Ofgem consolidated segmental statement

Independent Auditor's Report to the Directors of Centrica plc and its Licensees

In our opinion the accompanying statement (the 'Consolidated Segmental Statement' or 'CSS') of Centrica plc and its Licensees for the year ended 31 December 2022 is prepared, in all material respects, in accordance with:

- the requirements of Ofgem's Standard Condition 19A of the Gas and Electricity Supply Licences and Standard Condition 16B of the Electricity Generation Licences established by the regulator Ofgem; and
- the basis of preparation on pages 8 to 11.

We have audited the Consolidated Segmental Statement of Centrica plc and its Licensees (as listed in footnote (i)) (the Group) for the year ended 31 December 2022 in accordance with the terms of our engagement letter dated 15 February 2023. The Consolidated Segmental Statement has been prepared by the Directors of Centrica plc and its Licensees based on the requirements of Ofgem's Standard Condition 19A and the Gas and Electricity Supply Licenses and Standard Condition 16B of the Electricity Generation Licences (together, the 'Licences') and the basis of preparation on pages 8 to 11.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the CSS section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the CSS in the United Kingdom, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – basis of accounting

We draw attention to pages 8 to 11 of the CSS which describes the basis of accounting. The CSS is prepared to assist the Company in complying with the requirements of Ofgem's Standard Condition 19A of the Gas and Electricity Supply Licences and Standard Condition 16B of the Electricity Generation Licences established by the Regulator Ofgem. The basis of preparation is not the same as segmental reporting under IFRS and/or statutory reporting. As a result, the CSS may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

In auditing the CSS, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the CSS is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the CSS is authorised for issue. Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the CSS and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the CSS does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the CSS or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the CSS. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Directors

The Directors are responsible for the preparation of the CSS in accordance with the Licences and the basis of preparation on pages 8 to 11 and for such internal control as the Directors determine is necessary to enable the preparation of the CSS that are free from material misstatement, whether due to fraud or error.

In preparing the CSS, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the CSS

Our objectives are to obtain reasonable assurance about whether the CSS as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this CSS.

A further description of our responsibilities for the audit of the CSS is located on the Financial Reporting Council's website at: frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's Report to the Directors of Centrica plc and its Licensees

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Group's industry and its control environment, and reviewed the Group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the Group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the CSS. These included UK Companies Act and Ofgem's Standard Condition 19A of the Electricity and Gas Supply Licences and Standard Condition 16B of the Electricity Generation Licences; and
- do not have a direct effect on the CSS but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including significant component audit teams regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the CSS.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- Credit losses on financial assets within the Group's energy supply businesses ("Bad debt provisions"). Our audit approach for bad debt provisions was a combination of data analytics, substantive audit procedures and tests of internal control.
- Accuracy and completeness of customer revenue processed through the ENSEK platform. Given the significant quantum of revenue, the developing controls environment, and the difference from legacy SAP systems in the methodology used to derive unbilled revenue related to customers on ENSEK, there is a risk, including a fraud risk over the accuracy and completeness of the revenue recognised.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the CSS;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, and reviewing internal audit reports.

Use of this report

This report is made solely to the Group's Directors, as a body, in accordance with our engagement letter dated 15 February 2023 and solely for the purpose of assisting the Directors in reporting on the CSS to the Regulator Ofgem. We permit this report to be displayed on the Centrica plc website www.centrica.com and within the December 2022 Annual Report & Accounts (see footnote (ii)) to enable the Directors to show they have addressed their governance responsibilities by obtaining an independent assurance report in connection with the CSS. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors as a body and Centrica plc, for our work or this report, or for the opinions we have formed. The materiality level we used in planning and performing our audit was £50 million.

The engagement partner on the audit resulting in this independent auditor's report is Jane Boardman.

Deloitte LLP
15 February 2023
London

(i) British Gas Trading Limited,Neas Energy Limited, Centrica Brigg Limited, Centrica Distributed Generation Limited, Centrica KPS Limited, and EDF Energy Nuclear Generation Limited.

(ii) The maintenance and integrity of Centrica plc's website is the responsibility of the Directors of Centrica plc; the work carried out by the auditors does not involve consideration of these matters and accordingly, the auditors accept no responsibility for any changes that may have occurred to the CSS since it was initially presented on the website.

