

**Centrica plc – Ofgem segmental disclosure**  
For the year ended 31 December 2010

***centrica***

# Ofgem Segmental Disclosure

For the Year ended 31 December 2010

|   | Unit        | Generation   | Electricity Supply |                | Gas Supply     |                | Aggregate Supply Business |
|---|-------------|--------------|--------------------|----------------|----------------|----------------|---------------------------|
|   |             |              | Domestic           | Non-Domestic   | Domestic       | Non-Domestic   |                           |
|   |             | 2010         | 2010               | 2010           | 2010           | 2010           | 2010                      |
| <b>Total Revenue</b>                    | £m          | <b>1,245</b> | <b>2,789</b>       | <b>1,845</b>   | <b>5,566</b>   | <b>2,081</b>   | <b>12,281</b>             |
| Revenue from Sales of Electricity & Gas | £m          | 1,075        | 2,789              | 1,801          | 5,449          | 2,081          | 12,120                    |
| Other Revenue                           | £m          | 170          | -                  | 44             | 117            | -              | 161                       |
| <b>Total Operating Costs</b>            | £m          | <b>(893)</b> | <b>(2,626)</b>     | <b>(1,724)</b> | <b>(4,957)</b> | <b>(1,971)</b> | <b>(11,278)</b>           |
| Direct Fuel Costs                       | £m          | (816)        | (1,396)            | (1,041)        | (2,983)        | (1,573)        | (6,993)                   |
| Other Direct Costs                      | £m          | (22)         | (864)              | (465)          | (1,289)        | (237)          | (2,855)                   |
| Indirect Costs                          | £m          | (55)         | (366)              | (218)          | (685)          | (161)          | (1,430)                   |
| WACOE / WACOG                           | £/MWh, p/th | (35.79)      | (53.69)            | (54.50)        | (56.4)         | (47.7)         | N/A                       |
| EBITDA                                  | £m          | 352          | 163                | 121            | 609            | 110            | 1,003                     |
| DA                                      | £m          | (126)        | (12)               | (6)            | (18)           | (13)           | (49)                      |
| <b>EBIT</b>                             | £m          | <b>226</b>   | <b>151</b>         | <b>115</b>     | <b>591</b>     | <b>97</b>      | <b>954</b>                |
| Volume                                  | TWh, MThms  | 22.8         | 26.0               | 19.1           | 5,291          | 3,301          | N/A                       |

# Disclosure notes

## The following notes provide a summary of the basis of preparation of the 2010 submission:

- Financial data provided to the nearest £million
- Other revenues include:
  - £44m relating to Business Services in the Non-Domestic Electricity Supply column.
  - £117m in the Domestic Gas Supply column from a variety of new technology investments including insulation, smart meters and microgeneration.
  - £140m of profit before tax relating to the Group's share of joint ventures and associates (gross of interest and taxation) in Power Generation.
  - £30m in Power Generation relating to management services provided to joint ventures.
- Direct fuel costs include electricity and gas costs as outlined in the following note.
- WACOE / WACOG - For generation this represents the weighted average input cost of gas used by the Generation business. For the supply businesses, this covers the wholesale energy cost, losses, the energy element of RBD costs, balancing and shaping costs incurred by the supply licensees.
- Power generation EBIT excludes depreciation of fair value uplifts to property, plant and equipment on acquiring the investment in British Energy.
- Other direct costs for supply include network costs, BSUOS, environmental costs (including ROCs, CESP and CERT) and the transport element of Reconciliation-by-Difference (RBD) costs.
- Indirect costs are defined as internal operating costs including sales and marketing costs, bad debt, costs to serve, IT, staffing costs, billing and all meter costs.

# Disclosure notes continued

The following notes provide a summary of the basis of preparation of the 2010 submission:

- Transfer Pricing
  - 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.
  - Non-Domestic Energy contract and Domestic Energy 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. Indirect costs are allocated within each business unit based on various drivers such as customer numbers, number of employees, or sales.
  - No tolling agreements exist between group companies or business segments.
- EBITDA means earnings before interest, tax, depreciation and amortisation; EBIT means 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 2010 to Ofgem Segmental Disclosure

|                                   | Notes  | Generation   | Non-Domestic |              | Domestic     |              |              |
|-----------------------------------|--|--------------|--------------|--------------|--------------|--------------|--------------|
|                                   |  |              | Electricity  | Gas          | Electricity  | Gas          |              |
|                                   |  | 2010         | 2010         | 2010         | 2010         | 2010         |              |
| Revenue (£m)                      | <b>Centrica plc Annual Report Segmental Analysis</b>   | 1            | <b>1,105</b> | <b>2,906</b> |              | <b>8,355</b> |              |
|                                   | Include Share of JV's and Associates profit before tax | 2            | 140          |              |              |              |              |
|                                   | Gas and Electricity Allocation                         | 3            |              | 1,845        | 1,061        | 2,789        | 5,566        |
|                                   | Include Industrial and Commercial                      | 4            |              |              | 1,594        |              |              |
|                                   | Exclude Overseas businesses                            | 5            |              |              | (574)        |              |              |
| <b>Ofgem Segmental Disclosure</b> |  | <b>1,245</b> | <b>1,845</b> | <b>2,081</b> | <b>2,789</b> | <b>5,566</b> |              |
| EBIT (£m)                         | <b>Centrica plc Annual Report Segmental Analysis</b>   | 6            | <b>226</b>   | <b>233</b>   |              | <b>742</b>   |              |
|                                   | Gas and Electricity Allocation                         | 7            |              | 115          | 118          | 151          | 591          |
|                                   | Include Industrial and Commercial losses               | 8            |              |              | (36)         |              |              |
|                                   | Exclude Overseas businesses losses                     | 9            |              |              | 15           |              |              |
|                                   | <b>Ofgem Segmental Disclosure</b>                      |              | <b>226</b>   | <b>115</b>   | <b>97</b>    | <b>151</b>   | <b>591</b>   |
| Volumes                           | <b>Centrica plc Annual Report Business Review</b>      | 10           | <b>22.8</b>  | <b>19.1</b>  | <b>1,250</b> | <b>26.0</b>  | <b>5,291</b> |
|                                   | LNG Volumes  | 11           |              |              | 981          |              |              |
|                                   | Include Industrial and Commercial UK Volumes           | 12           |              |              | 1,070        |              |              |
|                                   | <b>Ofgem Segmental Disclosure</b>                      |              | <b>22.8</b>  | <b>19.1</b>  | <b>3,301</b> | <b>26.0</b>  | <b>5,291</b> |

# Disclosure notes

## **The reconciliation refers to the Segmental Analysis of the Centrica plc Annual Report and Accounts 2010 (Pages 89-90) and the Business Review Section of the Centrica plc Annual Report and Accounts 2010 (Pages 10-16)**

- 1 Reflects the revenue identified in the Segmental Analysis of the Centrica plc Annual Report for Power Generation, Business energy supply and services and Residential energy supply.
- 2 £140m profit before tax relating to the Group's share of joint ventures and associates (gross of interest and taxation) in Power Generation is included in Other Revenues.
- 3 The share of Domestic and Non-Domestic Revenues split by fuel type is provided in the Business Review Section of the Centrica plc Annual Report. For Non-Domestic and Domestic Gas this is net of inter-segment revenue as per the Segmental Analysis in the Centrica plc Annual Report.
- 4 Industrial and Commercial revenues reported within Upstream UK in the Segmental Analysis of the Centrica plc Annual Report are included in Non-Domestic Gas. These are included net of inter-segment revenue.
- 5 £574m of revenues relating to Centrica's overseas businesses are excluded.
- 6 Reflects the Operating Profit identified in the Segmental Analysis of the Centrica plc Annual Report for Power Generation, Business energy supply and services and Residential energy supply.
- 7 Allocation of Domestic and Non-Domestic Operating Profit by fuel type.
- 8 Industrial and Commercial Operating Loss reported within Upstream UK in the Segmental Analysis of the Centrica plc Annual Report is included in Non-Domestic Gas.
- 9 £15m of Operating Losses relating to Centrica's overseas businesses are excluded.
- 10 Reflects the volumes provided in the Business Review section of the Centrica plc Annual Report under Upstream UK (Gas fired), Business energy supply and services and Residential energy supply.
- 11 981 mmth of volume included relating to LNG business, not included in the Centrica plc Annual Report.
- 12 UK Industrial and Commercial external sales volumes reported within the Business Review section of the Centrica plc Annual Report are included in Non-Domestic Gas.

