

Consolidated Segmental Statement (CSS)

Shell Energy UK Ltd.

Company Number: 07489042

Financial year ended 31st December 2023

Consolidated Segmental Statement

Template Version v1.1

Field	Response
Supplier Name	Shell Energy UK Ltd
Company No	07489042
Financial Year	31st Dec 2023

ofgem

#ID		Unit	Electricity supply		Gas supply		Aggregate supply business
			Domestic	Non Domestic	Domestic	Non Domestic	
1	Total revenue	£'M	0.0	751.5	0.0	96.8	848.2
1.1	Revenue from sale of electricity and gas	£'M	0.0	751.4	0.0	96.8	848.2
1.2	Other revenues	£'M	0.0	0.1	0.0	0.0	0.1
2	Total operating costs	£'M	0.0	725.4	0.0	98.3	823.7
2.1	Direct fuel costs	£'M	0.0	475.5	0.0	86.0	561.5
	Direct costs:	£'M					
2.2	Transportation costs	£'M	0.0	78.5	0.0	5.7	84.3
2.3	Environmental and social obligations costs	£'M	0.0	99.0	0.0	0.2	99.2
2.4	Other direct costs	£'M	0.0	45.9	0.0	0.0	45.9
2.5	Indirect costs	£'M	0.0	26.5	0.0	6.3	32.9
3	EBITDA	£'M	0.0	26.1	0.0	(1.5)	24.5
3.1	Depreciation and amortisation	£'M	0.0	0.7	0.0	0.2	0.9
3.2	EBIT	£'M	0.0	25.3	0.0	(1.7)	23.6
4	Volume	TWh, m therms	0.0	2.5	0.0	37.7	
5	WACC E/G	£/MWh, p/th	0.0	189.5	0.0	227.8	
6	Meter Points	000s	0.0	8.1	0.0	1.8	

Adjustment for Reconciling Items

#	Items	Units	Electricity		Gas		Aggregate supply business	Adjust in CSS
			Domestic	Non-Domestic	Domestic	Non-Domestic		
1	Market Accounting Fair Value Adjustments	£'M					-67.7	Yes
2	Allocation of Group Recharges	£'M					-6.9	Yes
3	Exceptional Group Integration Costs	£'M					-7.7	Yes
4		£'M						
5		£'M						
6		£'M						
7		£'M						
8		£'M						
9		£'M						
10		£'M						

Introduction

The attached CSS has been prepared in accordance with Standard Licence Condition (SLC) 19A of the Gas and Electricity Supply Licences, 'Financial Information reporting' guidance issued by Ofgem on 27th March 2024

Business review

The principal activity of Shell Energy UK Limited is the supply of electricity, gas, and renewable certificates to business customers under long term fully inclusive or flexible energy contracts. By fixing the price of power or gas under these contracts, the Company's customers offset their exposure to changes in the prices of these essential commodities. Flexible contracts allow larger business customers to buy their energy in tranches as part of a purchasing framework which provides greater control and access to the wholesale market. The Company's long-term strategy is to become a leading provider of sustainable energy solutions, partnering with business customers on their net-zero carbon journey.

Interpreting the financial information

1. **Revenue, costs, and profits** reflect company activities relating to the period ended 31st December 2023. They are stated on an accruals basis, using Generally Accepted Accounting Practise (GAAP) and follow the same standards as those applied in preparing the statutory accounts.

Revenue derives from the sale of electricity and gas related to our core activities. There is a further minimal 'other revenue' comprising sustainable Energy Solutions Project work targeting customers Net Zero ambitions.

Our cost base has been allocated to the CSS template cost groupings in accordance with the guidance notes 1.39 to 1.41

A detailed cost component analysis is provided as an addition to the CSS template.

Indirect costs have been allocated by Fuel primarily based on relative meter numbers.

Volumes for Electricity TWh and Gas Therms are presented as consumed volume at customer meter points, stated after appropriate system losses.

Meter points are shown as annual average meter counts over the 2023 financial year with calculations shown as additional information to the CSS template.

2. **Reconciliation of CSS to company accounts**

Excluding the 'mark to market' adjustments of £67.7m (ref guidance note 1.19), the CSS stated EBIT of £23.6m differs from the statutory EBIT of £9.0m. The difference of £14.6m comprises two main elements:

- a) Exceptional group integration costs £7.7m
- b) Shell PLC central corporate overheads allocation - £6.9m

Exceptional group integration costs £7.7m

SEUK formally integrated into Shell PLC in July 2024 with key requirement to be compliant with Shell's 'Binding Corporate Rules' (BCR). These costs addressed the following key activities and SEUK achieved compliance in December 2023.

- Implement control procedures, including Shell authentication services, on SEUK's IT landscape to protect against data breaches.
- Physically moving SEUK to the Shell wires/wireless network and moving applications to use Shell's internet domain references
- Migrating applications from SEUKs cloud infrastructure to Shell's cloud infrastructure, including the implementation of software quality tooling and procedures
- Carving out Finance, Trading, Call centre and HR applications from the shared SERL/SEUK infrastructure to the Shell infrastructure

Shell central corporate overheads allocation - £6.9m

These are central Shell corporate indirect overheads charged to SEUK and all other subsidiaries across the Shell portfolio of companies with SEUK only incurring these allocations since the company was integrated into Shell PLC in July 2023. These allocated overheads are apportioned based on an agreed central Shell methodology and cover corporate activities of:

- Central Europe wide teams (Information technology projects and support, EU management overheads, global recharges, central Shell Marketing & customer Innovation, Sector & Decarbonisation)
- Corporate Shell Management costs

These costs do not displace any previous direct activities of SEUK (pre integration), and they would still exist even if SEUK did not, hence they are excluded from the SEUK CSS for parity with solely UK based energy entities.