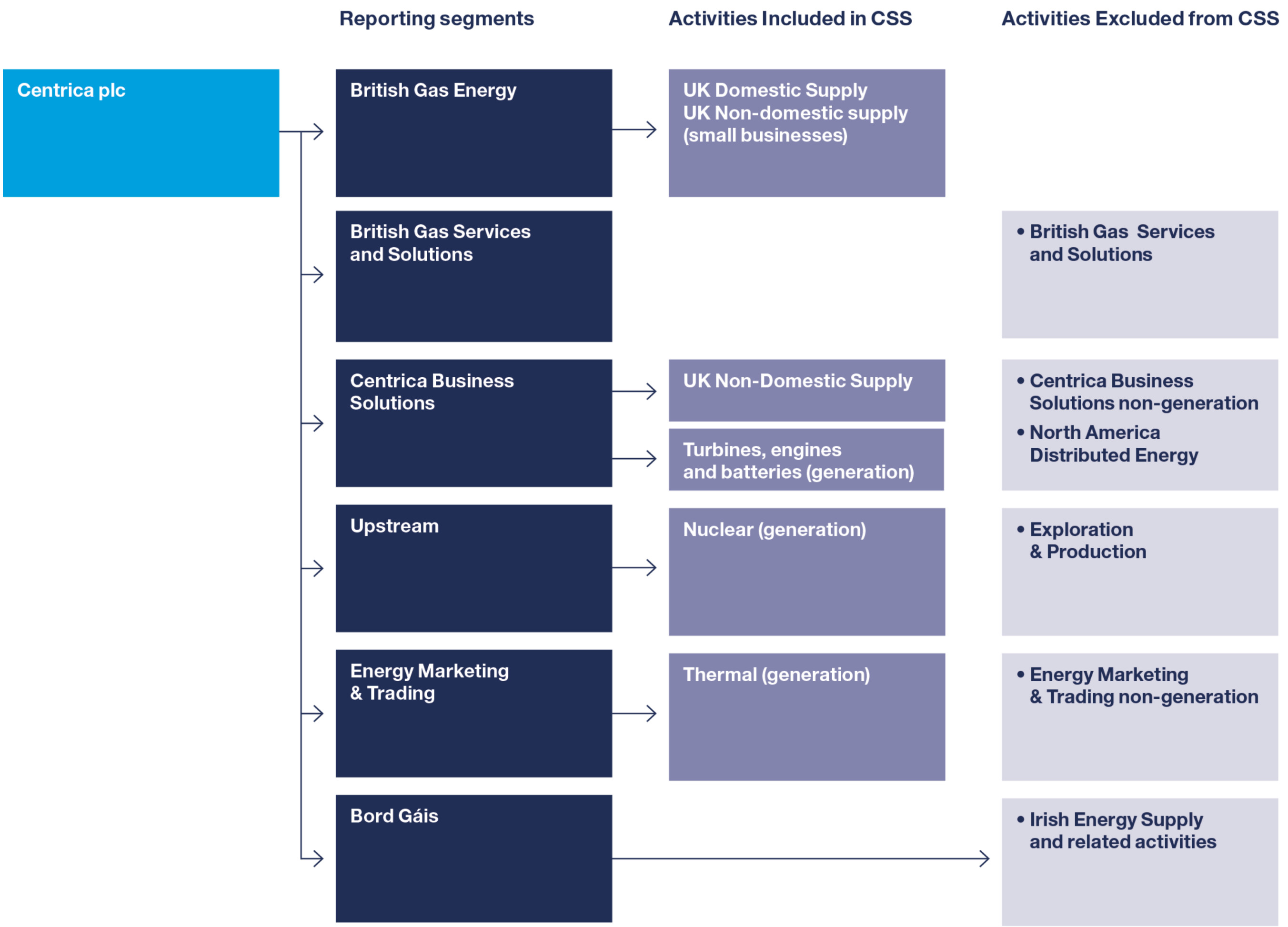
Introduction

The Ofgem Consolidated Segmental Statement (CSS) and required regulatory information on pages 3 to 13 are provided in order to comply with Standard Condition 16B of the Electricity Generation Licences and Standard Condition 19A of the Electricity and Gas Supply Licences.

The CSS and supporting information is prepared by the Directors in accordance with the Segmental Statements Guidelines issued by Ofgem. The CSS has been derived from and reconciled to the Centrica plc Annual Report and Accounts for the year ended 31 December 2022, which have been prepared in accordance with the United Kingdom adopted International Accounting Standards, with International Financial Reporting Standards as issued by the IASB and in conformity with the requirements of the Companies Act 2006.

Centrica plc operational reporting structure

Below is a summary of the Centrica plc Group's (Group) operational reporting structure. The CSS financial data has been extracted from the Centrica plc Annual Report and Accounts 2022 operating segments rather than with reference to specific legal entities. Certain activities included in the Group's operating segments have been excluded from the Generation and Supply segments of the CSS on the basis they are non-licensed activities (for example Services and Solutions and other trading activity unrelated to Generation or Supply) as illustrated below. The Centrica plc Annual Report and Accounts 2022 provides operating segment results in note 4. A full reconciliation between the relevant operating segment results and those disclosed for 'Domestic Supply', 'Non-Domestic Supply' and 'Generation' in this CSS is provided at the end of the report.



