

Decision

Reviewing the Consolidated Segmental Statements – Our Decision

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This document sets out our decision to revise the licence conditions requiring publication of a Consolidated Segmental Statement (CSS). The effect of these modifications is to expand the CSS reporting obligation to cover a wider proportion of the domestic and non-domestic market, providing greater transparency of supplier profitability.

These modifications to the Standard Licence Condition (SLC) 19A of the Gas and Electricity Supply Licences and SLC 16B of the Electricity Generation Licence will take effect from 29 March 2024.

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1. Introduction

Section summary

This section sets out the context for our decision and informs stakeholders about the steps we have taken to arrive at our decision.

Context and related publications

- 1.1. The Consolidated Segmental Statement (CSS) licence condition was introduced in 2009 with the aim of providing a better understanding of the relationship between the generation and energy supply business of vertically integrated companies by reporting each business segment's profitability separately. This was to address concerns of vertically integrated companies cross-subsidising their supply business with their generation activities.
- 1.2. In today's energy market vertical integration is no longer a significant feature and in recent years only four suppliers have been obliged to submit a CSS. It therefore became necessary for us to review the licence conditions to ensure the CSS can support our work in an evolving energy market.
- 1.3. On 25 August 2023, we published a policy consultation seeking views on our proposals to revise Standard Licence Condition (SLC) 'Financial information reporting', which requires publication of a CSS.
- 1.4. On 30 November 2023, we published a statutory consultation amending our proposals in light of stakeholder feedback.
- 1.5. We are now publishing our decision, following the consultation process, to amend the licence conditions which will expand the CSS reporting obligation to a wider proportion of the domestic and non-domestic markets. This decision aims to increase transparency of supplier company profitability which is key in monitoring whether the market is working well for consumers and is also important in building consumer confidence. Providing third parties access to this information also allows them to hold challenge to both suppliers and Ofgem as regulator.
- 1.6. The CSS will be kept under review to ensure the requirements remain fit for purpose.

Related Publications

- Policy Consultation (2023):
<https://www.ofgem.gov.uk/publications/reviewing-consolidated-segmental-statement-our-initial-proposals>

Decision – Reviewing the Consolidated Segmental Statements – Our Decision

- Statutory Consultation (2023):
<https://www.ofgem.gov.uk/publications/reviewing-consolidated-segmental-statements-our-final-proposals>
- Links to suppliers' Consolidated Segmental Statements under previous SLC 19A condition:
<https://www.ofgem.gov.uk/publications/energy-companies-consolidated-segmental-statements-css>

Our decision-making process

- 1.7. We have engaged with stakeholders throughout our decision-making process. We issued a policy consultation with our initial proposals in August 2023. We then issued a statutory consultation on proposed licence changes in November 2023.
- 1.8. Alongside these formal consultations we have engaged informally with stakeholders, meeting bilaterally to listen to their feedback.

Decision-making stages

Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	Stage 6
Policy Consultation open.	Consultation closes. Deadline for responses to Policy Consultation.	Responses reviewed and Statutory Consultation published.	Statutory Consultation closes. Deadline for responses.	Responses reviewed and published. Publish modification decision.	Revised licence modification to take effect (56 days after the modification decision).
25/08/2023	22/09/2023	30/11/2023	12/01/2024	01/02/2024	29/03/2024

Our Decision

- 1.9. Following stakeholder engagement, we have decided to make changes to Standard Licence Conditions (SLCs) to expand the CSS reporting obligation to cover a wider proportion of the domestic and non-domestic energy market.
- 1.10. Accordingly, this decision document is accompanied by Decision Notices to modify:
- SLC 19A of the Gas Supply Licence
 - SLC 19A of the Electricity Supply Licence
 - SLC 16B of the Electricity Generation Licence by removal of licence condition 16B
 - The Guidelines for submitting the CSS

Implementation

- 1.11. The revised licence conditions will come into effect on 29 March 2024 (56 days after the modification decision is published). We expect obliged suppliers to publish a CSS with their 2023 accounts no more than ten months after their 2023 financial year-end. For example, if a company has a December year-end, we expect publication by October 2024. If a company has a March year-end, we expect publication by January 2025.

Next Steps

- 1.12. Previously CSS data was published within several indicators on our Data Portal¹ however this was paused as the CSS data was no longer representative of the market. Following this decision to expand the CSS obligation to cover a wider proportion of the domestic and non-domestic market, we will aim to restore publication of indicators and scope additional indicators where we see a benefit to consumers and/or third parties.
- 1.13. Our decision aims to increase transparency of supplier profitability and ensure consumers are treated fairly. We will keep our decision under review to ensure that the CSS meets our objectives and is proportionate in doing so.

General feedback

- 1.14. We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this report. We'd also like to get your answers to these questions:
1. Do you have any comments about the overall quality of this document?
 2. Do you have any comments about its tone and content?
 3. Was it easy to read and understand? Or could it have been better written?
 4. Are its conclusions balanced?
 5. Did it make reasoned recommendations?
 6. Any further comments
- 1.15. Please send any general feedback comments to stakeholders@ofgem.gov.uk.

¹ Ofgem Data Portal:
<https://www.ofgem.gov.uk/data-portal/overview>

2. Decision to modify the CSS licence requirement

Section summary

We outline our decision to modify the CSS licence requirement, following our consideration of stakeholder feedback to the 2023 statutory consultation.

What did we consult on?

- 2.1. This decision paper is following our CSS statutory consultation published in November 2023 where we set out our final proposals to revise the CSS licence conditions. Our proposals considered four key changes relating to removing the requirement to hold a generation licence, lowering the domestic and non-domestic threshold levels, removing the audit requirement and to request an additional column reporting on 'other' activities separate to the supply or generation business.
- 2.2. We received a total of 15 responses to our CSS statutory consultation. We have considered stakeholder responses and have responded through our decisions as detailed below.

Summary of stakeholder feedback and our decision

Aims of the CSS

Our November 2023 Statutory consultation proposal

- 2.3. We proposed to keep the CSS within licence conditions and lower the thresholds to increase market coverage in both the domestic and non-domestic market. This aims to increase transparency in the energy supply market and capture information that is representative and proportionate in terms of the number and type of suppliers.

Stakeholder Feedback

- 2.4. Two respondents noted that their financial information is available on Companies House and there is no further insight to be gained from the CSS for Ofgem, consumers or third parties.
- 2.5. One stakeholder mentioned they do not see how the CSS would aid consumer understanding and suggested a wider campaign of education would be better placed to increase public confidence in the retail energy market.

