

Andrew Milligan  
Deputy Director, Financial Resilience and Controls  
Ofgem  
10 South Colonnade  
Canary Wharf  
London  
E14 4PU

24 October 2025

Dear Andrew

### **Modification of consolidated segmental statements guidance**

We welcome the opportunity to respond to your consultation on amended guidance for the consolidated segmental statements (CSS). Our answers to the consultation questions are below.

1. Do you agree with our minded to approach to modify the Guidance to provide clarifications?

Yes, we welcome Ofgem's overall policy intent to modify the Guidance to provide clarification. Part of the value of the CSS is providing a comparable set of financial data for different licensees so that supplier performance can be compared on a like for like basis. It is essential that licensees adhere strictly to the CSS template and definitions set out in the guidance, otherwise this benefit is lost. Given that some licensees who published their first CSS last year appear not to have adhered to the guidance, it is important that Ofgem clarifies the importance of doing so.

2. Do the proposed modifications make it clear what constitutes a properly prepared CSS?

Yes, the updated guidance generally makes it clear what constitutes a properly prepared CSS. In particular we welcome the clarification that cost categorisation in the CSS must follow the CSS Guidance even if that differs from the cost categories in a licensee's statutory accounts.

3. What are your views on the modifications proposed?

We have offered a number of detailed drafting suggestions in respect of the proposed modifications to the guidance. These are set out in Annex 1. Our four substantive suggestions are:

1. A change to the new disclosure requirement (paras 1.16, 1.40, 1.41) to make it clear that such disclosure is only required where CSS and statutory accounts cost categories are sufficiently similar that there is scope for ambiguity.
  2. An additional requirement for disclosure (as per paras 1.16, 1.40, 1.41) if CSS cost categorisation has changed since the prior year CSS. (As an alternative, this disclosure requirement could replace the requirement referred to in point 1 above).
  3. Additional wording in para 1.37 to clarify the treatment of Government-mandated social discounts, such as the Warm Home Discount (WHD) and schemes such as the Energy Bills Support Scheme (EBSS) (should a similar scheme be introduced in future).
  4. Additional explanation in para 1.38 of what constitutes 'other revenue', and the tests that should be applied to determine whether a given revenue item falls under 'revenue from sale of electricity and gas', 'other revenue' or 'reconciling items'. From our review of licensees' CSS listed by Ofgem in August 2025,<sup>1</sup> there appears to be a lack of consistency between licensees in their categorisation of revenue which is not adequately addressed by the two examples of 'other revenue' that Ofgem has provided.
4. Are there any other options that would better facilitate the policy intent of CSS?

We are not currently aware of any other options that would better facilitate the policy intent of CSS. We support the policy intent behind the CSS and we believe the proposed guidance should help deliver the required level of transparency and comparability. However it is also important that Ofgem gives careful scrutiny to licensees' CSS and is quick to challenge any non-compliance.

Yours sincerely,



**Richard Sweet**  
Director of Regulatory Policy

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<sup>1</sup> [Energy companies' Consolidated Segmental Statements \(CSS\) | Ofgem](#)

