

Centrica plc

Ofgem segmental disclosure
For the year ended 31 December 2012



Ofgem segmental disclosure

For the Year ended 31 December 2012

	Unit	Generation	Electricity Supply		Gas Supply		Aggregate Supply Business
			Domestic	Non-Domestic	Domestic	Non-Domestic	
			2012	2012	2012	2012	
Total Revenue	£m	1,331	3,237	1,841	5,884	1,014	11,976
Revenue from Sales of Electricity & Gas	£m	1,295	3,237	1,829	5,809	1,014	11,889
Other Revenue - Non Energy	£m	36	-	12	75	-	87
Total Operating Costs	£m	(865)	(3,272)	(1,772)	(5,201)	(893)	(11,138)
Direct Fuel Costs	£m	(457)	(1,632)	(1,046)	(3,118)	(608)	(6,404)
Other Direct Costs	£m	(168)	(1,228)	(523)	(1,362)	(170)	(3,283)
Indirect Costs (Opex)	£m	(240)	(412)	(203)	(721)	(115)	(1,451)
WACOF / WACOE / WACOG	£/MWh, p/th	(21.26)	(63.50)	(61.17)	(69.9)	(64.7)	N/A
EBITDA	£m	466	(35)	69	683	121	838
DA	£m	(175)	(18)	(4)	(24)	(2)	(48)
EBIT	£m	291	(53)	65	659	119	790
Volume	TWh, MThms	21.5	25.7	17.1	4,460	940	N/A

* The Generation Segment was granted 7.2 million tonnes of free carbon allowance in 2012. The supply segment had no such allowances.

Ofgem segmental disclosure

For the Year ended 31 December 2012 – analysis of business functions' performance*:

Business function	Generation	Supply	Another part of the business
Operates and maintains generation assets	✓	-	-
Responsible for scheduling decisions	✓	-	-
Responsible for interactions with the Balancing Market	✓	✓	-
Responsible for determining hedging policy	✓ (output)	✓ (demand)	-
Responsible for implementing hedging policy/makes decision to buy and sell energy	✓ (output)	✓ (demand)	-
Interacts with wider market participants to buy/sell energy	✓ (bilateral)	✓ (bilateral)	✓ (market)**
Holds unhedged positions (either short or long)	✓	✓	✓**
Procures fuel for generation	✓	-	-
Procures allowances for generation	✓	-	-
Holds volume risk on positions sold (either internal or external)	✓	✓	-
Matches own generation with own supply	-	-	✓**
Forecasts total system demand	-	✓	-
Forecasts wholesale price	✓	-	-
Forecasts customer demand	-	✓	-
Determines retail pricing and marketing strategies	-	✓	-
Bears shape risk after initial hedge until market allows full hedge	✓	✓	-
Bears short term risk for variance between demand and forecast	-	✓	-

* The table reflects the business functions that impact our UK segments.

** The Group's Supply and Power businesses are separately managed. Both businesses independently enter into commodity purchases and sales with the market via the Centrica Energy midstream team. The midstream team also enter into proprietary trades. The midstream proprietary result is reported as part of the Power and Gas segments in the annual report. The generation segment in the Segmental Statements includes all activities of the Power segment as reported in our annual report except for the midstream proprietary and overseas results (See notes 4 and 7)

Key:

- ✓ Function resides and profit/losses recorded in segment
- P/L Profit/losses of function recorded in segment
- F Function performed in segment
- Neither function nor profit/losses reside in segment

Disclosure notes

The following notes provide a summary of the basis of preparation of the 2012 submission:

- Financial data provided to the nearest £million.
- Revenue from Sales of Electricity for the Generation Segment is recognised on the basis of power supplied during the period. Revenue from Sales of Electricity and Gas for the Supply Segment is recognised on the basis of gas and electricity supplied during the period.
- Other revenues include:
 - £36m in the Generation column relating to services provided to joint ventures and other small items;
 - £12m in the Non-Domestic Electricity Supply column relating to connections and metering installations;
 - £75m in the Domestic Gas Supply column relating to new home connections and a variety of new technology investments including smart meter installations.
- Direct fuel costs include electricity, gas, carbon and nuclear fuel costs as outlined in the following note.
- WACOF / WACOE / WACOG - for generation this represents the weighted average input cost of gas, carbon and nuclear fuel used by the Generation business. Gas for CCGTs is procured at open market prices through a combination of bi-lateral (over-the-counter) contracts and exchange trading. The cost to the power stations will reflect open market prices at the time of procurement, and so may differ from the price prevailing at the time of physical supply. For the supply businesses, this covers the wholesale energy cost, losses, the energy element of RBD (Reconciliation-by-Difference) costs, and balancing and shaping costs incurred by the supply licensees.
- Generation segment EBIT excludes depreciation of fair value uplifts to property, plant and equipment relating to the strategic investment in British Energy.
- Other direct costs for supply include network costs, FIT (feed in tariff) costs, BSUoS (Balancing Services Use of System) costs, environmental costs (including ROCs, CESP and CERT) and the transport element of RBD costs.