Decision

- 2.6. We have decided to keep the CSS licence condition in place and expand to cover a wider share of the domestic and non-domestic markets. This will result in inclusion of suppliers who previously were not obliged to publish a CSS, making visible to the public.
- 2.7. The CSS includes financial information on the supply business separate to any other activities, which is not always the case for statutory accounts on Companies House. Further, the CSS is split between fuel type and the domestic and non-domestic supply business allowing consumers and third parties a view of profitability for different energy supply market segments.
- 2.8. The CSS should be provided at a Group level where applicable, and this supports our aims of providing transparency of supplier profitability, rather than the licensee level which is provided in Companies House. Many suppliers hold multiple licences, and a CSS at Group level will allow a view of how the different entities integrate for oversight of a company's supply business profitability in its entirety.
- 2.9. We will continue to publish a list of supplier CSS publications to our website, for the public and industry's ease of access, aiming to encourage engagement and confidence in the energy supply sector.

Supplier Thresholds

Our November 2023 Statutory consultation proposal

- 2.10. We proposed to remove the requirement for a supplier to hold a generation licence to be a Relevant Licensee under the CSS licence condition, as vertical integration is no longer a significant feature of the market.
- 2.11. We proposed to use a static threshold figure for the domestic and non-domestic market. We proposed to lower the domestic threshold level to 50,000 or more meter points in either gas or electricity.
- 2.12. For the non-domestic market, we changed our proposal to use a static threshold instead of a threshold based on market share of supply volumes. This allows suppliers to internally monitor when they fall under the threshold for CSS submissions. Using a static threshold measure preserves the confidentiality of supplier pricing unlike using volume of supply to calculate market share. We found that using volume of supply could capture suppliers with only a few customers and could show potentially commercially sensitive information. We found 10 meter points, in either gas or electricity, currently provides coverage of around 90% of the suppliers in the non-domestic market and meets our aim of collecting CSS data which is broadly representative of the market. We noted that thresholds

may be periodically reviewed if market changes result in the CSS submissions becoming unrepresentative, and any changes would be made following consultation.

Stakeholder Feedback

- 2.13. In response to supplier thresholds, feedback from stakeholders revealed varying perspectives. Many of the respondents were in favour of the thresholds, with some noting the move to a static threshold for the non-domestic market is more straightforward. One respondent agreed this will capture most of the non-domestic market and will enable transparency.
- 2.14. Some respondents expressed concerns, emphasising the disproportionate impact of CSS on small suppliers. One proposed a solution by suggesting a reduction in the burden through the removal of duplicate information from RFI's.
- 2.15. On the contrary, another respondent advocated for the absence of any threshold, suggesting the application of CSS to all suppliers.
- 2.16. One stakeholder recommended the non-domestic threshold count should exclude meters which supply to any affiliate business and suggested introducing an additional test based on the annual volume of supply to prevent capturing small-scale businesses.

Decision

- 2.17. In line with proposals in the statutory consultation, we have decided to remove the requirement for a supplier to hold a generation licence to be a Relevant Licensee under the CSS licence condition. We have decided to lower the domestic threshold level to 50,000 or more meter points in either gas or electricity. For the non-domestic market, we have decided to lower the threshold to 10 or more meter points in either gas or electricity.
- 2.18. Following stakeholder feedback, we are clarifying here, and have decided to clarify in the guidelines, that the non-domestic meter count may exclude meters which supply to the company itself or any affiliate. Where meters supplying the company itself or any affiliates are excluded for the purposes of the Relevant Licensee thresholds and this would result in the Relevant Licensee thresholds not being met, the company should apply to Ofgem for a direction that the CSS requirement does not apply and Ofgem will consider whether in the circumstances it is appropriate to grant such a direction. Such applications should include the number of meters and details of meters being excluded by emailing css@ofgem.gov.uk so that this information may be verified as appropriate. We have decided to provide the ability for suppliers to apply for and ability for Ofgem to consider and

grant/refuse such a direction in the SLCs in support of this. Examples of when such a direction might be considered are given in the Guidelines. The use of this process will be kept under review to ensure the requirements remain fit for purpose.

- 2.19. We have decided that suppliers will become obliged to submit a CSS if they reach the threshold in the last month of their financial year.
- 2.20. We expect suppliers to internally monitor where they sit in relation to the thresholds and publish a CSS when required. We will internally monitor suppliers against Relevant Licensee thresholds using data regularly sourced from Xoserve and Distribution Network Operators (DNOs)., However, we will not be publishing a list of obliged companies on our website as the responsibility to publish a CSS sits with the Relevant Licensee.
- 2.21. Following feedback, we have decided not to include a minimum supply volume threshold to prevent capturing small-scale businesses. However, we have decided to introduce the ability for a supplier to request a direction that the CSS condition does not apply for our consideration of an exemption on a case by case basis, for example instances as set out in this decision document and in the Guidelines.
- 2.22. The CSS aims to view profitability across the supply sector, and for this reason we are requesting CSS publication at the Group level where applicable. This may include suppliers and affiliates with non-traditional supply businesses, for example emergency supply. Where a supplier operates solely for non-traditional supply, and has no affiliate with a traditional supply business, a supplier may apply to Ofgem for a direction that the CSS requirement does not apply which will be considered on a case by case basis.
- 2.23. We've determined this will not impose significant burden on suppliers as these thresholds will include companies who will be publishing statutory accounts to Companies House, as is required by private and public limited companies. The information requested within the CSS will provide a top-level view of companies' energy supply profitability with the split between gas and electricity as well as domestic and non-domestic suppliers improving transparency within the market. There are reporting requirements currently in place where companies provide detailed financial information to Ofgem and this should aid with their preparation of the CSS in its new reduced format.
- 2.24. We intend for the CSS to be complementary to our other monitoring activities. While we cannot guarantee that some areas will not overlap, the CSS is distinct in that it provides actualised financial information which is linked to statutory accounts and undergoes an audit process whereas, for example, RFI's include live

and forecasted data. We aim to limit regulatory reporting and are continually working to streamline RFI's where possible.

- 2.25. We aim for changes to the CSS requirement to be enduring and we aim to capture information that is broadly representative and proportionate in terms of the number and type of suppliers. Our decision will achieve this and allow us to collect data on suppliers as they grow and, at the same time, strike the right balance between the burden placed upon smaller suppliers and market coverage.

Generation and 'Other' Activities

Our November Statutory consultation proposal

- 2.26. Following feedback to the August Policy Consultation², we proposed to remove the inclusion of 'other' activities within the CSS. In addition, we proposed to remove the existing requirement to report on generation activities.

Stakeholder Feedback

- 2.27. All stakeholders who responded on this point agreed with our proposal to remove generation and 'other' activities; asserting that focusing solely on publishing energy supply activities adequately reflects market changes since the 2021 CSS review³, aligning with the goal of increased transparency. One respondent cited this as a positive step that avoids costly system changes and addresses concerns about commercially sensitive information.
- 2.28. One respondent noted their agreement with the removal of the request for information on transfer pricing policies and methodologies.

