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By email to: css@ofgem.gov.uk

Consolidated Segmental Statements guidance update

Executive Summary

E.ON welcomes Ofgem's initiative to update the Consolidated Segmental Statements (CSS) guidance, aiming to enhance clarity, consistency, and enforceability. We wrote to Ofgem on 12th June 2025 (letter attached to this response). We highlighted our concern that not all suppliers who have published their CSS appear to have complied with Ofgem's guidance and that this does not provide third parties with the transparency required to allow informed comparison between suppliers, undermining trust in disclosures.

While the proposed modifications represent a positive step in amending the guidance to prevent such reporting inaccuracies from occurring again, we believe further changes are necessary to fully realise the policy intent and prevent continued inaccurate or misleading disclosures by suppliers.

Key Recommendations

- **Provide additional clarity on direct and indirect costs within the cost allocation guidance** – there is still ambiguity in the definition of direct and indirect costs within the guidance. Ofgem should integrate the pro forma's detailed cost breakdowns into the formal guidance. The status of the pro forma is not clarified in the consultation, we believe it should be included in the guidance.
- **Provide clarity on domestic vs non-domestic cost allocation** – the guidance does not provide detail on segmenting costs between domestic and non-domestic. Suppliers should be required to disclose and justify their allocation methodology between segments.
- **Provide detail on reconciliation to statutory accounts** – within the revised guidance, there is lack of clarity as to whether reconciliation should be done at the group or entity level. We recommend group-level reconciliation with optional entity level breakdowns to balance transparency with commercial sensitivity.
- **Require suppliers to provide rationale on allocation methodologies** – currently, the absence of standardised allocation methodologies leads to inconsistent practices. Suppliers should provide rationale for chosen methodologies and justify deviations from standard metrics.
- **Develop or enhance enforcement and audit mechanisms** – we believe Ofgem's audit powers are underutilised, which raises concerns about compliance with and enforcement of the guidance. Mandatory audits and subsequent amendments if required should be introduced where material discrepancies or unexplained outliers are identified to strengthen compliance and stakeholder trust.

Our complete response is included in Annex 1.

Yours faithfully,

Alasdair Cameron

Annex 1

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

We support Ofgem’s intention to improve the clarity, consistency, and enforceability of CSS reporting. The proposed changes are a step in the right direction, but further refinements and detail are needed to ensure the guidance achieves its stated objectives to promote transparency and prevent future non-adherence.

Ofgem’s stated aim of CSS is the following:

“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.”

We do not believe the revised guidance goes far enough to deliver this objective.

We wrote to Ofgem on 12th June 2025 (letter attached to this response), highlighting our concern that not all suppliers who have published their CSS appear to have complied with Ofgem’s guidance. We believe that one supplier had incorrectly reported some figures that may not provide third parties with the transparency required by the guidance, undermining trust in disclosures.

We believe the revised guidance would not prevent such inaccurate or misleading reporting occurring again. We have provided recommendations, which in our view, would go further in preventing inaccurate CSS reporting (see rest of response).

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

While the modifications improve clarity in some areas, several issues remain which will continue to allow for inconsistency between suppliers’ approach to CSS.

Clarity and Consistency Between Guidance and Pro Forma on Direct and Indirect Costs

The revised guidance currently does little to address one of the fundamental issues that triggered the consultation – cost allocation between direct and indirect costs.

The guidance (Sections 1.4, 1.16–1.20) lacks specificity in defining cost categories. The accompanying pro forma provides more detailed examples (e.g., smart metering, broker commissions), but it is unclear whether it forms part of the formal requirements. For example, smart metering programme costs appear under “other direct costs” in the pro forma, while the guidance suggests all metering costs should be indirect - this contradiction creates scope for discretionary interpretation.

We therefore recommend that the pro forma’s detailed cost breakdowns are integrated into the guidance itself and clarify its status. We also recommend that Ofgem tightens language in Section 1.40 (e.g. replace “may include...” with definitive terms) and requires disclosure and justification for any additional items, particularly for:

- Other Direct Costs (e.g. smart metering programme costs, broker commissions);
- Indirect Costs (e.g. IT, HR, metering installations); and
- Require disclosure of any additional items with justification.

3. What are your views on the modifications proposed?

While the modifications improve clarity in some areas, several critical issues remain.

Improvements

We believe the revised CSS guidance does not go far enough to prevent non-adherence and inaccurate reporting. We propose instances below which highlight where tightening of definitions/wording to avoid ambiguity and inconsistencies in suppliers' approach to disclosure.

- Reconciliation to statutory accounts should be done to group level with optional entity level breakdowns
- Suppliers should have to give rationale for allocation of shared costs when deviating from standard metrics
- Suppliers should state and give rationale for the allocation between domestic and non-domestic

Reconciliation to Statutory Accounts

The guidance (Sections 1.20, 1.30–1.32) requires a numerical reconciliation table of differences between CSS and statutory accounts, including revenue and EBIT. The guidance also requires disclosure of any differences between CSS and statutory accounts on a line-by-line disclosure in the notes whilst not mandating full reconciliation in the suggested table.

While full reconciliation could improve transparency and comparability, it may be burdensome for suppliers with multiple entities or licences. We therefore recommend that the guidance should clarify whether reconciliation can be done in aggregate or per entity. We support group-level reconciliation with optional entity-level breakdowns to balance transparency with commercial sensitivity.

Allocation Methodologies for Shared Costs

Section 1.17 requires suppliers to describe allocation methods but does not prescribe a standard methodology. Suppliers currently use varied approaches (e.g. customer numbers, transaction volumes, FTEs), which risks unjustified splits (e.g. flat cost per account).

We therefore recommend that the guidance requires suppliers to provide rationale for their chosen methodology - stating allocation drivers and justify deviations from standard metrics (e.g. customer numbers or volume).

Domestic vs Non-Domestic Allocation

Another fundamental omission in the revised guidance which does not address Ofgem's policy intention is providing greater scrutiny in cost allocation between domestic and non-domestic.

Currently, no guidance exists on how to split costs between domestic and non-domestic segments, leading to inconsistent or unjustified allocations. Therefore, suppliers may apply inconsistent or unjustified splits (e.g., flat cost per account) that doesn't reflect actual portfolio composition.

We therefore recommend that the guidance adds a requirement for suppliers to disclose and justify their allocation methodology between segments (potentially under Sections 1.17 or 1.37) if not using standard drivers.

4. Are there any other options that would better facilitate the policy intent of CSS?

We do not believe that currently the policy intent of CSS is being fully realised, hence our letter (attached) from earlier this year. Therefore, we welcome this review. Robust transparency must be backed by appropriate mechanisms in addition to consistent and comparable disclosures.

In addition to what we have outlined above, we believe the following would assist in achieving the policy intent of CSS:

Enforcement and Audit Mechanisms

Sections 1.31–1.32 allow Ofgem to request audits for non-compliance, however we find that these powers are rarely exercised. For example, Octopus Energy’s CSS which we believe triggered this consultation following our letter dated 12th June 2025, raises questions about enforcement, given the apparent lack of audit, resubmission or enforcement.

We therefore recommend introducing audits where material discrepancies or unexplained outliers are identified, as stronger enforcement would improve compliance and stakeholder confidence.

Include the Pro Forma in the guidance

It provides valuable detail but is not referenced in the consultation. In our view this should be part of the guidance.

Strengthen Language

Use “must” instead of “should” where obligations are intended to be enforceable.