Centrica plc operational reporting structure

Centrica plc is the ultimate parent company of all 100% owned licensees. The individual supply and generation licences are held in legal entities whose licensed activities are reported as part of the Centrica plc Annual Report and Accounts 2022 within the operating segments shown above. The individual supply and generation licences held in subsidiaries, joint ventures or associates of Centrica plc at 31 December 2022 are detailed below:

Licensee	Licence	Ownership
British Gas Trading Limited	Supply	100%
Neas Energy Limited (i)	Supply	100%
Centrica Brigg Limited	Exempt	100%
Centrica KPS Limited	Generation	100%
Centrica Distributed Generation Limited	Exempt	100%
EDF Energy Nuclear Generation Limited (ii)	Generation	20% Associate

(i) Neas Energy Limited holds supply licences but currently does not supply any UK customers.

(ii) The Group holds a 20% investment in Lake Acquisitions Limited which indirectly owns 100% of EDF Energy Nuclear Generation Limited.

Ofgem consolidated segmental statement

Year ended 31 December 2022

	Unit	Electricity Generation		Aggregate Generation Business	Electricity Supply		Gas Supply		Aggregate Supply Business
		Nuclear	Thermal		Domestic	Non-Domestic	Domestic	Non-Domestic	
Total revenue	**£m**	**1,231.4**	**27.0**	**1,258.4**	**5,904.9**	**2,902.2**	**5,879.7**	**1,124.8**	**15,811.6**
Sales of electricity & gas	£m	1,203.7	24.7	**1,228.4**	5,900.0	2,902.2	5,876.0	1,124.8	**15,803.0**
Other revenue	£m	27.7	2.3	**30.0**	4.9	—	3.7	—	**8.6**
Total operating costs	**£m**	**(321.6)**	**(20.2)**	**(341.8)**	**(5,799.1)**	**(2,838.2)**	**(5,886.1)**	**(1,048.7)**	**(15,572.1)**
Direct fuel costs	£m	(78.0)	(10.2)	**(88.2)**	(3,351.3)	(1,609.0)	(3,832.4)	(828.4)	**(9,621.1)**
Direct costs	£m	(206.2)	(6.6)	**(212.8)**	(1,911.9)	(1,023.4)	(1,390.0)	(134.4)	**(4,459.7)**
Transportation costs	£m	(85.9)	(1.1)	**(87.0)**	(1,136.6)	(548.5)	(1,200.4)	(99.7)	**(2,985.2)**
Environmental and social obligation costs	£m	—	(2.2)	**(2.2)**	(682.0)	(415.6)	(103.4)	—	**(1,201.0)**
Other direct costs	£m	(120.3)	(3.3)	**(123.6)**	(93.3)	(59.3)	(86.2)	(34.7)	**(273.5)**
Indirect costs	£m	(37.4)	(3.4)	**(40.8)**	(535.9)	(205.8)	(663.7)	(85.9)	**(1,491.3)**
WACOF/E/G (i)	**£/MWh, P/th**	**(9.1)**	**(259.9)**	**N/A**	**(192.6)**	**(141.1)**	**(160.3)**	**(137.6)**	**N/A**
EBITDA	£m	**909.8**	**6.8**	**916.6**	**105.8**	**64.0**	**(6.4)**	**76.1**	**239.5**
DA	£m	(156.7)	(1.7)	(158.4)	(37.5)	(12.3)	(43.0)	(5.2)	**(98.0)**
EBIT	£m	**753.1**	**5.1**	**758.2**	**68.3**	**51.7**	**(49.4)**	**70.9**	**141.5**
Volume	TWh, MThms	8.7	—	N/A	17.4	11.4	2,390.3	601.9	**N/A**
Average customer numbers/sites	'000s	N/A	N/A	N/A	5,883.7	433.6	6,733.6	183.4	**N/A**

	Unit	Electricity Supply Domestic	Electricity Supply Non-Domestic	Gas Supply Domestic	Gas Supply Non-Domestic	Aggregate Supply Business
Supply EBIT	**margin**	**1.2%**	**1.8%**	**(0.8)%**	**6.3%**	**0.9%**
Supply PAT	**£m**	**52.2**	**40.0**	**(37.6)**	**55.0**	**109.6**
Supply PAT	**margin**	**0.9%**	**1.4%**	**(0.6)%**	**4.9%**	**0.7%**