Decision

- 2.29. Our decision is to remove the requirement to report generation activities in the CSS template. Therefore, the CSS will only capture the energy supply business of a supplier. Subsequently, we will not be requesting statements on transfer pricing policies and methodologies.
- 2.30. This decision considers feedback received and recognises that the market has changed significantly. The purpose of the CSS is to ensure transparency in the

² Ofgem Policy Consultation (2023):
<https://www.ofgem.gov.uk/publications/reviewing-consolidated-segmental-statement-our-initial-proposals>

³ Ofgem Statutory Consultation (2021):
<https://www.ofgem.gov.uk/publications/final-proposals-and-statutory-consultation-reviewing-consolidated-segmental-statement>

market, and we believe that information on the energy supply related activities will provide the transparency required.

Auditing

Our November Statutory consultation proposal

- 2.31. We proposed to remove the auditing requirement and request the CSS be reconciled back to statutory accounts which undergo a separate audit process. We confirmed that we may require an audit in some circumstances, e.g. if we had reason to think the CSS hadn't been properly prepared.

Stakeholder Feedback

- 2.32. In response to the proposed removal of the audit requirement and aligning reporting timelines with statutory accounts, feedback from numerous respondents indicated overall agreement. However, two respondents sought clarity on defining triggers for ad-hoc audits and their potential scope.
- 2.33. A stakeholder called to lower the bar for requesting ad-hoc audits to elevate CSS preparation standards, while three respondents expressed concerns about reconciling CSS requirements with statutory accounts. Specifically, they pointed out discrepancies in EBITDA level information and the domestic/non-domestic split, suggesting that requirements should reconcile back to the relevant entity rather than group accounts.
- 2.34. One respondent highlighted the challenge of implementing consolidation for non-consolidated financial accounts, requesting a transition period. Another respondent proposed Ofgem's removal of the requirement to include fuel-cost splits, arguing that this adjustment would make CSS more comparable.
- 2.35. Finally, one respondent advocated for a clear and comprehensive explanation of how revenues and profits should be reconciled with licensee statutory accounts, emphasising the need for both numerical and written statements for transparency.

Decision

- 2.36. As proposed in our 2023 statutory consultation, we are removing the auditing requirement and request the CSS to be reconciled back to statutory accounts. We may require an audit where we consider the CSS may not have been properly prepared. This could be due to, but not limited to, data quality or where we consider there may be omissions or errors. We do not believe the costs involved in an ad-hoc audit should be a deterrent for Ofgem to further investigate whether the financial information published is accurate and robust.

- 2.37. Suppliers should be able to reconcile back to total figures in their statutory accounts. We require the CSS to be reconciled with any audited accounts for their business. We also require a clear reconciliation table with explanations to be provided detailing how items have been reconciled, and this can be at group or entity level. An example reconciliation table is provided in Appendix 3. We believe there is adequate time for suppliers to set up reporting processes given that the publication is required at the latest 10 months after their financial year-end.
- 2.38. We have decided to remain with the split between fuel costs in the CSS as this is in line with our aims of transparency on current and future market conditions. There are many consumers who do not have access to gas, and whose interests are in the electricity market.
- 2.39. We require the revenues and profits to be reconciled to audited accounts and have provided guidance on how this can be done in Appendix 2. We request that a written statement is also provided in conjunction with a reconciliation table which should include explanatory notes to support the reconciliation.

Reporting and Transition Period

Our November Statutory consultation proposal

- 2.40. Following stakeholder responses to our August Policy Consultation, we proposed to change the publication deadline from four months post year-end to nine months post year-end to align with statutory accounts. We proposed not to include a transition period as we proposed to simplify the CSS by removing generation and 'other' activities reporting, and we consider that this provides sufficient time to prepare the report.

Stakeholder Feedback

- 2.41. Many respondents supported our proposal to align CSS publication with statutory accounts. One respondent specifically mentioned they agree with no transition period.
- 2.42. One respondent noted that we had not accounted for public companies who must submit statutory accounts 6 months post their financial year-end.
- 2.43. One respondent argued the obligation is to publish a CSS, and not to submit to Ofgem directly as referred to in the statutory consultation.
- 2.44. While one respondent endorsed the reporting timelines, they suggested licence conditions should offer flexibility to accommodate extensions granted by Companies House.
- 2.45. Another respondent requested clarification on whether a relevant licensee should report figures for any affiliate that does not hold a supply licence. They also

requested clarification on whether an affiliate which has a supply licence who does not reach any threshold is to be included in the CSS.

Decision

- 2.46. Following stakeholder feedback, and to simplify the approach, our decision is for the CSS to be published no later than 10 months after the financial year-end. This was our original deadline as per the statutory consultation. This allows enough time for the submission to be reconciled with the audited statutory accounts which is 9 months after the company's year-end. This will allow suppliers to keep their auditing processes in place and provide assurance that the CSS submission is accurate.
- 2.47. We acknowledge public companies submit their accounts six months after the company's year-end. However, we have decided to maintain the CSS publication deadline as ten months after the company's year-end for both private and public limited companies. Suppliers are welcome to publish a CSS earlier than the deadline if it is reasonably practicable do so.
- 2.48. We are requesting the CSS template, as well as being published to that company's website, is provided to Ofgem in an excel file via email to aid with our data processing, as per the Guidelines in Appendix 2. We may in future request upload to a secure portal instead. We have wider powers which support the requirement to submit information to Ofgem when and in the form requested (e.g. SLC 5.1).
- 2.49. In cases where there is a Companies House extension, we may consider whether an extension is appropriate on a case-by-case basis (SLC 19A.3(b) allows Ofgem to specify another date) rather than an automatic extension in the case of a Companies House extension.
- 2.50. Further, we are remaining with our proposal from our 2023 statutory consultation and not allowing a transition period for the first year.
- 2.51. Where a supplier reaches the threshold criteria in at least one of the four market segments; domestic gas, domestic electricity, non-domestic gas or non-domestic electricity, they will be required to report on supply activities for all segments where applicable.
- 2.52. Where a supplier holds multiple supply licences and reach the threshold for one licensee, they will be required to report on supply activity across all licensees. For example, for a supplier which reaches the threshold criteria in one commodity (for example electricity) and has an affiliate company supplying gas which does not reach the threshold, they will be required to include both company's supply activities within the CSS. To add, affiliates without a supply licence are not to be included as part of the CSS. We have also noted this within the guidelines.

- 2.53. To clarify, where a supplier holds multiple supply licences, they should publish a single CSS for the Group accounts.

