



# Centrica plc

## Ofgem segmental disclosure

### For the year ended 31 December 2011

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For the Year ended 31 December 2011

	Unit	Generation	Electricity Supply		Gas Supply		Aggregate Supply Business
			Domestic	Non-Domestic	Domestic	Non-Domestic	
		2011	2011	2011	2011	2011	2011
<b>Total Revenue</b>	£m	<b>1,474</b>	<b>3,027</b>	<b>1,898</b>	<b>4,903</b>	<b>931</b>	<b>10,759</b>
Revenue from Sales of Electricity & Gas	£m	1,444	3,027	1,697	4,878	931	10,533
Other Revenue - Non Energy	£m	30	-	201	25	-	226
<b>Total Operating Costs</b>	£m	<b>(1,039)</b>	<b>(2,869)</b>	<b>(1,764)</b>	<b>(4,486)</b>	<b>(864)</b>	<b>(9,983)</b>
Direct Fuel Costs	£m	(590)	(1,502)	(925)	(2,556)	(565)	(5,548)
Other Direct Costs	£m	(172)	(990)	(615)	(1,307)	(170)	(3,082)
Indirect Costs (Opex)	£m	(277)	(377)	(224)	(623)	(129)	(1,353)
<b>WACOF / WACOE / WACOG</b>	£/MWh, p/th	<b>(22.10)</b>	<b>(58.67)</b>	<b>(55.39)</b>	<b>(62.4)</b>	<b>(57.3)</b>	N/A
<b>EBITDA</b>	£m	<b>435</b>	<b>158</b>	<b>134</b>	<b>417</b>	<b>67</b>	<b>776</b>
<b>DA</b>	£m	<b>(177)</b>	<b>(13)</b>	<b>(6)</b>	<b>(18)</b>	<b>(3)</b>	<b>(40)</b>
<b>EBIT</b>	£m	<b>258</b>	<b>145</b>	<b>128</b>	<b>399</b>	<b>64</b>	<b>736</b>
<b>Volume</b>	TWh, MThms	26.7	25.6	16.7	4,099	986	N/A

\* The Generation segment was granted 6.9 mln tonnes of free carbon allowances in 2011. The supply segments had no such allowances.

# Ofgem segmental disclosure

For the Year ended 31 December 2011 – 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	✓ (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 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		✓	

# Disclosure notes

The following notes provide a summary of the basis of preparation of the 2011 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:
  - £30m in the Generation column relating to services provided to joint ventures and other small items.
  - £201m in the Non-Domestic Electricity Supply column relating to Business Services.
  - £25m in the Domestic Gas Supply column relating to a variety of new technology investments including smart meters.
- 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. For the supply businesses, this covers the wholesale energy cost, losses, the energy element of RBD (Reconciliation-by-Difference) costs, balancing and shaping costs incurred by the supply licensees.
- Generation 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, BSUoS (Balancing Services Use of System), 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 2011 submission:

- Indirect costs include internal operating costs such as sales and marketing costs, bad debt, costs to serve, IT, staffing costs, billing and meter costs.
- Feed in tariff (FIT) costs are included in other direct costs within Domestic and Non-Domestic Electricity Supply. ROC costs are included in other direct costs within Domestic and Non-Domestic Electricity Supply.
- Transfer pricing
  - Energy supply to domestic energy customers is procured at open market prices, through a combination of bilateral 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.
- Cost allocations
  - Centrica corporate recharges are allocated across the business units based on average business unit net operating profit (head office costs) or on usage drivers (shared service costs).
  - 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.