2021 Summarised CSS

Year ended 31 December 2021

	Unit	Electricity Generation		Aggregate Generation Business	Electricity Supply		Gas Supply		Aggregate Supply Business
		Nuclear	Thermal		Domestic	Non-Domestic	Domestic	Non-Domestic	
Total revenue	£m	415.5	187.3	602.8	3,410.3	1,872.1	3,253.7	621.9	9,158.0
EBIT	£m	(59.5)	18.2	(41.3)	(106.9)	(43.4)	222.2	46.1	118.0

	Unit	Electricity Supply Domestic	Electricity Supply Non-Domestic	Gas Supply Domestic	Gas Supply Non-Domestic	Aggregate Supply Business
Supply EBIT	margin	(3.1)%	(2.3)%	6.8%	7.4%	1.3%
Supply PAT	£m	(85.8)	(35.1)	178.4	37.1	94.6
Supply PAT	margin	(2.5)%	(1.9)%	5.5%	6.0%	1.0%

Notes:

(i) WACOF/E/G is calculated using Volumes to 2 decimal places.

Glossary of terms

- 'WACOF/E/G' is weighted average cost of fuel (nuclear), electricity (supply) and gas (thermal and supply) calculated by dividing direct fuel costs by volumes. For the Thermal sub-segment, the cost of carbon emissions is added to direct fuel costs before dividing by the generated volume.
- 'EBITDA' is earnings before interest, tax, depreciation and amortisation, and is calculated by subtracting total operating costs from revenue.
- 'DA' is depreciation and amortisation.
- 'EBIT' is earnings before interest and tax, and is calculated by subtracting total operating costs, depreciation and amortisation from total revenue.
- 'Supply EBIT margin' is a profit margin expressed as a percentage and calculated by dividing EBIT by total revenue and multiplying by 100 for the Supply segment.
- 'Supply PAT' is profit after tax but before interest and is calculated by subtracting Group adjusted tax from EBIT for the Supply segment.
- 'Supply PAT margin' is a profit margin expressed as a percentage and calculated by dividing Supply PAT by total revenue and multiplying by 100 for the Supply segment.
- 'Volume' for Supply is 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 (i.e. generation volumes after losses up to the point where power is received under the Balancing and Settlement Code but before subsequent losses).
- 'Average customer numbers/sites' are calculated by adding average monthly customer numbers/sites (as defined in the basis of preparation) and dividing by 12.
- 'Scheduling decisions' means the decision to run individual generation units.
- 'Responsible for interactions with the Balancing Market' means interactions with the Balancing Mechanism in electricity.
- 'Interacts with wider market participants to buy/sell energy' means the business unit is responsible for interacting with wider market participants to buy/sell energy, not the entity responsible for the buy/sell decision itself, which falls under 'Responsible for implementing hedging policy/makes decisions to buy/sell energy'.
- 'Matches own generation with own supply' means where there is some internal matching of generation and supply before either generation or supply interact with the wider market.
- 'Forecasts total system demand' means forecasting total system electricity demand or total system gas demand.
- 'Forecasts customer demand' means forecasting the total demand of own supply customers.
- 'Bears shape risk after initial hedge until market allows full hedge' means the business unit which bears financial risk associated with hedges made before the market allows fully shaped hedging.
- 'Bears short-term risk for variance between demand and forecast' means the business unit which bears financial risk associated with too little or too much supply for own customer demand.

Business functions table

Year ended 31 December 2022 – analysis of business functions (i)

The table below illustrates where the business functions reside.

	Generation	Supply	Another part of 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)	✓ (market and bilateral)	✓ (market and bilateral) (ii)
Holds unhedged positions (either short or long)	✓	✓	✓ (ii)
Procures fuel for generation	✓	–	–
Procures allowances for generation	✓	–	–
Holds volume risk on positions sold (either internal or external)	✓	✓	–
Matches own generation with own supply	–	–	✓ (ii) (iii)
Forecasts total system demand	–	✓	–
Forecasts wholesale price	✓ (iv)	✓ (iv)	✓ (iv)
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	–	✓	–

(i) The table reflects the business functions that impact our UK segments.

(ii) The Group's Supply and Generation businesses are separately managed. Both businesses independently enter into commodity purchases and sales with the market via Centrica Energy Limited (CEL), our market-facing legal entity. CEL forms part of our non-licensed element of Energy Marketing & Trading function and also conducts trading for the purpose of making profits in its own right. The Supply segment is also able to enter into market trades directly as part of its within day balancing activities (as well as external bilateral contracts).