Decision Summary

- 2.54. We summarise our decision for revising the CSS requirements below. The changes fall into five principal areas.
- **Supplier Thresholds:** We have removed the requirement for a supplier to hold a generation licence in order to be obliged to publish a CSS. We have decided to lower the domestic threshold level to 50,000 or more meter points in either gas or electricity. For the non-domestic market, we have decided to lower the threshold to 10 or more meter points, with the ability to exclude those meters which supply to the company itself or any Affiliate. The company will be obliged to publish a CSS where they reach the threshold in the final month of their financial year. Companies will be expected to internally monitor where they reach the threshold/s.
 - **Generation Reporting:** We have decided to remove the generation reporting segment of the CSS.
 - **Audit requirement:** We have decided to remove the audit requirement, however we may require an audit where we consider the CSS may not have been properly prepared. The CSS should be reconcilable with statutory accounts. A clear and full explanation of the reconciliation to the company accounts must be provided, as to how revenues and profits reconcile to the Relevant Licensee's audited figures. A numerical table must also be provided to demonstrate the reconciling items, we have included a suggested template in the Guidelines.
 - **Reporting:** We have decided to extend the reporting timeline of the CSS publication to ten months after the company's financial year-end. Where a supplier holds multiple supply licences and reach the threshold for one licensee, they will be required to report on supply activity across all licensees and or affiliates in a Group level CSS, as per the Guidelines.
 - **Transition Period:** We have decided to remove the transition period for the first year of reporting.

Next Steps

- 2.55. Previously CSS data was published within several indicators on our Data Portal⁴ however this was paused as the CSS data was no longer representative of the market. Following this decision to expand the CSS obligation to cover a significant proportion of the domestic and non-domestic market, we will aim to restore publication of indicators.
- 2.56. One such indicator is an energy bill breakdown which is a crucial part of our role in ensuring consumers are informed and have access to information regarding all the components that make up their bills. Concerns about the costs that make up consumers bills are ever present and, whilst the Price Cap represents the breakdown of a notional efficient supplier, we need independent and accessible information to publish a breakdown of energy bills. The CSS provides a breakdown of actual supplier costs which better serves customers. We may develop additional indicators where we see a benefit to consumers and/or third parties.
- 2.57. Our decision aims to increase transparency of supplier profitability and ensure consumers are treated fairly. We will keep our decision under review to ensure that the CSS meets our objectives and is proportionate in doing so.

⁴ Ofgem Data Portal:
<https://www.ofgem.gov.uk/data-portal/overview>

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Appendix 1 – Licence Condition Modifications

Gas SLC 19A: Financial Information Reporting

- 19A.1 The Relevant Licensee must prepare and publish on its Website a Consolidated Segmental Statement in respect of information relating to the revenues, costs and profits of its activities in the ~~generation and~~ supply of electricity and/or the supply of gas to any premises taking account of the Guidelines.
- 19A.2 Where applicable, the Relevant Licensee must prepare and publish the Consolidated Segmental Statement referred to in paragraph 1 in conjunction with any Affiliates.
- 19A.3 The Relevant Licensee must, in conjunction with any Affiliates, prepare and publish a Consolidated Segmental Statement
- as soon as reasonably practicable and no later than ~~four~~ ten months after the end of the Relevant Licensee's financial year; or
 - no later than a date specified by the Authority, which can be no earlier than ~~four~~ nine months after the end of the Relevant Licensee's financial year.
- 19A.4 Subject to complying with this paragraph the Relevant Licensee may, for the purpose of preparing the statement pursuant to paragraph 3, prepare and compile the information according to the licensee's annual accounting procedures. The Relevant Licensee must include in every such statement an explanation of:
- how it defines the terms revenues, costs and profits.
 - how the revenues and profits can be reconciled with its UK statutory accounts.
 - ~~or how~~, if UK statutory accounts are not prepared or published, how the revenues and profits can be reconciled with audited figures (~~prepared under International Financial Reporting Standards~~) in accordance with Generally Accepted Accounting Principles (GAAP) published in Group accounts; and
 - ~~its transfer pricing methodology and how this relates to the revenues, costs and profits information published; and~~
 - where individual business functions are captured in the Consolidated Segmental Statement, as specified by ~~Appendix 2 of~~ in the Guidelines.
- 19A.5 The Relevant Licensee must ensure that the information prepared and made public pursuant to paragraph 19A.3 includes the ~~cost of fuel used to generate electricity and its share of~~ revenues, costs, profits and volumes of Joint Ventures and Associates.
- 19A.6 Subject to complying with Paragraph 19A.5 the Relevant Licensee must ensure that all the information prepared and made public pursuant to paragraph 19A.3 is in all material respects consistent with the information prepared pursuant to paragraph 19A.4 and the information is presented with a clear and full explanation.
- 19A.7 ~~The Relevant Licensee must, for the purposes of ensuring the transfer pricing methodology is appropriate and up to date:~~
- ~~keep transfer pricing policies and procedures under review; and~~
 - ~~ensure that the supporting information that supports the transfer pricing policies remains appropriate and up to date.~~
- 19A.8 ~~The Relevant Licensee must notify the Authority as soon as reasonably practicable of any material changes to transfer pricing policies.~~
- 19A.9

- a. The Authority shall prepare Guidelines in relation to the requirements of this condition and may modify, in whole or in part, the Guidelines following consultation with the Relevant Licensees.
- b. ~~The Authority shall modify the definition of Consolidated Segmental Statement as described in Appendices 1 and 2 of the Guidelines in accordance with section 23 of the Act.~~

19A.10 ~~Except and to the extent that the Authority otherwise consents, the Relevant Licensee must include in the Consolidated Segmental Statement a report from an Appropriate Auditor that gives an audited opinion as to the extent to which the Relevant Licensee has properly prepared the Consolidated Segmental Statement in accordance with this licence condition and the Guidelines. Where the Authority considers that the Relevant Licensee has not properly prepared the Consolidated Segmental Statement in accordance with this licence condition and the Guidelines and template, it may require the Relevant Licensee to commission and submit a report from an Appropriate Auditor or to submit a report from an Appropriate Auditor which it has already commissioned.~~

19A.11 The Relevant Licensee may apply to the Authority to request a direction that this condition 19A does not apply and must provide any information required by the Authority in support of such application for consideration of whether to grant or refuse such an application.

19A.12 For the purposes of this condition:

“Affiliate” means any holding company or subsidiary of a holding company of the Relevant Licensee, in each case within the meaning of sections 1159 and 1160 of the Companies Act 2006.