**CSS GUIDANCE REVIEW – SCOTTISHPOWER SUGGESTED AMENDMENTS TO DRAFTING**

<b>Proposed guidance</b>	<b>Comment</b>	<b>Suggested amendment to proposed guidance</b>
<p>1.16 Under the CSS licence requirement, a clear and full explanation of how the Relevant Licensee defines the terms 'revenues, costs and profits' must be set out and presented in accordance to the definitions are set out in this Guidance. Please include an explanation and approximate quantification (£'m) if revenues or costs have been allocated differently in the licensees' statutory accounts.</p> <p>For example "£1m metering installation costs have been classified under indirect costs in line with the Ofgem Guidance to ensure consistency in CSS reporting. Although, these costs would appear under direct costs in the statutory accounts, this reclassification has no impact on earnings (EBIT).</p>	<p>See comments against para 1.40 below</p>	<p>See comments against para 1.40 below</p>
<p>1.17 The Relevant Licensee must 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, Renewable Obligation related costs (classified in CSS statement as 'Environmental and Social Obligation costs'), are allocated across the supply business. For the avoidance of doubt, PPAs will come under 'Direct Fuel Costs.</p>	<p>We think Ofgem is looking for an explanation of cost allocation between the four supply business segments defined in the CSS template, ie</p> <ul style="list-style-type: none"> <li>• Electricity supply–Domestic</li> <li>• Electricity supply–Non-domestic</li> <li>• Gas supply–Domestic</li> <li>• Gas supply–Non-domestic</li> </ul> <p>We suggest the wording could be amended to make this clearer.</p>	<p>1.17 The Relevant Licensee must describe the methodology or methodologies used to allocate marketing, shared and corporate costs across the supply <del>elements</del> <b>business segments</b>. The licensee should also describe how, for example, individual costs such as Feed- in-Tariff costs, Renewable Obligation related costs (classified in CSS statement as 'Environmental and Social Obligation costs'), are allocated across the supply business <b>segments</b>. For the avoidance of doubt, PPAs will come under 'Direct Fuel Costs.</p>
<p>1.18 [...] If any Relevant Licensee's activities associated outside the supply of energy (i.e. supply of electricity and gas), need to be reflected</p>	<p>The text as it stands is difficult to follow. We suggest it could be simplified as follows</p>	<p>1.18 [...] If any <b>of a</b> Relevant Licensee's <b>non-licensed</b> activities <b>(such as renewable installations, boiler servicing, home services installations or</b></p>

<p>as part of the CSS reconciliation table to the licensed entity statutory accounts. For example, non-licensed activities (such as renewable installations, boiler servicing, home services installations or other non-supply operations) should be:</p> <ul style="list-style-type: none"> <li>• Shown only as reconciling items between CSS and statutory accounts,</li> <li>• Clearly described in the reconciliation notes.</li> </ul>		<p><b>other non-supply operations</b>) need to be reflected as part of the CSS reconciliation table to the licensed entity statutory accounts, <b>such</b> non-licensed activities should be:</p> <ul style="list-style-type: none"> <li>• Shown only as reconciling items between CSS and statutory accounts,</li> <li>• Clearly described in the reconciliation notes.</li> </ul>
<p>1.37 'Revenue from sale of electricity and gas' means electricity and gas sales for the respective retail supply segments. Revenue for domestic supply must be less dual fuel discounts where applicable; that is these discounts must be deducted from revenue, with the discount split evenly between electricity and gas. Social tariff costs must also be deducted from domestic supply revenue directly.</p>	<p>We have suggested a number of amendments to reflect the following points:</p> <ol style="list-style-type: none"> <li>1. Dual fuel discounts are not the only relevant discount. Others include online discounts and prompt payment discounts.</li> <li>2. Not all discounts should be split evenly between electricity and gas, eg discounts for solus customers who are supplied with only one fuel.</li> <li>3. It would be helpful for Ofgem to clarify that 'social tariff costs' include WHD. WHD was mentioned by name in this paragraph in the January 2015 CSS guidelines, but omitted in the February 2024 version. We think the reference to WHD should be reinstated since otherwise the only place where WHD is mentioned is paragraph 1.40, and licensees could mistakenly assume that they are supposed to include the value of the WHD discount in 'Environmental and social obligation costs' rather than just their WHD administration costs.</li> <li>4. We suggest Ofgem also clarifies that EBSS type schemes (should any similar schemes be launched in future) should be treated as social tariff costs in the same way as WHD. We think it may be equally valid, from an accounting standard (IFRS/GAAP) point of view, to treat payments received from the Government for EBSS as revenue and the payments to</li> </ol>	<p>1.37 'Revenue from sale of electricity and gas' means electricity and gas sales for the respective retail supply segments. Revenue for domestic supply must be less discounts <b>on the sale of electricity and gas (eg dual fuel, online or prompt payment discounts)</b> where applicable; that is these discounts must be deducted from revenue, with the discount split evenly between electricity and gas <b>where applicable</b>. Social tariff costs must also be deducted from domestic supply revenue directly. <b>For the avoidance of doubt, social tariff costs include Government-mandated social discounts, such as the Warm Home Discount (WHD), and schemes such as the Energy Bills Support Scheme (EBSS) which was in effect between 2022 and 2023.</b></p>

