

SSE CONSOLIDATED SEGMENTAL STATEMENT FOR THE YEAR ENDED 31 MARCH 2024

Year ended 31 March 2024	Unit	Electricity supply	Gas supply	Aggregate Supply business
		Non-domestic	Non-domestic	
Total revenue	£m	2,862.9	330.1	3,193.0
Sales of electricity and gas	£m	2,857.1	326.7	3,183.8
Other revenue	£m	5.8	3.4	9.2
Total operating costs	£m	2,826.2	261.2	3,087.4
Direct fuel costs	£m	1,486.7	165.4	1,652.1
Transportation costs	£m	565.8	41.4	607.2
Environmental and social obligation costs	£m	532.1	(0.6)	531.5
Other direct costs	£m	10.9	1.9	12.8
Indirect costs	£m	230.7	53.1	283.8
EBITDA	£m	36.7	68.9	105.6
Depreciation and amortisation	£m	6.4	1.2	7.6
EBIT	£m	30.3	67.7	98.0
Volume	TWh / mTherms	10.7	167.5	
WACOE/G	£/MWh / p/th	139.0	98.8	
Customer numbers	'000s	335.7	60.9	396.6

BASIS OF PREPARATION AND DISCLOSURE NOTES

The Group's operating segments are those used internally by the Board to run the business and make strategic decisions. The types of products and services from which each reportable segment derives its revenues are:

Business Area	Reported Segments	Description
Continuing operations		
Transmission	SSEN Transmission	The economically regulated high voltage transmission of electricity from generating plant to the distribution network in the North of Scotland. Revenue earned from constructing, maintaining and renovating our transmission network is determined in accordance with the regulatory licence, based on an Ofgem approved revenue model and is recognised as charged to National Grid. The revenue earned from other transmission services such as generator plant connections is recognised in line with delivery of that service over the expected contractual period and at the contracted rate. On 25 November 2022 the Group sold a 25.0% non-controlling interest in this business to the Ontario Teachers' Pension Plan.
Distribution	SSEN Distribution	The economically regulated lower voltage distribution of electricity to customer premises in the North of Scotland and the South of England. Revenue earned from delivery of electricity supply to customers is recognised based on the volume of electricity distributed to those customers and the set customer tariff. The revenue earned from other distribution services such as domestic customer connections is recognised in line with delivery of that service over the expected contractual period and at the contracted rate.
Renewables	SSE Renewables	The generation of electricity from renewable sources, such as onshore and offshore windfarms and run of river and pumped storage hydro assets in the UK and Ireland, and the development of similar wind assets in Japan and Southern Europe and the development of wind, solar and battery opportunities. Revenue from physical generation of electricity in Great Britain is sold to SSE Energy Markets

		and in Ireland is sold to SSE Airtricity and is recognised as generated, based on the contracted or spot price at the time of delivery. Revenue from national support schemes (such as Renewable Obligation Certificates or the Capacity Market in Great Britain or REFIT in Ireland) may either be recognised in line with electricity being physically generated or over the contractual period, depending on the underlying performance obligation.
Thermal	SSE Thermal	The generation of electricity from thermal plants including CCGTs and the Group's interests in multifuel assets in the UK and Ireland. Revenue from physical generation of electricity in Great Britain and Ireland is sold to SSE Energy Markets and is recognised as generated, based on the contract or spot price at the time of delivery. Revenue from national support schemes (such as the Capacity Market) and ancillary generation services may either be recognised in line with electricity being physically generated or over the contractual period, depending on the underlying performance obligation.
	Gas Storage	The operation of gas storage facilities in Great Britain, utilising capacity to optimise trading opportunity associated with the assets. Contribution arising from trading activities is recognised as realised based on the executed trades or withdrawal of gas from caverns.
Energy Customer Solutions	SSE Business Energy (covered by CSS)	The supply of electricity and gas to business customers in Great Britain and smart buildings (BEMS) activity. Revenue earned from the supply of energy is recognised in line with the volume delivered to the customer, based on actual and estimated volumes, and reflecting the applicable customer tariff after deductions or discounts.
	SSE Airtricity	The supply of electricity, gas and energy related services to residential and business customers in the Republic of Ireland and Northern Ireland. Revenue earned from the supply of energy is recognised in line with the volume delivered to the customer, based on actual and estimated volumes, and reflecting the applicable customer tariff after deductions or discounts. Revenue earned from energy related services may either be recognised over the expected contractual period or following performance of the service, depending on the underlying performance obligation.
SSE Enterprise	SSE Enterprise	The provision of low carbon energy solutions to customers; behind-the-meter solar and battery solutions, EV charging activities, private electric networks and heat and cooling networks. During the year, smart buildings (BEMS) activity was transferred to SSE Business Energy.
SSE Energy Markets	SSE Energy Markets	The provision of a route to market for the Group's Renewable and Thermal generation businesses and commodity procurement for the Group's energy supply businesses in line with the Group's stated hedging policies. Revenue from physical sales of electricity, gas and other commodities produced by SSE is recognised as supplied to either the national settlements body or the customer, based on either the spot price at the time of delivery or trade price where that trade is eligible for "own use" designation. The sale of commodity optimisation trades is presented net in cost of sales alongside purchase commodity optimisation trades.