“Appropriate Auditors” means

- (a) in the case of a licensee which is a company within the meaning of section 1 of the Companies Act 2006, a person appointed as auditor under Chapter 2 of Part 16 of that Act.
- (b) in the case of any other licensee which is required by the law of a country or territory within the European Economic Area to appoint an auditor under provisions analogous to Chapter 2 of Part 16 of the Companies Act 2006, a person so appointed.
- (c) in any other case, a person who is eligible for appointment as a company auditor under sections 1212 and 1216 of the Companies Act 2006, or in relation to auditors appointed for financial years beginning before 6 April 2008, a person who is eligible for appointment as a company auditor under sections 25 and 26 of the Companies Act 1989

“Associate” means an entity, including an unincorporated entity such as a partnership, over which the Relevant Licensee has significant influence and that is neither a subsidiary nor an interest in a joint venture.

“Consolidated Segmental Statement” means a statement as described in ~~Appendices 1 and 2~~ of the Guidelines.

“Guidelines”

	<p><u>means the guidance and procedures in place for preparing the Consolidated Segmental Statements.</u></p>
“Joint Venture”	<p>mean a contractual arrangement whereby the Relevant Licensees and one or more parties undertake an economic activity that is subject to joint control.</p>
“Relevant Licensee”	<p>means the holder of a supply licence granted or treated as granted under section 7A (1) of the Act if</p> <p>(a) it supplies, or it and any of its Affiliates jointly supply:</p> <ul style="list-style-type: none">(i) electricity to more than 250,000 <u>50,000 or more</u> domestic customers <u>based on number of meter points</u>; or(ii) gas to more than 250,000 <u>50,000 or more</u> domestic customers <u>based on number of meter points</u>; or(iii) electricity to more than 250,000 <u>10 or more</u> non-domestic customers <u>based on number of meter points</u>; or(iv) gas to more than 250,000 <u>10 or more</u> non-domestic customers <u>based on number of meter points</u>, respectively; and <p>(b) it or any of its Affiliates is a holder of an electricity generation licence granted or treated as granted under section 6(1)(a) of the Electricity Act 1989.</p>
“Website”	<p>means a website controlled and used by the Relevant Licensee or an Affiliate for the purposes of providing information and communication.</p>

Electricity SLC 19A: Financial Information Reporting

- 19A.1 The Relevant Licensee must prepare and publish on its Website a Consolidated Segmental Statement in respect of information relating to the revenues, costs and profits of its activities in the ~~generation and supply of electricity and~~or the supply of gas to any premises taking account of the Guidelines.
- 19A.2 Where applicable, the Relevant Licensee must prepare and publish the Consolidated Segmental Statement referred to in paragraph 19A.1 in conjunction with any Affiliates.
- 19A.3 The Relevant Licensee must, in conjunction with any Affiliates, prepare and publish a Consolidated Segmental Statement
- a as soon as reasonably practicable and no later than ~~four~~ ten months after the end of the Relevant Licensee's financial year; or
 - b no later than a date specified by the Authority, which can be no earlier than ~~four~~ nine months after the end of the Relevant Licensee's financial year.
- 19A.4 Subject to complying with this paragraph the Relevant Licensee may, for the purpose of preparing the statement pursuant to paragraph 19A.3, prepare and compile the information according to the licensee's annual accounting procedures. The Relevant Licensee must include in every such statement an explanation of:
- a how it defines the terms revenues, costs and profits.
 - b how the revenues and profits can be reconciled with its UK statutory accounts.
 - c ~~or how~~, if UK statutory accounts are not prepared or published, ~~how~~ the revenues and profits can be reconciled with audited figures (~~prepared under International Financial Reporting Standards~~) in accordance with Generally Accepted Accounting Principles (GAAP) published in Group accounts; and
 - d ~~its transfer pricing methodology and how this relates to the revenues, costs and profits information published; and~~
 - e where individual business functions are captured in the Consolidated Segmental Statement, as specified ~~by Appendix 2 of~~ in the Guidelines.
- 19A.5 The Relevant Licensee must ensure that the information prepared and made public pursuant to paragraph 19A.3 includes the ~~cost of fuel used to generate electricity and its~~ share of revenues, costs, profits and volumes of Joint Ventures and Associates.
- 19A.6 Subject to complying with Paragraph 19A.5 the Relevant Licensee must ensure that all the information prepared and made public pursuant to paragraph 19A.3 is in all material respects consistent with the information prepared pursuant to paragraph 19A.4 and the information is presented with a clear and full explanation.
- 19A.7 ~~The Relevant Licensee must, for the purposes of ensuring the transfer pricing methodology is appropriate and up to date:~~
- a ~~keep transfer pricing policies and procedures under review; and~~
 - b ~~ensure that the supporting information that supports the transfer pricing policies remains appropriate and up to date.~~
- 19A.8 ~~The Relevant Licensee must notify the Authority as soon as reasonably practicable of any material changes to transfer pricing policies.~~
- 19A.9 (a) The Authority shall prepare Guidelines in relation to the requirements of this condition and may modify, in whole or in part, the Guidelines following consultation with the Relevant Licensees.

~~(b) The Authority shall modify the definition of Consolidated Segmental Statement as described in Appendices 1 and 2 of the Guidelines in accordance with section 11A of the Act.~~

~~19A.10 Except and to the extent that the Authority otherwise consents, the Relevant Licensee must include in the Consolidated Segmental Statement a report from an Appropriate Auditor that gives an audited opinion as to the extent to which the Relevant Licensee has properly prepared the Consolidated Segmental Statement in accordance with this licence condition and the Guidelines. Where the Authority considers that the Relevant Licensee has not properly prepared the Consolidated Segmental Statement in accordance with this licence condition and the Guidelines and template, it may require the Relevant Licensee to commission and submit a report from an Appropriate Auditor or to submit a report from an Appropriate Auditor which it has already commissioned.~~

19A.11 The Relevant Licensee may apply to the Authority to request a direction that this condition 19A does not apply and must provide any information required by the Authority in support of such application for consideration of whether to grant or refuse such an application.

19A.12 For the purposes of this condition:

“Affiliate” means any holding company or subsidiary of a holding company of the Relevant Licensee, in each case within the meaning of sections 1159 and 1160 of the Companies Act 2006.

“Appropriate Auditors” means.

- a in the case of a licensee which is a company within the meaning of section 1 of the Companies Act 2006, a person appointed as auditor under Chapter 2 of Part 16 of that Act.
- b in the case of any other licensee which is required by the law of a country or territory within the European Economic Area to appoint an auditor under provisions analogous to Chapter 2 of Part 16 of the Companies Act 2006, a person so appointed.
- c in any other case, a person who is eligible for appointment as a company auditor under sections 1212 and 1216 of the Companies Act 2006, or in relation to auditors appointed for financial years beginning before 6 April 2008, a person who is eligible for appointment as a company auditor under sections 25 and 26 of the Companies Act 1989.

