gas Supply		Aggregate Supply Business
	Unit	Domestic	Non-Domestic	Domestic	Non-Domestic	
Total revenue	£m	7,899.3	4,026.2	7,796.2	1,322.1	21,043.8
Sales of electricity & gas	£m	7,895.4	4,026.2	7,793.1	1,322.1	21,036.8
Other revenue	£m	3.9		3.1		7.0
Total operating costs	£m	7,255.0	3,859.7	7,659.1	1,288.5	20,062.3
Direct fuel costs	£m	4,348.4	2,237.9	5,358.6	1,007.7	12,952.6
Direct costs	£m	2,220.9	1,332.8	1,480.2	190.3	5,224.2
Transportation costs	£m	1,163.9	664.8	1,201.0	130.1	3,159.8
Environmental and social obligation costs	£m	956.2	588.6	192.1	2.7	1,739.6
Other direct costs	£m	100.8	79.4	87.1	57.5	324.8
Indirect costs	£m	685.7	289.0	820.3	90.5	1,885.5
EBITDA	£m	644.3	166.5	137.1	33.6	981.5
DA	£m	26.4	12.8	29.8	5.5	74.5
EBIT	£m	617.9	153.7	107.3	28.1	907.0
Volume	TWh, MThms	17.2	12.5	2,227.6	579.5	N/A
WACOE/G	£/MWh, p/th	252.8	179.0	240.6	173.9	N/A
Average customer numbers/sites	'000s	5,981.4	473.0	6,763.2	201.8	N/A

Notes:

- (i) WACOE is calculated using Volumes to the nearest pence in £/MWh
- (ii) WACOG is calculated using Volumes to 1 decimal place in p/th
- (iii) Volumes for Electricity is prepared to 1 decimal place in TWh
- (iv) Volumes for Gas is prepared to 1 decimal place in MThms
- (v) All revenues, costs and depreciation are entered as positive values
- (vi) EBITDA (Earnings before Interest, Tax and Depreciation) and EBIT (Earnings before Interest and Tax) are a profit (positive)

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Glossary of terms

- ‘WACOE/G’ is weighted average cost of electricity (supply) and gas (supply) calculated by dividing direct fuel costs by volumes.
- ‘EBITDA’ is earnings before interest, tax, depreciation and amortisation, and is calculated by subtracting total operating costs from revenue.
- ‘DA’ is depreciation and amortisation.
- ‘EBIT’ is earnings before interest and tax, and is calculated by subtracting total operating costs, depreciation and amortisation from total revenue.
- ‘Volume’ for Supply is supplier volumes at the meter point (i.e. net of losses).
- ‘Average customer numbers/sites’ are calculated by adding monthly closed customer numbers/sites and dividing by 12, as defined in the basis of preparation section.

Basis of preparation

The following notes provide a summary of the basis of preparation of the 2023 submission

These statements have been prepared in accordance with Standard Condition 19A of the Electricity and Gas Supply Licences and the basis of preparation. These statements form the submission for the Centrica Plc Group. The Group also includes Neas Energy Limited, which holds a supply licence but, as this entity did not supply any UK customers, it does not impact the disclosed numbers.

The financial data provided has been taken from financial information for the year ended 31 December 2023, included in the British Gas Trading Limited Statutory Accounts which have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (‘FRS 101’).

The CSS has been prepared on a going concern basis, as described in the Directors’ Report of the British Gas Trading Limited Statutory Accounts for the year ended 31 December 2023.

Domestic Supply represents the revenue and associated costs in supplying gas and electricity to residential customers in the UK. Non-Domestic Supply represents the revenue and associated costs in supplying gas and electricity to business customers in the UK.

A reconciliation of the CSS revenue and EBIT to the British Gas Trading Limited accounts for the year ended 31 December 2023 have been included in accordance with Standard Licence Condition (SLC) 19A and aligned to the guidance published by Ofgem.

Revenues

Revenues, costs and profits of the Licensees have been defined below and prepared in compliance with the Company’s Accounting policies as detailed in notes 2 and 3 of the British Gas Trading Limited Statutory Accounts for the year ended 31 December 2023.

- Revenue from sales of electricity and gas for the Supply segment is recognised on the basis of electricity and gas supplied during the year to both domestic and non-domestic customers.
- Revenue from sales of electricity and gas includes an assessment of energy supplied to customers between the date of the last meter reading and the year end (unread). For the respective Supply segments this means electricity and gas sales. Revenue for domestic supply is after deducting discounts where applicable, with the discount split evenly between electricity and gas. Government mandated social tariffs and discounts, such as the Warm Home Discount, and other social discounts, have also been deducted from Domestic Supply revenues directly, charged specifically to each fuel.

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- Revenue not related to the sale of gas or electricity but part of licensed activity have been included in the other revenue category and relates to New Housing Connections.
- Revenues not related to the sale of gas or electricity have not been disclosed, but have been reconciled separately. These revenues include non-licensed activities such as the provision of smart metering installations, in addition to mark to market adjustments.

Direct fuel costs

Direct fuel costs for Supply include electricity, gas, and imbalance costs.

