

# Guidance

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## Guidance for preparing Consolidated Segmental Statements

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This document provides guidance for suppliers on how to prepare the Consolidated Segmental Statements (CSS). It explains the scope and application of the Standard Licence Conditions (“SLC”) 19A of the Electricity and Gas supply licences (“Financial Information Reporting”). The CSS template and details of the required supporting information are provided, and this is to be published on the supplier’s website and submitted to Ofgem directly. Suppliers are responsible for preparing a CSS in line with the SLCs and guidance.

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## Introduction

### Context and related publications

Ofgem's principal objective is to protect the interests of existing and future electricity and gas consumers.<sup>1</sup> 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. Providing third parties access to this information also allows them to hold challenge to both suppliers and Ofgem as regulator.

On 25 August 2023, we began a consultation process to revise Standard Licence Condition (SLC) 'Financial information reporting', which requires publication of a CSS. We published our decision on 1 February 2024 and the new licence conditions come into effect on 29 March 2024.

The outcome 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. 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>
- Statutory Consultation (2023):  
<https://www.ofgem.gov.uk/publications/reviewing-consolidated-segmental-statements-our-final-proposals>
- Decision (2024):  
<https://www.ofgem.gov.uk/publications/reviewing-consolidated-segmental-statements-our-decision>

### General feedback

We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this guidance. We'd also like to get your answers to these questions:

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<sup>1</sup> Section 3A Electricity Act 1989; Section 4AA Gas Act 1986.

Title

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- Do you have any comments about the overall quality of this guidance?
- Do you have any comments about its tone and content?
- Was it easy to read and understand? Or could it have been better written?
- Any further comments?

Please send any general feedback comments to [css@ofgem.gov.uk](mailto:css@ofgem.gov.uk)

## **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 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:
  - Where a supplier operates solely for non-traditional supply, and has no affiliate with a traditional supply business;

- 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; or
- 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](mailto: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](mailto: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.

## Appendices

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## Appendix 1 – Templates

### CSS template after reconciliation adjustments

	Unit	Electricity supply		Gas supply		Aggregate supply business
		Domestic	Non-domestic	Domestic	Non-domestic	
		20XX	20XX	20XX	20XX	20XX
<b>Total revenue</b>	£M					
Revenue from sale of electricity and gas	£M					
Other revenues	£M					
<b>Total operating costs</b>	£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					
<b>Volume</b>	TWh, m therms					
<b>WACO E/G</b>	£/MWh, p/th					
<b>Meter Points</b>	000s					

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## Example template displaying reconciling items to the statutory accounts

#	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						