“Associate” means an entity, including an unincorporated entity such as a partnership, over which the Relevant Licensee has significant influence and that is neither a subsidiary nor an interest in a joint venture.

“Consolidated Segmental Statement” means a statement as described in ~~Appendices 1 and 2 of the Guidelines.~~

“Guidelines” means the guidance and procedures in place for preparing the Consolidated Segmental Statements.

“Joint Venture” means a contractual arrangement whereby the Relevant Licensees and one or more parties undertake an economic activity that is subject to joint control.

“Relevant Licensee” means the holder of an electricity supply licence granted or treated as granted under section 6(1)(d) of the Act if:

it supplies, or it and any of its Affiliates jointly supply:

- (i) ~~electricity to more than 250,000~~ 50,000 or more domestic customers based on number of meter points; or
- (ii) ~~gas to more than 250,000~~ 50,000 or more domestic customers based on number of meter points; or
- (iii) ~~electricity to more than 250,000~~ 10 or more non-domestic customers based on number of meter points; or
- (iv) ~~gas to more than 250,000~~ 10 or more non-domestic customers based on number of meter points, respectively; ~~and~~
- (v) ~~it or any of its Affiliates is a holder of an electricity generation licence granted or treated as granted under section 6(1)(a) of the Act.~~

“Website” means a website controlled and used by the Relevant Licensee or an Affiliate for the purposes of providing information and communication.

Electricity Generation SLC 16B: Financial Information Reporting

- ~~19A.1. The Relevant Licensee must prepare and publish on its Website a Consolidated Segmental Statement in respect of information relating to the revenues, costs and profits of its activities in the generation and supply of electricity and the supply of gas to any premises taking account of the Guidelines.~~
- ~~19A.2. Where applicable, the Relevant Licensee must prepare and publish the Consolidated Segmental Statement referred to in paragraph 1 in conjunction with any Affiliates.~~
- ~~19A.3. The Relevant Licensee must, in conjunction with any Affiliates, prepare and publish a Consolidated Segmental Statement—~~
- ~~a. as soon as reasonably practicable and no later than four months after the end of the Relevant Licensee’s financial year; or;~~
 - ~~b. no later than a date specified by the Authority, which can be no earlier than four months after the end of the Relevant Licensee’s financial year.~~
- ~~19A.4. Subject to complying with this paragraph the Relevant Licensee may, for the purpose of preparing the statement pursuant to paragraph 19A.3, prepare and compile the information according to the licensee’s annual accounting procedures. The Relevant Licensee must include in every such statement an explanation of:~~
- ~~a. how it defines the terms revenues, cost and profits;~~
 - ~~b. how the revenues and profits can be reconciled with its UK statutory accounts;~~
 - ~~c. or, if UK statutory accounts are not prepared or published, how the revenues and profits can be reconciled with audited figures (prepared under International Financial Reporting Standards) published in Group accounts;~~
 - ~~d. its transfer pricing methodology and how this relates to the revenues, costs and profit information published; and~~
 - ~~e. where individual business functions are captured in the Consolidated Segmental Statement, as specified by Appendix 2 of the Guidelines.~~
- ~~19A.5. The Relevant Licensee must ensure that the information prepared and made public pursuant to paragraph 3 includes the cost of fuel used to generate electricity and its share of revenues, costs, profits and volumes of Joint Ventures and Associates.~~
- ~~19A.6. Subject to complying with Paragraph 5 the Relevant Licensee must ensure that all the information prepared and made public pursuant to paragraph 3 is in all material respects consistent with the information prepared pursuant to paragraph 4 and the information is presented with a clear and full explanation.—~~
- ~~19A.7. The Relevant Licensee must, for the purposes of ensuring the transfer pricing methodology is appropriate and up to date:~~
- ~~a. keep transfer pricing policies and procedures under review; and~~
 - ~~b. ensure that the supporting information that supports the transfer pricing policies remains appropriate and up to date.~~
- ~~19A.8. The Relevant Licensee must notify the Authority as soon as reasonably practicable of any material changes to transfer pricing policies.~~
- ~~19A.9. (a) The Authority shall prepare Guidelines in relation to the requirements of this condition and may modify, in whole or in part, the Guidelines following consultation with the Relevant Licensees.~~
- ~~The Authority shall modify the definition of Consolidated Segmental Statement as described in Appendices 1 and 2 of the Guidelines in accordance with section 11A of the Act.~~

~~19A.10. — Except and to the extent that the Authority otherwise consents, the Relevant Licensee must include in the Consolidated Segmental Statement a report from an Appropriate Auditor that gives an audited opinion as to the extent to which the Relevant Licensee has properly prepared the Consolidated Segmental Statement in accordance with this licence condition and the Guidelines.~~

~~19A.11. — For the purposes of this condition:~~

~~“Affiliate” means any holding company or subsidiary of a holding company of the Relevant Licensee, in each case within the meaning of sections 1159 and 1160 of the Companies Act 2006.~~

~~“Appropriate Auditors” means~~

- ~~(a) in the case of a licensee which is a company within the meaning of section 1 of the Companies Act 2006, a person appointed as auditor under Chapter 2 of Part 16 of that Act;~~
- ~~(b) in the case of any other licensee which is required by the law of a country or territory within the European Economic Area to appoint an auditor under provisions analogous to Chapter 2 of Part 16 of the Companies Act 2006, a person so appointed;~~
- ~~(c) in any other case, a person who is eligible for appointment as a company auditor under sections 1212 and 1216 of the Companies Act 2006, or in relation to auditors appointed for financial years beginning before 6 April 2008, a person who is eligible for appointment as a company auditor under sections 25 and 26 of the Companies Act 1989.~~

~~“Associate” means an entity, including an unincorporated entity such as a partnership, over which the Relevant Licensee has significant influence and that is neither a subsidiary nor an interest in a joint venture.~~

~~“Consolidated Segmental Statement” means a statement as described in Appendices 1 and 2 of the Guidelines.~~

~~“Joint Venture” means a contractual arrangement whereby the Relevant Licensees and one or more parties undertake an economic activity that is subject to joint control.~~

~~“Relevant Licensee” means the holder of an electricity generation licence granted or treated as granted under section 6(1)(a) of the Act if it supplies or any of its Affiliates supply, either jointly or severally:~~

- ~~i. electricity to more than 250,000 domestic customers; or~~
- ~~ii. gas to more than 250,000 domestic customers; or~~
- ~~iii. electricity to more than 250,000 non-domestic customers; or~~
- ~~iv. gas to more than 250,000 non-domestic customers.~~

~~“Website” means a website controlled and used by the Relevant Licensee or an Affiliate for the purposes of providing information and communication.~~

Appendix 2 – Revised CSS Guidelines

Revised Guidelines for preparing the CSS

Licence Condition

- 1.1. These Guidelines relate to Standard Licence Condition (SLC) 19A of the Gas and Electricity Supply Licences, 'Financial information reporting'. There is currently one requirement under these conditions, which is the Consolidated Segmental Statement (CSS) and this will be referred to as the CSS licence requirement for the purposes of the Guidelines.
- 1.2. The Guidelines have been prepared by the Office of Gas and Electricity Markets, ('Ofgem'), pursuant to SLC 19A.
- 1.3. These Guidelines are accompanied by a spreadsheet with Templates (see Appendix). The Guidelines and Templates will be published on the Ofgem website.