Amendments to licence conditions became effective from 29 March 2024, removing the financial reporting provisions relating to Ofgem's Standard condition 16B of Electricity Generation licence. The Group's Electricity Generation reported segments, SSE Renewables and SSE Thermal, which were previously reported in the Consolidated Segmental Statement ('CSS') are therefore not included in the Group's CSS for the year ended 31 March 2024.

The modified financial reporting requirements are still applicable to the Group's electricity and gas supply businesses included in the Group's 'SSE Business Energy' reporting segment as noted above. This reporting operating segment is substantially aligned to 'SSE Business Energy' as reported in the CSS. However, it should be recognised that there are differences between the two disclosures, primarily driven by the Licence requirements - these are described in the notes below and shown in the table reconciling the CSS to the financial statements.

How the accounts are presented'

The financial information presented in the CSS is based on operating activities of the Group's non-domestic electricity and gas supply business ("SSE Business Energy" segment described above) in Great Britain. The paragraphs that follow describe how SSE's SSE Business Energy (non-domestic supply) interacts with SSE Energy Markets, which is the Group's energy markets business. The basis of preparation defines the revenues, costs and profits of the business and describes in more detail the transfer pricing arrangements in place for the financial year ended 31 March 2024. The CSS has been prepared on a going concern basis as set out in note A6.3 of SSE plc's Annual Report.

Summary

'SSE Business Energy' sells electricity and gas to circa 0.2m business customer accounts in Great Britain and procures electricity, gas REGOS, RGGOs and ROCs from SSE Energy Markets.

SSE Energy Markets acts as a counterparty with the external market for the procurement of electricity and gas for SSE Energy Services and SSE Business Energy. SSE Energy Markets does not form part of the CSS as it is not within the scope defined by Ofgem. The policies governing the forward hedging activity undertaken by SSE Energy Markets are overseen by Energy Markets Risk Committee, whose responsibilities and roles are described on page [] of SSE Annual Report for the year ended 31 March 2024.

SSE Business Energy (Non Domestic)

Revenue from Sales of Electricity and Gas - revenues are the value of electricity and gas supplied to business customers in Great Britain during the year and includes an estimate of the value of units supplied between the date of the last bill and the year end. Non-domestic volumes are expressed at customer meter point. Government Scheme Support (Energy Bills Discount Scheme) of £9.2m is included in 'Other revenue'.

Direct Fuel Costs – SSE Business Energy does not engage in the trading of electricity and gas and procures all of its electricity and gas from SSE Energy Markets. The method by which SSE Energy Markets procures energy is at an arm's length arrangement on behalf of SSE Business Energy, and is governed by SSE Business Energy's forward hedging policy. The forward trades between SSE Business Energy and SSE Energy Markets are priced at wholesale market prices at the time of execution and any differences in volume and reconciliation at the time of delivery is marked to the spot price on the day. WACOG (weighted average cost of gas) also includes all Allocation reconciliations and Unidentified Gas. The WACOE (weighted average cost of electricity) and WACOG also consist of trades marked to wholesale prices when committed at the point of sale for fixed price customer contracts or when a customer instructs SSE to purchase energy in respect of flexi-priced contracts. This transfer pricing methodology reflects how SSE Business Energy actually acquired its energy. There have been no material changes in the transfer pricing policy in respect of SSE Business Energy since the CSS for the financial year ending 31 March 2023.

Transportation Costs - these include transportation, transmission and distribution use of system costs and balancing services use of system costs.

Environmental and Social Obligation Costs - relate to policies designed to modernise and decarbonise the energy system in Great Britain and include ROCs, Feed in Tariff, charges under the Capacity Mechanism and CfD schemes and charges in relation to 'assistance for areas with high electricity distribution costs' (AAHEDC). REGO, RGGOs and GOO costs related to these schemes are also included in this section of the CSS.

Other Direct Costs - include: industry settlement costs, management and market access charges from SSE Energy Markets and other miscellaneous costs.

