# 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 |

| #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 | WACO 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 | 9.9 | ✔ |

### Adjustment for Reconciling Items

| # | Items | Units | Electricity | | Gas | | Aggregate supply business | Adjust in CSS |
|---|---|---|---|---|---|---|---|---|
| | | | Domestic | Non-Domestic | Domestic | Non-Domestic | | |
| 1 | k to Market Accounting Fair Value Adjustm | £'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', and 'Guidance for preparing Consolidated Segmental Statements' 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 Principles (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.

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

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

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

   Excluding the 'mark to market' adjustments of (£67.7)m (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 complaint 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 wired/wireless network and moving applications to use Shell's internet domain references
- Migrating applications from SEUK's 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 didn't, 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.

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