Scope and Application of the Licence Conditions

- 1.4. The requirement to submit a CSS only applies to those companies that are 'Relevant Licensees' as defined in the CSS licence requirement. Where information required under the CSS licence requirement is held by an Affiliate, the Relevant Licensee is required to obtain and publish the information.
- 1.5. Where a supplier holds multiple supply licences and reach the threshold for one licensee, they will be required to report on supply activity across all licensees. For example, for a supplier which reaches the threshold criteria in one commodity (for example electricity) and has an affiliate company supplying gas which does not reach the threshold, they will be required to include both company's supply activities within the CSS. To add, affiliates without a supply licence are not to be included as part of the CSS.
- 1.6. To clarify, where a supplier holds multiple supply licences, they should publish a single CSS for the Group accounts. Further, where an affiliate does not hold a supply licence they will not be included in the CSS.
- 1.7. SLC 19A provides for the ability for suppliers to apply for and ability for Ofgem to consider and grant/refuse a direction that the CSS requirement does not apply on a case by case basis. Examples of when such a direction might be considered include, but are not limited to:
 - a. Where a supplier operates solely for non-traditional supply, and has no affiliate with a traditional supply business;

- b. Where the exclusion of meters supplying the company itself or affiliates would mean that the Relevant Licensee thresholds would not be met (see para 1.9 below).

Minimum Threshold for Suppliers

1.8. To be obliged under the CSS, the following thresholds apply in determining who is a Relevant Licensee (as set out in the CSS licence requirement):

- domestic: suppliers must have at least 50,000 domestic gas customers (measured in meter points, MPANs and MPRNs) in the final month of the Relevant Licensee’s financial year; or
- domestic: suppliers must have at least 50,000 domestic electricity customers (measured in meter points, MPANs and MPRNs) in the final month of the Relevant Licensee’s financial year; or
- non-domestic: suppliers must have at least 10 non-domestic gas customers (measured in meter points, MPANs and MPRNs) in the final month of the Relevant Licensee’s financial year. The number of meters may exclude any of which that supply to the company itself or any affiliates.
- non-domestic: suppliers must have at least 10 non-domestic electricity customers (measured in meter points, MPANs and MPRNs) in the final month of the Relevant Licensee’s financial year. The number of meters may exclude any of which that supply to the company itself or any affiliates.

1.9. Where meters supplying the company itself or any affiliates are to be excluded for the purposes of the Relevant Licensee thresholds and this results in the Relevant Licensee thresholds not being met, the company should apply to Ofgem for a direction that the CSS requirement does not apply and Ofgem will consider whether in the circumstances it is appropriate to grant such a direction. Such applications should include the number of meters and details of meters being excluded by emailing css@ofgem.gov.uk so that this information may be verified as appropriate.

Financial Year

1.10. As per the CSS licence requirement, the financial year should be interpreted as the Relevant Licensee’s current financial reporting year. For the avoidance of doubt, this may differ between companies.

Publication and Submissions

Publication

- 1.11. The majority of suppliers are registered companies, and they are obliged by law to submit their financial statements to Companies House on a yearly basis. This financial information is in the public domain as all companies' accounts are open and accessible. Where a supplier has a specific concern, they should notify us in advance of publication, and we will advise whether we consider it can be redacted.
- 1.12. Where a supplier holds multiple supply licences, they should publish a single CSS for the Group accounts.
- 1.13. The Template should be fully completed at the Group level where applicable, including the Relevant Licensee and any Affiliates, with all information.
- 1.14. In cases where there is a Companies House extension, we may consider whether an extension is appropriate on a case-by-case basis (SLC 19A.3(b) allows Ofgem to specify another date) rather than an automatic extension in the case of a Companies House extension.

Submissions

- 1.15. The completed templates (see Templates for Submitting the CSS below) should be submitted in a spreadsheet. Other explanations, analysis and commentary should be submitted in a searchable pdf format, and not an image. The completed template, other explanations, analysis, and commentary should be sent to the following email address: css@ofgem.gov.uk

Interpreting the Financial Information

- 1.16. Under the CSS licence requirement, a clear and full explanation of how the Relevant Licensee defines the terms 'revenues, costs and profits' should be set out, to enable understanding of what the information published pursuant to the conditions does and does not represent.
- 1.17. The Relevant Licensee should describe the methodology or methodologies used to allocate marketing, shared and corporate costs across the supply elements. The licensee should also describe how, for example, individual costs such as Feed-in-Tariff costs (classified in the income statement as 'Other Direct costs') and Renewable Obligation costs (classified as 'Environmental and Social Obligation costs'), are allocated across the supply business. For the avoidance of doubt, PPAs will come under 'Direct Costs'. Where issues pertaining to the data are unexpected or unusually complex these issues should be set out in full.

- 1.18. We would only expect the 'revenues, costs and profits' to reflect company activities relating to that year of operations.
- 1.19. Examples of financial items we would not expect to be included are, but are not limited to, mark to market adjustments; profit or losses on disposal; restructuring costs that have been identified as such in the Group's annual report; and impairment charges.
- 1.20. Where the Relevant Licensee has included any such items for the purpose of reconciliation, or otherwise, a clear and full explanation of the reconciliation to the company accounts of the Relevant Licensee(s) must be provided, as to how revenues and profits reconcile to the Relevant Licensee's audited figures. The Relevant Licensee must also provide a numerical table to demonstrate the reconciling items, we have included a suggested template below.
- 1.21. Revenue and costs for the financial year should be stated on the accruals basis, following Generally Accepted Accounting Practice (GAAP). In order to comply with GAAP, the Relevant Licensee is required to follow the same accounting standards applied in preparing their statutory accounts. If a Licensee applies a version of International Financial Reporting Standards (IFRS) in its statutory accounts, then it should apply the same version of IFRS for preparation of the CSS.
- 1.22. Likewise, if a Licensee applies FRS101 (reduced disclosure under IFRS) or FRS102, it should apply the same standard in preparing the CSS.
- 1.23. The explanation of accounting terms can be based on the accounting standards used in the company accounts and needs to clarify where the figures differ due to the scope of the CSS being limited to operations during the year.