Indirect Costs - include: sales and marketing, customer service, bad debts and collections, metering costs, commercial costs, central costs - including information technology, property, corporate, telecoms costs and costs incurred to meet Smart Metering rollout obligations for the year. Where costs cannot be directly allocated to a fuel (electricity/gas), they have been allocated using costing models based on activity, customer revenue or customer numbers - whichever is the most appropriate.

SSE Business Energy's profit and loss account bears the risk and rewards arising from the volatility in demand for energy, caused by the weather, consumption per customer and customer churn. It is also exposed to swings in wholesale costs and the uncertainty surrounding its share of government environmental and social schemes.

SSE Energy Markets

SSE Energy Markets is responsible for optimising the Group's electricity, gas and other commodity requirements. The hedging activity undertaken by SSE Energy Markets is governed by the Group's Energy and Markets Risk Committee.

Business Functions

The business functions in SSE have already been described in this document. The column headed 'Other' principally relates to SSE Energy Markets.

Business function	Note	Generation (not covered by CSS)	Supply (covered by CSS)	Other (not covered by CSS)
Operates and maintains generation assets		Ü		
Responsible for scheduling decisions	1	P/L		F
Responsible for interactions with the Balancing Market	2	P/L		F
Responsible for determining hedging policy	3	Ü	Ü	
Responsible for implementing hedging policy / makes decisions to buy/sell energy	4	P/L	P/L	F
Interacts with wider market participants to buy/sell energy	5			Ü
Holds unhedged positions (either short or long)	3	Ü	Ü	Ü
Procures fuel for generation		P/L		F
Procures allowances for generation		P/L		F
Holds volume risk on positions sold (either internal or external)		Ü	Ü	
Matches own generation with own supply	6			Ü
Forecasts total system demand	7	P/L	P/L	F
Forecasts wholesale price		P/L	P/L	F
Forecasts customer demand	8		P/L	F
Determines retail pricing and marketing strategies			Ü	
Bears shape risk after initial hedge until market allows full hedge	9	P/L	P/L	F
Bears short term risk for variance between demand and forecast	10		Ü	

Key:

- P function and P&L impacting that area;
P/L profit/losses of function recorded in that area;
F function performed in that area.

Glossary and notes

1. "Scheduling decisions" means the decision to run individual power generation assets.
2. "Responsible for interactions with the Balancing Market" means interactions with the Balancing Mechanism in electricity.
3. Hedging policy was the responsibility of the Energy Markets Risk Committee which is a sub committee of the SSE Executive Committee.
4. SSE Energy Markets implements the hedging policy determined by the Energy Markets Risk Committee on behalf of SSE Business Energy and SSE Energy Services.
5. "Interacts with wider market participants to buy/sell energy" means the business unit 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".
6. "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. The total electricity demand for SSE Business Energy and SSE Energy Services (expressed at NBP) was 11.5TWh and the total UK Generation output was 18.7TWh (61%).
7. "Forecasts total system demand" means forecasting total system electricity demand or total system gas demand.
8. "Forecasts customer demand" means forecasting the total demand of own supply customers.
9. "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.
10. "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.

Reconciliation of CSS to SSE Financial Statements 2023/24

The table below shows how the CSS reconciles with the adjusted earnings before tax in the SSE financial statements (note 5 of SSE's financial statements):

Reconciliation of CSS to Financial Statements	Note	Revenue £m	EBIT £m
SSE Business Energy			
CSS Supply – SSE Business Energy		3,193.0	98.0
Government support scheme income	1	(9.2)	-
Smart buildings (BEMS) activity	2	47.9	(2.2)
Total SSE Business Energy in SSE Financial Statements		3,231.7	95.8

There are some differences between SSE's financial statements and the CSS. There are items which are in the financial statements and not in the CSS.

Notes

1. Income from the Energy Bill Discount Scheme to support non-domestic customers is recognised in 'Other operating income' in the SSE Financial Statements.
2. As noted in the description of operating segments above, smart buildings (BEMS) activity is reported within the SSE Business Energy operating segment in the SSE Financial Statements, but is not in scope for reporting within the CSS.

Adjustments to reported profit before tax.

SSE focuses its internal and external reporting on 'adjusted profit before tax' which excludes exceptional items, re-measurements arising from IFRS 9, depreciation on fair value uplifts and removes taxation on profits of joint ventures and associates, because this reflects the underlying profits of SSE, reflects the basis on which it is managed and avoids the volatility that arises out of IFRS 9. Therefore, these items have been excluded from the CSS.