

31 March 2025

## SmallestEnergy Ltd (“the Company”) CSS Template Notes – Financial Year Ended 31 March 2025

### **Basis of Preparation**

The notes below set out the basis of preparation of the Consolidated Segmental Statement (CSS) for the year ended 31 March 2025. The CSS has been prepared in accordance with Standard Licence Conditions 19A of the Electricity and Gas Supply Licences (SLC19A).

The CSS is aligned to the SmallestEnergy Ltd statutory financial statements for the year ended 31 March 2025 and been included in accordance with SLC19A .

### **Interpreting the Financial Information**

CSS guidance, section 1.16. Definitions of:

- Revenue from sale of electricity and gas – revenues earned by the Company from sale of electricity to non-domestic retail customers, including related pass-through of industry costs in accordance with terms of customer contracts.
- Other revenues – revenues earned by the Company primarily from trading of renewable energy certificates and sale of electricity to non-retail customers (excluding wholesale energy trading under GTMA/NBP master agreements and on exchanges – see “direct fuel costs” below).
- Direct fuel costs – comprises primarily net wholesale energy purchases under GTMA/NBP master agreements and on exchanges, and net balancing and shaping costs.
- Transportation costs – comprises costs payable by the Company for Transmission Network Use of System charges (TNUoS), Distribution Use of System charges (DUoS), and Balancing Services use of System charges (BSUOS).
- Environmental and social obligations costs – comprises industry costs payable by the Company relating to Renewable Obligation (RO), ROC recycle and mutualisation, Contracts for Difference (CfD), Feed-in Tariff (FiT), Capacity Market (CM), and Assistance for Areas with High Electricity Distribution Costs (AAHEDC).
- Other direct costs – comprises primarily costs payable by the Company related to the wholesale trading of renewable energy certificates, and brokerage and exchange fees.
- Indirect costs – comprises corporate operating costs payable by the Company, including sales and trading commissions payable to certain employees.
- Depreciation and amortisation – depreciation and amortisation expense relating to tangible and intangible fixed assets held by the Company.
- Volume – total electricity supplied by the Company to customers during the year measured at meter point.
- Meter points – average meter points supplied by the Company over the financial year, calculated as the sum of the meter points at each month-end divided by 12.

CSS guidance, section 1.17. Methodology to allocate:

- Direct fuel costs, direct costs and indirect costs – no allocation was necessary, since the Company's entire business relates to non-domestic electricity supply.

## Hedging Policy

We hedge our energy price risk with forwards & futures products traded in the wholesale markets, seeking to minimise price exposure within the constraints of market liquidity. We buy and sell volumes that are in line with our forecast of customer's consumption/production at the point of price fixing for all active choice tariffs. Default tariffs are hedged close to delivery (generally 1 week in advance) given the higher uncertainty over forecasted volumes. We bear all volume risk.

## Reconciliation: CSS Template to Statutory Accounts

Per CSS guidance, section 1.20:

Reconciliation	£ millions	Line Item Description
EBIT per CSS template	42.3	As submitted to OFGEM
<i>Reconciling items:</i>		
Mark to market adjustments	127.5	Change in the fair value of energy contracts that are classified as derivative financial instruments
Credit/debit valuation adjustments	0.4	Adjustments to fair value of energy contracts based on creditworthiness of the Company and its counterparties
Other financial adjustments	5.4	Other adjustments to fair value of energy contracts
EBIT per statutory accounts	176	Line item "Operating profit" in Company statement of comprehensive income

## Revenue Reconciliation: CSS Template to Statutory Accounts

Reconciliation	£ millions	Line Item Description
Revenue per Statutory accounts	503	
<i>Reconciling items:</i>		
Net trading income accounted under IFRS9	2,213	
Management presentational reporting adjustment	1	
Total revenue per CSS definition	2,716	