# Disclosure notes - continued

The following notes provide a summary of the basis of preparation of the 2011 submission:

- 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 (ie. 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 2011 to Ofgem Segmental Disclosure

Generation Segment	Supply segment			
	Domestic		Non-Domestic	
	Electricity	Gas	Electricity	Gas
2011	2011	2011	2011	2011

Notes

Revenue (£m)	<b>Centrica plc Annual Report Segmental Analysis</b>	<b>1,588</b>	<b>8,113</b>		<b>2,702</b>		
	Gas and Electricity Allocation	1	-	3,027	5,086	1,771	931
	Internal reorganisation	2	-	-	(183)	127	-
	Include share of JV's and Associates	3	594	-	-	-	-
	Exclude intra-segment revenue	4	(250)	-	-	-	-
	Exclude overseas and trading activity	5	(458)	-	-	-	-
	<b>Ofgem Consolidated Segmental Statement</b>	<b>1,474</b>	<b>3,027</b>	<b>4,903</b>	<b>1,898</b>	<b>931</b>	
EBIT (£m)	<b>Centrica plc Annual Report Segmental Analysis</b>	<b>254</b>	<b>522</b>		<b>219</b>		
	Gas and Electricity Allocation	6	-	145	377	155	64
	Internal reorganisation	7	-	-	22	(27)	-
	Exclude net loss of overseas and trading activities	8	4	-	-	-	-
	<b>Ofgem Consolidated Segmental Statement</b>	<b>258</b>	<b>145</b>	<b>399</b>	<b>128</b>	<b>64</b>	

# Reconciliation of Centrica plc Annual Report and Accounts for the year ended 31 December 2011 to Ofgem Segmental Disclosure

Generation Segment	Supply segment			
	Domestic		Non-Domestic	
	Electricity	Gas	Electricity	Gas
2011	2011	2011	2011	2011

Depreciation (£m)

## Centrica plc Annual Report Segmental Analysis

Gas and Electricity Allocation	9
Include Share of JV's and associates depreciation	10
Exclude Overseas and trading activities	11

## Ofgem Consolidated Segmental Statement

	<b>(116)</b>		<b>(31)</b>		<b>(9)</b>
	-	(13)	(18)	(6)	(3)
	(65)	-	-	-	-
	4	-	-	-	-
	<b>(177)</b>	<b>(13)</b>	<b>(18)</b>	<b>(6)</b>	<b>(3)</b>



# Disclosure notes

**The reconciliation refers to the Segmental Analysis of the Centrica plc Annual Report and Accounts 2011 on pages 74-76 and the Performance Measure section in the Appendix to the Directors' Report – Business Review (pages 132-134).**

- 1 The share of Domestic and Non-Domestic revenues split by fuel type is provided in the Performance Measure section in the Appendix to the Directors' Report – Business Review section of the Centrica plc Annual Report and Accounts.
- 2 Following the 2011 year end, to align British Gas management responsibilities and reporting, the British Gas Community Energy and British Gas New Energy businesses have been allocated from the Residential energy supply segment to the Business energy supply and services and Residential services segments respectively. This results in movements in other revenues, related costs and operating profit, but does not impact gas and electricity sales or direct fuel costs. The 2011 comparatives have been restated accordingly in our 2012 interim results.
- 3 £594m revenues relating to the Group's share of joint venture and associates in Generation is included in revenues in the Centrica Segmental Statements (CSS). Additionally there is £61m of related costs included in direct fuel costs line, £39m in other direct costs line, £191m in indirect costs line and £65m in Depreciation and Amortisation. Results of joint ventures and associates are shown separately in Centrica plc Annual Report and Accounts.
- 4 £250m of intra-segment revenues (included in the £594m of joint venture and associate revenues) between the joint ventures and Generation segment have been excluded from the CSS submission.
- 5 £458m of revenues relating to Centrica's overseas and proprietary businesses are excluded from the CSS submission.
- 6 Allocation of Domestic and Non-Domestic operating profit by fuel type.
- 7 See note 2 above.
- 8 £4m of operating losses relating to Centrica's overseas and proprietary trading business is excluded from the CSS submission.

# Disclosure notes - continued

**The reconciliation refers to the Segmental Analysis of the Centrica plc Annual Report and Accounts 2011 on pages 74-76 and the Performance Measure section in the Appendix to the Directors' Report – Business Review (pages 132-134).**

- 9 Allocation of Domestic and Non-Domestic depreciation by fuel type.
- 10 £65m 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 £4m of depreciation relating to Centrica's overseas and proprietary business is excluded from the CSS submission.