(iii) 'Matches own generation with own supply' is undertaken in 'Another part of the business' (by CEL at market referenced prices), outside of the Generation and Supply segments.

(iv) A separate team forecasts the wholesale price for the benefit and use of the entire Group. This team does not formally reside in any particular segment but their costs are recharged across the Group.

Key:

✓ Function resides and profit/loss recorded in segment.

– Neither function nor profit/loss reside in segment.

Basis of preparation

The following notes provide a summary of the basis of preparation of the 2022 submission.

The Ofgem CSS segments our Supply and Generation activities and provides a measure of profitability, weighted average cost of fuel, and volumes, in order to increase energy market transparency for consumers and other stakeholders.

These statements have been prepared by the Directors of Centrica plc and its Licensees in accordance with Standard Condition 16B of the Electricity Generation Licences and Standard Condition 19A of the Electricity and Gas Supply Licences and the basis of preparation. Throughout the basis of preparation the first paragraph number relates to the generation licence and the second to the supply licence conditions respectively.

The financial data provided has been taken from the relevant licensee's and affiliate's financial information for the year ended 31 December 2022, included in the Centrica plc Annual Report and Accounts 2022 which have been prepared under IFRS as adopted by the United Kingdom (in accordance with paragraph 3/19A.3).

The CSS has been prepared on a going concern basis, as described in the Directors' Report and notes 1 and 24 in the Centrica plc Annual Report and Accounts 2022.

For the Generation segment, we have included the financial results from all activities that relate to our generation licences. For clarity, the following judgements have been made:

- the Group has a 20% equity interest in Lake Acquisitions Limited, which owns eight nuclear power stations (through its indirect investment in EDF Energy Nuclear Generation Limited), of which five were operational at year-end. Although we do not specifically hold a generation licence for any of the nuclear stations, our gross share of the financial result from this business (including any contractual arrangements) has been included in the Nuclear sub-segment and hence within the Generation segment;
- Brigg and Roosecote power stations had their licences revoked on 2 July 2015 (at their request) because they no longer required an electricity generation licence and are now exempt. Whilst we do not specifically hold a generation licence for these power stations (and note that Roosecote is now a battery storage site), the financial results from these businesses have been included in the Thermal sub-segment and hence within the Generation segment; and
- where power is purchased from third parties (for example from wind farms, power stations or other bilateral arrangements) and we do not have an equity interest in, or a leasing arrangement (from an IFRS perspective) over the assets that generate this power, the result related to these activities is excluded from the Generation segment. In all cases, the Generation segment reports direct fuel costs and generation volumes on a consistent basis (if the purchase cost is a direct fuel cost, then the electricity generated is reported in volume).

Domestic Supply represents the revenue and associated costs in supplying gas and electricity to residential customers in the UK. Non-Domestic Supply represents the revenue and associated costs in supplying gas and electricity to business customers in the UK.

As a voluntary disclosure, to aid comparability, a summarised 2021 CSS with margins has been included within the report.

Revenues

Revenues, costs and profits of the Licensees have been defined below and prepared in compliance with the Group's accounting policies as detailed in notes 2, 3 and S2 of the Centrica plc Annual Report and Accounts 2022, except for joint ventures and associates which are presented gross (in accordance with paragraph 4(a)/19A.4(a)).

- Revenue from sales of electricity and gas for the Supply segment is recognised on the basis of electricity and gas supplied during the year to both domestic and non-domestic customers.
- Revenue from sales of electricity and gas includes an assessment of energy supplied to customers between the date of the last meter reading and the year end (unread). For the respective Supply segments this means electricity and gas sales. Revenue for domestic supply is after deducting dual fuel discounts where applicable, with the discount split evenly between electricity and gas. Government mandated social tariffs and discounts, such as the Warm Home Discount, and other social discounts, have also been deducted from Domestic Supply revenues directly, charged specifically to each fuel.
- Revenue from sales of electricity and gas for the Supply segment include revenues ultimately due from the government support schemes (Energy Price Guarantee and Energy Bill Relief Scheme). In 2022, these amount to: Domestic Electricity Supply of £705.7 million and Domestic Gas Supply of £832.6 million; Non-Domestic Electricity Supply of £164.2 million and Non-Domestic Gas Supply of £55.2 million
- Revenue from sales of electricity for the Generation segment is recognised on the basis of power supplied during the year. Power purchases and sales entered into to optimise the performance of each of the power Generation segments are presented net within revenue.