Hedging

in accordance with guidance notes 1.24 to 1.26 the following describes our hedging policy, how we apply it to our tariffs and who bears the volume risk:

- SEUK supplies electricity and gas to business customers under long term fully inclusive contracts (“Fixed contracts”) or alternatively flexible purchasing energy contracts (“Flex contracts”).
- For Fixed contracts, hedge positions are placed on a ‘back to back’ basis at contract inception to ensure certainty of commodity price for the customers anticipated consumption and contract tenor. The hedges are both volumetrically and financially monitored.
- For Flex contracts, customers can purchase their commodity requirements in tranches as part of a purchasing framework, which provides them with greater control and access to the wholesale market; under this contractual arrangement commodity requirements will therefore not necessarily be fully hedged for the contract tenor, dependent upon the customer’s risk appetite as to when to lock in prices for defined tranches.
- The Volumetric risk on the portfolio is covered by the license holder i.e. SEUK. We are directly exposed to volume risk under the circumstances that out-turning customer consumption varies from the forecast consumption at contract inception used for initial hedging.
- A dedicated Demand Forecasting team constantly monitors potential movements in customer consumption caused by macro and micro economic factors and unseasonal weather patterns. This informs corrective short-term trades to emerging long or short positions in the initial hedge volume, which will have price risk implications depending on forward curve movements and Imbalance cost rate variations.

SEUKL CSS 2023 Cost Detail	Elec £M	Gas £M	Total £M	Cost Description	Commodity Allocation Method
Direct fuel costs	475.5	86.0	561.5		
Wholesale Commodity Costs and Trading Fees	482.9	90.1	573.0	Purchases of Electricity and Gas at NBP	Commodity specific
Supplier Imbalance Credits	-7.4	-4.2	-11.5	Net Credits received for Electricity Supply and Gas Shipper Imbalance positions	Commodity specific
Direct costs:					
Transportation costs	78.5	5.7	84.3		
Distribution Use of System	44.3		44.3	Payments made to Distribution Network Operators	Electricity only costs
Transmission Use of System	33.1		33.1	Payments made to National Grid for Transmission costs	Electricity only costs
AAHEDC	1.1		1.1	Payments made to subsidise Hydro Electric regional DUoS costs	Electricity only costs
Capacity Charges		4.8	4.8	Gas NTS and RTS Capacity based transportation costs	Gas only costs
Commodity Charges		0.7	0.7	Gas NTS and RTS Commodity based transportation costs	Gas only costs
Reconciliation and Other		0.3	0.3	Other Gas Network / Transportation Costs	Gas only costs
Environmental and social obligations costs	99.0	0.2	99.2		
Renewable Obligation	66.1		66.1	SEUKL's supplier share of Renewable Obligation costs, fulfilled by the purchase of ROC's	Electricity only costs
REGO's	15.0		15.0	Purchases of REGO's to underpin green electricity customer sales	Electricity only costs
Feed In Tariff	17.9		17.9	SEUKL's supplier share of costs to support Feed in Tariff payments to qualifying generators	Electricity only costs
RGGO's		0.2	0.2	Purchases of RGGO's to underpin green gas customer sales	Gas only costs
Other direct costs	45.9	0.0	45.9		
BSUoS	32.9		32.9	Payments to National Grid ESO for network balancing costs	Electricity only costs
Contracts For Difference	4.9		4.9	Payments to LCCC to support low-carbon Generator CfD prices	Electricity only costs
Capacity Market	7.7		7.7	Payments to Electricity Settlement Company to support Capacity Payments to peak-load generators	Electricity only costs
Settlement Charges	0.4		0.4	Payments to Elexon for the provision of Settlements data services	Electricity only costs
Indirect costs	26.5	6.3	32.9		
Metering Costs	1.8	1.0	2.8	Payments to Meter Operators for Meter Asset Provision and Maintenance costs	Commodity specific costs
Commissions	4.8	1.1	5.9	Payments to 3rd Party Brokers for customer contracts	Pro-rata on MPAN's / MPRNs
Opex - Staff Costs	9.8	2.2	12.0	Salary, NI, Pension costs for SEUKL employees	Pro-rata on MPAN's / MPRNs
Opex - Other	7.6	1.7	9.3	Property costs, IT Licences and Operating costs, Other Overheads	Pro-rata on MPAN's / MPRNs
Bad Debt	2.5	0.3	2.8	Provisions against debt ageing and write offs of uncollected customer debt	Pro-rata on Commodity specific turnover

SEUKL MPxN's

	Dec-22	Dec-23	Average
Total	9,404	10,425	9,915
Elec	7,669	8,504	8,087
Gas	1,735	1,921	1,828

Published: 31 October 2024

Updated: 4th April 2025

[END]