Hedging

- 1.24. The hedging policy of the Relevant Licensee should be described.
- 1.25. The description should include an explanation of the hedging applied to default and active choice tariffs.
- 1.26. The description should also include an explanation as to who bears the volume risk whether that is the Relevant Licensee, an Affiliate, and the Trading Counterparty or a third party to a financial instrument.

Treatment of Joint Ventures and Associates

- 1.27. Under the licence requirement, the Licensee must work with other companies in its group to provide the CSS, which will help give further transparency on overall revenues, costs, profits and volumes of energy supply.

1.28. The Relevant Licensee should account for Joint Ventures and Associates (which hold supply licence relating to the supply of gas or electricity in the UK) as follows:

- the share of revenues of Joint Ventures and Associates to be included within revenue, and
- the share of the profit before tax of Joint Ventures and Associates to be included within EBITDA (Earnings before Interest, Tax and Depreciation) and EBIT (Earnings before Interest and Tax).

1.29. For each of the items, the Relevant Licensee's share of the income and expenses of a Joint Venture or Associate should be combined line by line with similar items in the Relevant Licensee's CSS or reported as separate line items in the Relevant Licensee's CSS.

Auditing

1.30. The CSS must be reconciled to the figures in the audited statutory accounts. A table for the reconciliation must be provided, a suggested template has been provided. It follows that the same GAAP accounting standards applied in the statutory accounts should be applied in the CSS in order to facilitate reconciliation.

1.31. The Relevant Licensee is not obliged to submit a report from an Appropriate Auditor. However, Ofgem reserves the right to ask for the submission of a report from an Appropriate Auditor where it considers that the Relevant Licensee has not prepared the CSS in accordance with the licence conditions, Guidelines and Template.

1.32. Where an audit is required, the Relevant Licensee should engage an Appropriate Auditor, as stated in the CSS licence requirement, to review whether the figures in the CSS can be reconciled with the figures in the statutory accounts and that costs are fairly allocated on a basis that, the Auditor is satisfied, is fair to customers in the various business segments. Alternatively, the Relevant Licensee may send us a copy of an audit report from an Appropriate Auditor if they have previously prepared one in relation to the CSS submission in question. The Appropriate Auditor will be engaged by the Relevant Licensee only and will report to the Relevant Licensee only; the Appropriate Auditor will have no contract with Ofgem.

Template for submitting the CSS

1.33. The CSS Template is to be filled in annually by the Relevant Licensee. This CSS Template will be in an Excel format or in another format directed by us and contains the following:

- fuel types – separate figures for electricity and gas and domestic and non-domestic customers
- separation of ‘revenues, costs and profits’ by domestic and non-domestic customers

General Presentation

1.34. All financial figures should be stated in millions of pounds sterling (GBP £m) and rounded to no more than one decimal place. The grey shadings denote summations that can be calculated by using other information within the statement.

1.35. WACOE should be reported to the nearest pence in £/MWh and WACOG reported to one decimal place in p/kWh. Volumes for electricity to one decimal place in TWh and for gas to one decimal place in MThms

1.36. All revenues, costs and depreciation should be entered as positive values with only EBITDA (Earnings before Interest, Tax and Depreciation) and EBIT (Earnings before Interest and Tax) displaying negative values in the event of a loss.

Revenue and Cost line items for Supply

1.37. ‘Revenue from sale of electricity and gas’ means electricity and gas sales for the respective retail supply segments. Revenue for domestic supply should be less dual fuel discounts where applicable; that is these discounts should be deducted from revenue, with the discount split evenly between electricity and gas. Social tariff costs should also be deducted from domestic supply revenue directly.

1.38. ‘Other Revenue’ not covered above means revenue from other activities in the licensee company that is revenue that is not defined in paragraph A2.37. This is to be included in the ‘Other Revenue’ row of the income statement below the ‘Revenue’ row. The description of ‘other revenue’ should continue to be provided in a footnote.

1.39. ‘Direct fuel costs’ for supply should include aggregate electricity and gas costs. For the supply businesses, WACOE/G should cover the wholesale energy cost, losses, the energy element of Reconciliation by Difference (RBD) costs, Power Purchase Agreements (PPAs), balancing and shaping costs incurred by supply licences.

- 1.40. 'Other direct costs' for supply should include network costs, Balancing Services use of System charges (BSUOS), environmental costs (including Renewable Obligation Certificates (ROCs), Carbon Emissions Reduction Targets (CERTs) and the Community Energy Savings Programme (CESP) and the transport element of RBD costs.
- 1.41. 'Indirect costs' should be defined as Relevant licensees' own internal operating costs including sales and marketing costs, bad debt, central services, customer service, costs to serve Priority Services Register (PSR) customers and all metering costs. With Indirect Costs the licensee should also highlight R&D and Innovation costs incurred during the period.
- 1.42. Volumes should be supplier volumes at the meter point (ie net of losses).
- 1.43. WACO E/G means the "Direct fuel costs" line divided by the "Volume" line, shown as £/MWh or p/th.
- 1.44. Meter Points should be the average number of electricity and gas, domestic and non-domestic meter points (MPANs and MPRNs) during the reporting year. This should be calculated by adding monthly closed meter points and dividing by 12.
- 1.45. The supply aggregation column (aggregation of domestic and non-domestic electricity and gas supply businesses) sums the horizontal supply figures and thereby helps facilitate reconciliation to group accounts.

Appendix 3 – Templates

CSS template after reconciliation adjustments.

Results after adjustments						
	Unit	Electricity supply		Gas supply		Aggregate supply business
		Domestic	Non-domestic	Domestic	Non-domestic	
		20XX	20XX	20XX	20XX	
Total revenue	£M					
Revenue from sale of electricity and gas	£M					
Other revenues	£M					
Total operating costs	£M					
Direct fuel costs	£M					
<i>Direct costs:</i>						
Transportation costs	£M					
Environmental and social obligations costs	£M					
Other direct costs						
Indirect costs	£M					
EBITDA	£M					
Depreciation and amortisation	£M					
EBIT	£M					
Volume	TWh, m therms					
WACO E/G	£/MWh, p/th					
Meter Points	000s					

Template displaying reconciling items to the statutory accounts

Adjustments for Reconciling items								
#	Item	Unit	Electricity supply		Gas supply		Aggregate supply business	Adjust in CSS?
			Domestic	Non-domestic	Domestic	Non-domestic		
#1		£M						
#2		£M						
#3		£M						
#4		£M						
#5		£M						
#6		£M						
#7		£M						
#8		£M						
#9		£M						
#10		£M						