Basis of preparation

- The financial risks and rewards of owning and using the Group's power stations reside entirely in the reported Generation segment.
- Other respective segmental revenues not related to the sale of gas or power have been separately disclosed. Other revenues include:
  - £4.9 million (2021: £6.4 million) in Domestic Electricity Supply and £3.7 million (2021: £5.8 million) in Domestic Gas Supply primarily relating to New Housing Connections and smart meter installations;
  - £2.3 million (2021: £22.0 million) in Thermal principally relating to Supplementary Balancing Reserve (SBR), Short Term Operating Reserve (STOR), Triad revenue and Capacity Market income; and
  - £27.7 million (2021: £32.1 million) revenue in Nuclear not directly related to energy sales, such as capacity market income and provision of miscellaneous services.

Direct fuel costs

Direct fuel costs for both Generation and Supply include electricity, gas, nuclear fuel and imbalance costs.

- Energy supply to Domestic and Non-Domestic energy customers is procured at a market referenced price, through a combination of bilateral, over-the-counter (OTC) and exchange-based trades/contracts (see table below). Where energy is procured from within the Group it is also at a market referenced price on an OTC basis. The market referenced 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 purchased in advance (see table below).
- The exact Domestic and Non-Domestic purchasing patterns vary in response to the outlook for commodity markets and commercial factors.
- The Generation segment purchases gas and sells all of its energy at market referenced prices. Gas for turbines/engines is procured at market referenced prices through a combination of OTC and exchange-based trades/contracts. The cost to the power stations will reflect market referenced prices at the time of procurement, and so may differ from the price prevailing at the time of physical supply.

How we procure electricity, gas and carbon:

Long form bilateral contracts ('bilateral')	Individually negotiated contracts with non-standardised terms and conditions which may relate to size, duration or flexibility. Pricing is predominantly indexed to published market referenced prices, adjusted for transfer of risks, cost of carry and administration.
OTC	Broker supported market of standardised products, predominantly performed via screen-based trading. These transactions are between two parties, leaving both parties exposed to the other's default with no necessary intermediation of any exchange. An internal OTC price may be provided where market liquidity prevents external trading, with prices that are reflective of market conditions at the time of execution.
Exchange	Regulated electronic platform (notably ICE, APX, and N2EX) where standardised products are traded on exchange through the intermediary of the clearing house which becomes the counterparty to the trade. Membership of a clearing house is required which entails posting of cash or collateral as margin.

WACOF/WACOE/WACOG

- For Generation this represents a proxy for the weighted average input cost of gas, carbon and nuclear fuel, shown as £/MWh, used by the Generation business. Gas for turbines/engines is procured at market referenced prices through a combination of OTC and exchange-based trades/contracts. The cost to the power stations will reflect market referenced prices at the time of procurement, and so may differ from the price prevailing at the time of physical supply.
- For Supply this covers the wholesale energy cost, the energy element of reconciliation by difference (RBD) costs and balancing and shaping costs incurred by the Supply licensees. Again, gas and electricity is procured at market referenced prices through a combination of bilateral, OTC and exchange-based trades/contracts. The cost for the Supply business will reflect market referenced prices at the time of procurement, and so may differ from the price prevailing at the time of physical supply. Where gas is procured using (predominantly indexed) bilateral contracts, the fuel cost is then allocated between Domestic and Non-Domestic Supply using annually updated fixed percentages based on the historical split of tariff book volumes. Gas and Electricity balancing costs are allocated between Domestic and Non-Domestic Supply based on their respective volumes multiplied by an appropriate industry referenced price (for example APX or SAP).
- For electricity Supply the weighted average cost of electricity is shown as £/MWh. For gas Supply, the weighted average cost of gas is shown as p/th.

Basis of preparation

Direct costs

Direct costs for Supply and Generation are broken down into transportation (network) costs, environmental and social obligation costs and other direct costs.

- Transportation costs for Supply and Generation include network transportation costs, BSUOS and the transport element of RBD costs. Supply transportation costs include transportation and LNG costs, including £37.1million (2021: £37.5 million) incurred by Gas Domestic Supply, which enables the segment to secure supply by giving the ability to bring gas into the UK from overseas.
- Environmental and social obligation costs for Domestic Supply include ROCs, FIT, ECO and UK Capacity Market costs. Non-Domestic Supply includes the cost of LECs, ROCs, FIT and UK Capacity Market costs. Within the Domestic and Non-Domestic segments, the costs of LECs, FIT, ROCs and UK Capacity Market costs are included within Electricity, and ECO is allocated between Electricity and Gas based on the relevant legislation. Environmental and social obligation costs for the Generation segment relate to EU ETS carbon emission costs and carbon tax.
- Other direct costs for Generation include employee and maintenance costs.
- Other direct costs for Supply include brokers' costs and sales commissions when the costs have given rise directly to revenue, that is, producing a sale. They also include Elexon and Xoserve market participation and wider smart metering programme costs.

