

Centrica plc – Ofgem segmental disclosure

For the year ended 31 December 2009

centrica

Published 30 June 2010

Ofgem segmental disclosure

For the year ended 31 December 2009

	Power Generation	Supply - Gas	Supply - Elec	Supply - Gas	Supply - Elec
		Domestic	Domestic	Non Domestic	Non Domestic
	(£m)	(£m)	(£m)	(£m)	(£m)
Total Revenue	1,150	5,218	2,625	2,522	2,146
Total Operating Costs	(1,003)	(4,831)	(2,417)	(2,565)	(2,013)
Direct Costs					
WACO(G/E)	(863)	(2,854)	(1,402)	(2,187)	(1,428)
Other Costs	(103)	(1,738)	(865)	(314)	(524)
Indirect Costs	(37)	(239)	(150)	(64)	(61)
Volume (mmth/GWh)	25,152	4,771	24,021	2,543	20,512
EBIT	147	387	208	(43)	133
Adjustment for DD&A	148	18	12	10	6
EBITDA	295	405	220	(33)	139

EBIT per Centrica Annual Report and Accounts	Upstream UK Power Generation £147m		Residential Energy Supply £595m		Business Energy Supply and Services Upstream UK Industrial & Commercial Total		£183m
							£(93)m £90m

Note: Upstream UK Industrial and Commercial segment results include German wholesale market operations which contributed £572m to revenue and £(0.2)m to EBIT

Disclosure notes

Energy Supply

Revenue is recognised on the basis of energy supplied during the period. Revenue for energy supply activities includes an assessment of energy supplied to customers between the date of the last meter reading and the year end (unread).

Power Generation

Revenue is recognised on the basis of power supplied during the period. Power purchases and sales entered into to optimise the performance of power generation facilities are presented net within revenue. Also included within revenue are ancillary services revenues, for example frequency response payments.

Transfer Pricing

Energy supply to Residential 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.

Business Energy contract and Residential 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 Business Energy and Residential Energy tariff products is bought ahead of time, typically over a period of 2-3 years. The exact purchasing patterns vary in response to the outlook for commodity markets and commercial factors.

Disclosure notes

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.

Weighted Average Cost of Gas/Power (WACOG/WACOE)

Energy supply includes the cost of gas and electricity produced and purchased during the period, taking into account the industry reconciliation process for total gas and total electricity usage by supplier. This includes the cost of meeting our renewables obligation, which is a scheme that requires UK suppliers of electricity to source an increasing proportion of their electricity from renewable sources.

Direct Costs – Other

“Energy supply other direct costs” include transportation, distribution, plus those costs directly related to customer supply (eg. front-office activities; customer operations; metering connections; meter reading; debt collection; bad debt charge). This also includes the costs of meeting our Carbon Emissions Reduction Target (CERT) obligation. “Power generation other direct costs” include depreciation based on equivalent operating hours.

Indirect Costs

This includes all costs that are not directly attributable to customer supply. These costs consist of sales and marketing functions; support functions (eg. Finance, HR, IS); recharges; depreciation and amortisation.

Operating Profit (EBIT)

EBIT is equivalent to operating profit in statutory terms.