

Diego Villalobos
Energy Market Monitoring and Analysis
9 Millbank
London
SW1P 3GE

6th December 2013

Dear Diego,

Rebuilding consumer confidence: Improving the transparency of energy company profits

1. Consumer uncertainty about energy company profits is driven by a number of factors. These include confusion over pre and post tax profits, particularly upstream where production can attract tax rates as high as 81%. There are also wider issues, such as a lack of understanding about small supplier exemptions which can make large energy companies tariffs appear more expensive, fuelling concerns about profiteering.
2. Nevertheless, Centrica recognise the importance of being clear about where large energy companies make their profits, and we fully support Ofgem's work to improve transparency in this area. Centrica is already recognised as doing more than other energy companies in this regard, and we welcome Ofgem's proposals as a positive step forward.
3. In particular, and although BDO have independently confirmed the appropriateness of our Consolidated Segmental Statements (CSS), we agree that the proposal of submitting our CSS to a full independent financial audit would add further benefit. Centrica is considering completing this action voluntarily for our 2013 CSS publication, potentially as early as February next year.
4. Similarly, we are also happy to include further information in the CSS regarding the profits generated from our trading activities, including the provision of information on our speculative trading activities. We are also happy to bring forward the publication of the CSS to the end of April each year, something we agree would improve the relevance of the publication. These improvements will deliver further transparency, and enhance consumer confidence about where our profits have been made.
5. Full details of our response to Ofgem's consultation are provided in Appendices A and B to this letter. Please note that whilst this letter and Appendix A are not confidential and may be published on Ofgem's website, Appendix B contains information about the costs of these proposals to Centrica, and is therefore confidential. It should not be published without our consent.
6. We would be very happy to meet with Ofgem to discuss the points raised both here and in the attached appendix if that would be helpful. I will be in contact shortly to see if such a meeting would be beneficial, but if you have any questions or concerns in the meantime, please do not hesitate to telephone me on (07789) 570501.

7. This response is submitted on behalf of the Centrica group of companies (excluding Centrica Storage).

Yours sincerely

David Watson

Head of Market Design and New Energy

British Gas