	customers as a cost. However the latter approach could result in materially different percentage EBIT margins, so it is important that Ofgem clarifies the intended approach to ensure consistent treatment between licensees.	
1.38 'Other Revenue' not covered above in paragraph 1.37 must include revenue from activities directly related to the licensed supply business, such as meter installations or connection services, but exclude that associated with direct supply of electricity and gas. Any licensed entity revenue outside the supply business must be reflected in the reconciliation to licensed entity statutory accounts. The description of 'other revenue' must continue to be provided in a footnote.	<p>We request that Ofgem expands the explanation in para 1.38 of what constitutes 'other revenue'. From our review of other licensees' CSS listed in Ofgem's August 2025 review,<sup>2</sup> there appears to be a lack of consistency between licensees, with the following items being listed as 'other revenue' by one or more licensee.</p> <ul style="list-style-type: none"> <li>• Receipts related to the Energy Price Guarantee</li> <li>• Energy Bill Relief Scheme (EBRS) and Energy Bills Discount Scheme (EBDS)</li> <li>• Renewable Obligation Certificate (ROC) recycle benefit income.</li> <li>• New Housing Connections</li> <li>• Revenue from the installation of meters</li> <li>• Sustainable Energy Solutions Project work targeting customers Net Zero ambitions</li> <li>• Sale of Renewable Energy Guarantees of Origin ("REGO") certificates</li> </ul> <p>It seems to us that some of the above should be included within 'sale of electricity and gas' and others should be included in the reconciliation as revenue from non-licensed activities. Rather than simply listing examples of 'other revenue' ('meter installations and connection services'), it would be helpful for Ofgem to explain the purpose of the distinction and the principles or tests that should be applied to determine where a given revenue item falls.</p>	[For Ofgem to determine]

<sup>2</sup> [Energy companies' Consolidated Segmental Statements \(CSS\) | Ofgem](#)

<p>1.40 [...] Where application of the CSS Guidance results in a presentation that differs from the statutory accounts, the CSS format must take precedence to ensure consistency with the Guidance.</p> <p>In such cases, the relevant sections must include a disclosure that:</p> <ul style="list-style-type: none"> <li>• Outlines the reason for the difference from the statutory accounts line item.</li> <li>• Provides an estimated value of the difference, rounded to the nearest £1 million.</li> </ul> <p>This approach ensures compliance with SLC19A by aligning with the CSS Guidance while maintaining transparency in relation to statutory reporting.</p>	<p>The requirement to explain 'costs that are classified differently in financial statements' makes sense for companies who have similar sounding cost categories in their statutory accounts (eg 'Direct costs' and 'Indirect costs') and where individual costs (such as metering) may be categorised differently. But in ScottishPower's case, the cost categories in our statutory accounts are substantially different from the CSS categories (see mapping table in Annex 2) and there is no scope for the sort of ambiguity that Ofgem is concerned about (ie metering being allocated to different categories).</p> <p>We therefore suggest that the guidance is amended to make it clear that this disclosure is only required where there is scope for ambiguity.</p> <p>We also suggest including a requirement to provide disclosure of any changes in CSS cost categorisation that have been made between current and prior year CSS.</p> <p>As an alternative, we think Ofgem could consider removing the obligation to disclose differences between CSS and statutory accounts cost categorisation and instead just have the requirement for disclosure of changes in CSS cost categorisation that have been made between current and prior year CSS.</p>	<p>1.40 [...] "Where a licensee employs similarly named line items in its statutory accounts as are used in the CSS format, and where application of the CSS Guidance results in specific costs being allocated to different line items in the CSS and the statutory accounts, the CSS format must take precedence to ensure consistency with the Guidance. In such cases, the relevant sections must include a disclosure that:</p> <ul style="list-style-type: none"> <li>• identifies the cost items which have been categorised differently in the CSS and statutory accounts;</li> <li>• provides an estimated value of the difference, rounded to the nearest £1 million.</li> </ul> <p>This approach ensures compliance with SLC19A by aligning with the CSS Guidance while maintaining transparency in relation to statutory reporting.</p> <p>Where a supplier categorises costs in its CSS differently to how it categorised costs in its prior year CSS, it must provide a similar disclosure of these differences."</p>
<p>1.41 [...] Where application of the CSS Guidance results in a presentation that differs from the statutory accounts, the CSS format must take precedence to ensure consistency with the Guidance.</p> <p>In such cases, the relevant sections must include a disclosure that:</p> <ul style="list-style-type: none"> <li>• Outlines the reason for the difference from the statutory accounts line item.</li> </ul>	<p>As above</p>	<p>As above</p>