Indirect costs

Indirect costs for Supply and Generation include operating costs such as sales and marketing, bad debt, costs to serve, IT, HR, finance, property, staffing and billing and metering costs (including smart meter costs).

- Indirect costs for the Generation, Domestic and Non-Domestic Supply segments (including corporate and business unit recharges) are allocated based on relevant drivers, which include turnover, headcount, operating profit, net book value of fixed assets and proportionate use/benefit. For Supply, indirect costs (including corporate recharges but excluding bad debt costs) are primarily allocated between Electricity and Gas on the basis of customer numbers (Domestic) and sites (Non-Domestic). Bad debt costs are allocated between Electricity and Gas on the basis of actual bad debt cost by individual contract in the billing system (Domestic) and on the basis of revenues (Non-Domestic).

Other

- For Supply, depreciation and amortisation is allocated between Electricity and Gas on the basis of customer numbers (Domestic) and sites (Non-Domestic).
- For the purposes of Supply PAT, tax is allocated between Gas and Electricity within both Domestic and Non-Domestic Supply based on their relative proportions of EBIT.
- For the Domestic Supply segment, customer numbers are stated based on the number of district meter point reference numbers (MPRNs) and meter point administration numbers (MPANs) in our billing system (for gas and electricity respectively), where it shows an active point of delivery and a meter installation. As a result, our customer numbers do not include those meter points where a meter may recently have been installed but the associated industry registration process has yet to complete, as the meter information will not be present in our billing system.
- For the Non-Domestic Supply segment, sites are based on the number of distinct MPRNs and MPANs in our billing system for gas and electricity respectively.

Basis of preparation

Transfer pricing for electricity, gas and generation licensees in accordance with paragraph 4(d)/19A.4(d)

There are no specific energy supply agreements between the Generation and Supply segments.

The Group continues to ensure transfer pricing methodologies are appropriate and up to date. In order to meet this requirement, the Group ensured all transfer pricing and cost allocation methodologies were internally reviewed, updated and collated in a central repository.

Treatment of joint ventures and associates

The share of results of joint ventures and associates for the year ended 31 December 2022 principally arises from the Group's interests in the entities listed on page 4.

Under paragraph 5 of the Conditions, the information provided in the CSS includes our gross share of revenues, costs, profits and volumes of joint ventures and associates. In preparing the CSS, joint ventures and associates (which hold a UK generation licence or exemption) are accounted for as follows:

- our proportionate share of revenues of joint ventures and associates has been included within revenue;
- our proportionate share of the profit before tax of joint ventures and associates has been included within EBIT and EBITDA; and
- our proportionate share of the generation volumes of joint ventures and associates has been included within the generation volumes.

For each of the above items, our share of the income and expenses of the joint ventures or associates has been combined line-by-line within the relevant item of the CSS.

Exceptional items and certain re-measurements

Impairment reversals that have been identified as exceptional items, and mark-to-market adjustments (alongside onerous supply contract provisions) in the Centrica plc Annual Report and Accounts 2022, are excluded from the CSS. For further details of excluded exceptional items and certain re-measurements see note 7 in the Centrica plc Annual Report and Accounts 2022.

A reconciliation of the Segmental Statement revenue, EBIT and depreciation to the 2022 audited Centrica plc Annual Report and Accounts has been included in accordance with paragraphs 4(b) & (c)/19A.4 (b) & (c) and 6/19A.6.

Reconciliation to Centrica plc Annual Report and Accounts

The reconciliation refers to the segmental analysis of the 2022 Centrica plc Annual Report and Accounts in note 4.

				Supply segment			
				Domestic		Non-Domestic	
			Generation segment	Electricity	Gas	Electricity	Gas
		Notes	2022	2022	2022	2022	2022
Revenue (£m)	**Centrica plc Annual Report and Accounts Segmental Analysis (i)**		Upstream	British Gas Energy		Centrica Business Solutions	
	Segment revenue		3,351.0		13,096.0		3,000.0
	Less non-UK and non-Generation/Supply	1	(2,147.3)		—		(257.4)
	Segment revenue after non-UK and non-Generation/Supply		1,203.7		13,096.0		2,742.6
	Reallocate British Gas Non-Domestic Supply element	2	—		(1,311.4)		1,311.4
	Reallocate Centrica Business Solutions Generation element	2	27.0		—		(27.0)
	Segment revenue after non-UK and non-Generation/Supply and reallocation of Generation element from Centrica Business Solutions to Upstream		1,230.7		11,784.6		4,027.0
	Electricity and Gas allocation	3	—	5,904.9	5,879.7	2,902.2	1,124.8
	Include share of JVs and associates	4	592.0	—	—	—	—
	Exclude intra-segment revenues	5	(564.3)	—	—	—	—
	Ofgem Consolidated Segmental Statement		**1,258.4**	**5,904.9**	**5,879.7**	**2,902.2**	**1,124.8**