Disclosure notes - continued

The following notes provide a summary of the basis of preparation of the 2012 submission:

- Indirect costs include internal operating costs such as sales and marketing costs, bad debt, costs to serve, IT costs, staffing costs and billing and metering costs.
- FIT and ROC costs are included in other direct costs within Domestic and Non-Domestic Electricity supply. They are allocated between Domestic and Non-Domestic segments based on their respective sales volumes.
- There are no specific energy supply agreements between the Generation and Supply segments (apart from a number of arms-length offtake contracts between Wind JVs and domestic and non-domestic electricity supply segments).
- Transfer pricing for electricity, gas and generation licensees:
 - Energy supply to domestic energy customers is procured at open market prices, through a combination of bi-lateral contracts and Over-The-Counter (OTC) trades. The open market prices used are those prevailing at the time of procurement, which may differ from the price prevailing at the time of supply.
 - Domestic and Non-Domestic fixed price products are hedged based upon anticipated demand at the start of the contract period. The majority of the gas and power for Non-Domestic energy and Domestic energy tariff products is bought ahead of time. The exact purchasing patterns vary in response to the outlook for commodity markets and commercial factors.
 - Generation segment purchases gas and sells all its energy at open market prices. Gas for CCGTs is procured at open market prices through a combination of bi-lateral (over-the-counter) contracts and exchange trading. The cost to the power stations will reflect open market prices at the time of procurement, and so may differ from the price prevailing at the time of physical supply.

Disclosure notes - continued

The following notes provide a summary of the basis of preparation of the 2012 submission:

- Cost allocations:
 - Centrica corporate recharges are allocated across the business units based on turnover and fixed assets net book value.
 - Indirect costs (including marketing) are allocated within each business unit based on various drivers such as customer numbers, number of employees, or sales.
 - No tolling agreements exist between business segments. The financial risks and rewards of owning and using the Group's power stations reside in the Generation segment.
- EBITDA is defined as earnings before interest, tax, depreciation and amortisation. EBIT is defined as earnings before interest and tax.
- Volumes are supplier volumes at the meter point (i.e. net of losses). Generation volume is the volume of power that can actually be sold in the wholesale market.

Reconciliation of Centrica plc Annual Report and Accounts for the year ended 31 December 2012 to Ofgem segmental disclosure

Generation Segment	Supply segment			
	Domestic		Non-Domestic	
	Electricity	Gas	Electricity	Gas
2012	2012	2012	2012	2012

Notes

Revenue (£m)	Centrica plc Annual Report Segmental Analysis	1,237	9,121		3,062		
	Gas and Electricity Allocation	1	-	3,237	5,884	2,048	1,014
	Include share of JV's and Associates	2	641	-	-	-	-
	Exclude intra-segment revenues	3	(436)	-	-	-	-
	Exclude overseas and trading revenues	4	(111)	-	-	-	-
	Exclude non-domestic services revenues	5	-	-	-	(207)	-
	Ofgem Consolidated Segmental Statement	1,331	3,237	5,884	1,841	1,014	

EBIT (£m)	Centrica plc Annual Report Segmental Analysis	311	606		175		
	Gas and Electricity Allocation	6	-	(53)	659	56	119
	Exclude profit of overseas and trading activities	7	(20)	-	-	-	-
	Exclude loss of non-domestic services activities	8	-	-	-	9	-
	Ofgem Consolidated Segmental Statement	291	(53)	659	65	119	

Reconciliation of Centrica plc Annual Report and Accounts for the year ended 31 December 2012 to Ofgem segmental disclosure

Generation Segment	Supply segment			
	Domestic		Non-Domestic	
	Electricity	Gas	Electricity	Gas
2012	2012	2012	2012	2012

Depreciation (£m)	Centrica plc Annual Report Segmental Analysis					
	Gas and Electricity Allocation	9	-	(18)	(24)	(6)
Include Share of JV's and associates depreciation	10	(64)	-	-	-	-
Exclude non-domestic services depreciation	11	-	-	-	2	-
Ofgem Consolidated Segmental Statement		(175)	(18)	(24)	(4)	(2)

Disclosure notes

The reconciliation refers to the segmental analysis of the Centrica plc Annual Report and Accounts 2012 on pages 86-88 and the performance measures section in the appendix to the Directors' Report on pages 146-149

1. The share of Domestic and Non-Domestic revenues split by fuel type is provided in the Performance Measures section in the appendix to the Directors' Report section of the Centrica plc Annual Report and Accounts 2012.
2. £641m of revenues relating to the Group's share of joint venture and associates in Generation is included in the Centrica Segmental Statements (CSS) – £592m relating to Nuclear revenues and £49m relating to Wind revenues. £254m of EBIT in the Generation segment relates to profit from joint ventures (£238m relating to Nuclear and £16m relating to Wind). Additionally there are costs relating to the Group's share of joint ventures and associates - £74m in direct fuel costs, £51m in other direct costs, £198m in indirect costs and £64m in Depreciation and Amortisation. The results of joint ventures and associates are shown separately in the Centrica plc Annual Report and Accounts. The Power segment's operating profit in the Centrica plc Annual Report and Accounts excludes £66m of depreciation relating to fair value uplifts to property, plant and equipment on acquiring the British Energy investment.
3. £436m of intra-segment revenues between the joint ventures and associates and the Generation segment (included in the £641m of joint venture and associate revenues) have been excluded from the CSS submission.
4. £111m of revenues relating to Centrica's overseas and trading businesses are excluded from the CSS submission.
5. £207m of revenues relating to non-domestic services are excluded from the CSS submission.
6. Allocation of Domestic and Non-Domestic operating profit by fuel type.
7. £20m of operating profit relating to Centrica's overseas and trading businesses are excluded from the CSS submission.
8. £9m of operating loss relating to non-domestic services is excluded from the CSS submission.

Disclosure notes - continued

The reconciliation refers to the segmental analysis of the Centrica plc Annual Report and Accounts 2012 on pages 86-88 and the performance measures section in the appendix to the Directors' Report on pages 146-149

9. Allocation of Domestic and Non-Domestic depreciation by fuel type.
10. £64m of depreciation relating to the Group's share of joint venture and associates in Generation is included in depreciation cost in the CSS submission. Results of JVs and associates are shown separately in Centrica plc Annual Report and Accounts.
11. £2m of depreciation relating to non-domestic services is excluded from the CSS submission.