- Energy supply to Domestic and Non-Domestic energy customers is procured at a market referenced price, through a combination of bilateral, over-the-counter (OTC) and exchange-based trades/contracts (see table below). Where energy is procured from within the Centrica Group it is also at a market referenced price on an OTC basis. The market referenced prices used are those prevailing at the time of procurement, which may differ from the price prevailing at the time of supply.
- Domestic and Non-Domestic fixed price products are hedged based upon anticipated demand at the start of the contract period. Domestic default tariff products are hedged in line with anticipated demand and aligned to the mechanism under which the Ofgem energy price cap (default tariff) is set. The majority of the gas and electricity for Non-Domestic energy and Domestic energy tariff products is purchased in advance (see table below).
- The exact Domestic and Non-Domestic purchasing patterns vary in response to the outlook for commodity markets and commercial factors, and the volume risk sits with the Licensee, British Gas Trading Limited.

How we procure electricity and gas:

Long form bilateral contracts ('bilateral')	Individually negotiated contracts with non-standardised terms and conditions which may relate to size, duration or flexibility. Pricing is predominantly indexed to published market referenced prices, adjusted for transfer of risks, cost of carry and administration.
OTC	Broker supported market of standardised products, predominantly performed via screen-based trading. These transactions are between two parties, leaving both parties exposed to the other's default with no necessary intermediation of any exchange. An internal OTC price may be provided where market liquidity prevents external trading, with prices that are reflective of market conditions at the time of execution.
Exchange	Regulated electronic platform (notably ICE, APX, and N2EX) where standardised products are traded on exchange through the intermediary of the clearing house which becomes the counterparty to the trade. Membership of a clearing house is required which entails posting of cash or collateral as margin.

WACOE/WACOG

- This covers the wholesale energy cost, and balancing and shaping costs incurred by British Gas Trading Limited. Again, gas and electricity is procured at market referenced prices through a combination of bilateral, OTC and exchange-based trades/contracts. The cost for the Supply business will reflect market referenced prices at the time of procurement, and so may differ from the price prevailing at the time of physical supply. Where gas is procured using (predominantly indexed) bilateral contracts, the fuel cost is then allocated between Domestic and Non-Domestic Supply using annually updated fixed percentages based on the historical split of tariff book volumes. Gas and Electricity balancing costs are allocated between Domestic and Non-Domestic Supply based on their respective volumes multiplied by an appropriate industry referenced price (for example APX or SAP).
- For electricity Supply the weighted average cost of electricity is shown as £/MWh. For gas Supply, the weighted average cost of gas is shown as p/th.

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Direct costs

Direct costs are broken down into transportation (network) costs, environmental and social obligation costs and other direct costs.

- Transportation costs include network transportation costs, BSUoS, DUoS and TNUoS and LNG costs incurred by Gas Domestic Supply, which enables the segment to secure supply by giving the ability to bring gas into the UK from overseas.
- Environmental and social obligation costs for Domestic Supply include ROCs, FIT, ECO and UK Capacity Market costs. Non-Domestic Supply includes the cost of ROCs, FIT and UK Capacity Market costs. Within the Domestic and Non-Domestic segments, the costs of FIT, ROCs and UK Capacity Market costs are included within Electricity, and ECO is allocated between Electricity and Gas based on the relevant legislation.
- Other direct costs for Supply include brokers' costs and sales commissions when the costs have given rise directly to revenue, that is, producing a sale. They also include Elexon and Xoserve market participation and wider smart metering programme costs.

Indirect costs

Indirect costs include operating costs such as sales and marketing, bad debt, costs to serve, IT, HR, finance, property, staffing and billing and metering costs (including smart meter costs).

- Indirect costs for Domestic and Non-Domestic Supply segments (including corporate and business unit recharges) are allocated based on relevant drivers, which include turnover, headcount, operating profit, net book value of fixed assets and proportionate use/benefit. Indirect costs (including corporate recharges but excluding bad debt costs) are primarily allocated between Electricity and Gas on the basis of customer numbers (Domestic) and sites (Non-Domestic). Bad debt costs are allocated between Electricity and Gas on the basis of revenues.
- Costs not related to the sale of gas or electricity have not been disclosed, but have been included as part of the EBIT reconciliation. These costs include non-licensed activities such as the provision of smart metering installations, in addition to mark to market adjustments.

Other

- Depreciation and amortisation is allocated between Electricity and Gas on the basis of customer numbers (Domestic) and sites (Non-Domestic).
- For the Domestic Supply segment, customer numbers are stated based on the number of district meter point reference numbers (MPRNs) and meter point administration numbers (MPANs) in our billing system (for gas and electricity respectively), where it shows an active point of delivery and a meter installation. As a result, our customer numbers do not include those meter points where a meter may recently have been installed but the associated industry registration process has yet to complete, as the meter information will not be present in our billing system.
- For the Non-Domestic Supply segment, sites are based on the number of distinct MPRNs and MPANs in our billing system for gas and electricity respectively.

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Reconciliation of CSS to British Gas Trading Limited Statutory Accounts 2023

The reconciliation refers to the analysis of the Income Statement for the year ended 31 December 2023 for British Gas Trading Limited. The table below shows how the CSS reconciles with the revenue and EBIT (operating profit) in the British Gas Trading Limited Statutory Accounts:

	Unit	Revenue	EBIT
CSS Supply British Gas Energy	£m	21,043.8	907.0
1 Non-licence activities	£m	140.1	54.2
2 Mark to Market adjustments	£m	187.3	254.8
British Gas Trading Limited Statutory Accounts	£m	21,371.2	1,216.0

Notes:

1. British Gas Trading includes non-licensed activities which have been excluded from CSS Revenue and Operating Profit. This is primarily the provision of smart metering installations but also includes a reversal of credit losses on financial assets.
2. British Gas Trading includes Mark to Market Adjustments which has been excluded from CSS Revenue and Operating Profit.