EBIT (£m)	**Centrica plc Annual Report and Accounts Segmental Analysis (i)**						
	Segment EBIT		1,793.0		72.0		44.0
	Less non-UK and non-Generation/Supply	1	(1,068.5)		—		36.8
	Segment EBIT after non-UK and non-Generation/Supply		724.5		72.0		80.8
	Reallocate British Gas Non-Domestic Supply element	2	—		(48.4)		48.4
	Reallocate Centrica Business Solutions Generation element	2	5.2		—		(5.2)
	Less Employee Profit share excluded from Segment EBIT				(4.7)		(1.4)
	Segment EBIT after non-UK and non-Generation/Supply and reallocation of Generation element from Centrica Business Solutions to Upstream		729.7		18.9		122.6
	Electricity and Gas allocation	3	—	68.3	(49.4)	51.7	70.9
	Exclude share of JVs' and associates' interest and tax	4	28.5	—	—	—	—
	Ofgem Consolidated Segmental Statement		**758.2**	**68.3**	**(49.4)**	**51.7**	**70.9**

Reconciliation to Centrica plc Annual Report and Accounts

Depreciation and amortisation (£m)	Notes	Generation segment	Supply segment: Domestic Electricity	Supply segment: Domestic Gas	Supply segment: Non-Domestic Electricity	Supply segment: Non-Domestic Gas
		2022	2022	2022	2022	2022
Centrica plc Annual Report and Accounts Segmental Analysis (i)		Upstream	British Gas Energy		Centrica Business Solutions	
Segment depreciation and amortisation		(481.0)		(82.0)		(45.0)
Less non-UK and non-Generation/Supply	1	481.0		—		27.3
Segment depreciation and amortisation after non-UK and non-Generation/Supply		—		(82.0)		(17.7)
Reallocate British Gas Non-Domestic Supply element	2	—		1.5		(1.5)
Reallocate Centrica Business Solutions Generation element	2	(1.7)		—		1.7
Segment depreciation and amortisation after non-UK and non-Generation/Supply and reallocation of Generation element from Centrica Business Solutions to Upstream		(1.7)		(80.5)		(17.5)
Electricity and Gas allocation	3	—	(37.5)	(43.0)	(12.3)	(5.2)
Include share of JVs and associates	4	(156.7)	—	—	—	—
Ofgem Consolidated Segmental Statement		**(158.4)**	**(37.5)**	**(43.0)**	**(12.3)**	**(5.2)**

(i) The tables reconcile the Generation segment to Upstream, the Domestic Supply segment to British Gas and the Non-Domestic Supply segment to Centrica Business Solutions from note 4 to the 2022 Centrica plc Annual Report and Accounts. Also included in note 4 is a reconciliation to the IFRS compliant statutory result reported by the Centrica plc Group.

Notes:

1. Centrica Business Solutions includes Business Services and Solutions and Upstream includes Exploration and Production, which are non-licensed activities and have been deducted to reconcile these CSS numbers.
2. British Gas Energy includes supply activity to certain companies fulfilling the Non-Domestic definition. Centrica Business Solutions includes generation activity from the Group's turbines, engines and battery assets.
3. The share of Domestic and Non-Domestic Revenues, Operating Profit (EBIT) and Depreciation (including amortisation) as provided in note 4 of the Centrica plc Annual Report and Accounts 2022, has been split between Electricity and Gas.
4. £592.0 million of revenues relating to the Group's share of joint ventures and associates in Generation are included in the CSS for Nuclear revenues. £120.5 million of EBIT in the Generation segment relates to profits from associates for Nuclear. Additionally, costs relating to the Group's share of joint ventures and associates: £78.0 million direct fuel costs, £194.4 million direct costs, £42.4 million indirect costs and £156.7 million depreciation and amortisation are included. Also, note that financing costs and tax of £(28.5) million are initially included in the Upstream segmental EBIT associated with nuclear. The results of joint ventures and associates are shown separately in the Centrica plc Annual Report and Accounts 2022 in notes 6 and 14. (Note that overall Nuclear indirect costs are less than the Nuclear associate indirect costs as a result of credits from recharges and provision releases in the non-associate books.)
5. £564.3 million of intra-segment revenues between the joint ventures and associates and the Generation segment (included in the £592.0 million of joint venture and associate revenues) are excluded from the CSS.