<ul style="list-style-type: none"> <li>• Provides an estimated value of the difference, rounded to the nearest £1 million.</li> </ul> <p>This approach ensures compliance with SLC19A by aligning with the CSS Guidance while maintaining transparency in relation to statutory reporting.</p>		
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**MAPPING BETWEEN CSS COST CATEGORIES AND SCOTTISHPOWER STATUTORY ACCOUNTS**

Ofgem's amended guidance includes a requirement at various points (paras 1.16, 1.40, and 1.41) for disclosure of differences in cost categorisation between CSS and a licensee's statutory accounts. As noted in Annex 1, the cost categories in ScottishPower's statutory accounts are sufficiently different from the CSS that we do not think the proposed disclosure requirement makes practical sense, and we have suggested alternative wording to address this.

By way of illustration, we have provided below a mapping between ScottishPower's 2023 CSS and our statutory accounts for that year. For completeness, this mapping includes all line items (revenue and EBIT) as well as costs. Relevant extracts from CSS and statutory accounts are shown below.

		Turnover	Procurements	Staff Costs	External Services	Credit losses	Other operating results	Taxes other than income tax	Aggregate supply from CSS
1	Revenue								7,565
2.1	Direct fuel costs								-4,336
2.2	Direct costs: Transportation								-1,181
2.3	Direct costs: Env & Social Obligations								-770
2.4	Other direct costs								-55
2.5	Indirect costs								-607
	Depreciation & Amortisation								-85
	<b>CSS EBIT</b>								<b>531</b>
	Reconciling items (Exceptionals & Non Licenced Activity)								-6
	<b>Total SPERL stat accounts</b>	<b>7,611</b>	<b>-6,161</b>	<b>-63</b>	<b>-424</b>	<b>-293</b>	<b>37</b>	<b>-182</b>	<b>526</b>



		SUPPLY				
		Electricity		Gas		Supply
		Domestic	Non-domestic	Domestic	Non-domestic	
Total revenue	£m	3,616.9	1,807.6	2,088.0	52.2	7,564.7
Revenue from sales of electricity and gas	£m	3,616.9	1,807.6	2,088.0	52.2	7,564.7
Other revenue	£m	-	-	-	-	-
Total operating costs	£m	(3,099.0)	(1,748.6)	(2,061.5)	(39.6)	(6,948.7)
Direct fuel costs	£m	(1,765.6)	(1,124.9)	(1,418.4)	(27.4)	(4,336.3)
Transportation costs	£m	(532.7)	(314.8)	(327.7)	(5.6)	(1,180.8)
Environmental and social obligation costs	£m	(442.1)	(265.9)	(61.7)	0.0	(769.7)
Other direct costs	£m	(33.9)	(3.9)	(16.6)	(0.2)	(54.6)
Indirect costs	£m	(324.7)	(39.1)	(237.1)	(6.4)	(607.3)
EBITDA	£m	517.9	59.0	26.5	12.6	616.0
DA	£m	(39.6)	(13.3)	(29.9)	(2.0)	(84.8)
EBIT	£m	478.3	45.7	(3.4)	10.6	531.2

**SCOTTISHPOWER ENERGY RETAIL LIMITED**  
**INCOME STATEMENT**  
**for the year ended 31 December 2023**

	Notes	2023 £m
Revenue	11	7,610.6
Procurements		(6,161.3)
<b>GROSS MARGIN</b>		<b>1,449.3</b>
Staff costs	12	(62.8)
External services		(423.1)
Other operating results		37.4
<b>Net operating costs</b>		<b>(448.5)</b>
Taxes other than income tax	13	(181.8)
<b>GROSS OPERATING PROFIT/(LOSS)</b>		<b>819.0</b>
Net expected credit losses on trade and other receivables		(207.0)
Depreciation and amortisation charge, allowances and provisions	14	(86.4)
<b>OPERATING PROFIT/(LOSS)</b>		<b>525.6</b>

**ScottishPower**  
October 2025