



Making energy better.

Energy Transition Holdings Ltd
Annual Report and Financial Statements 2023

For more information:
www.ovoenergylimited.co.uk

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Energy Transition Holdings Ltd (ETHL) was incorporated on 26 October 2022 to facilitate a group reorganisation which resulted in ETHL becoming the new ultimate parent of OVO Group Ltd and its subsidiaries. The ETHL Group entirely comprises the OVO Group (OVO).

The Annual Report is the consolidated report covering ETHL (the "Company") and its subsidiary undertakings.



Let's talk business

Strategic Report for the year ended 31 December 2023, presented by our Directors

OVO was founded to challenge the energy industry and disrupt the status quo. In 2023, this meant we launched new solar, heat pump, and EV products to drive the electrification of homes and transport. We also invested in more green technology to revolutionise how we decarbonise homes across the UK. We recognise that many of our products, to date, have a relatively small impact in the context of our financial performance. We believe, however, that they are the critical first steps in achieving our Plan Zero ambitions.

Plan Zero

Powering progress

Through our Plan Zero sustainability strategy, we've got a blueprint for change. We think it puts the UK on the right path and will help millions of households to reduce their carbon emissions. As part of our Plan Zero reporting we set out our Scope 3: the gas and electricity we sell to customers. This year we have strengthened our reporting by expanding the categories of emissions we report against. The gas and electricity we sell to customers is our core business and main contributor of emissions. Now we also report waste, business travel, purchased goods and services, commuting, and working from home for completeness. These are immaterial compared to the products sold.

Green technology

Pioneering innovation

Behind the scenes, our teams and customers are empowered by Kaluza's advanced software. The software's transforming our retail business by automating bills and payments, reducing cost-to-serve, and creating new commercial opportunities. This includes successfully completing the migration of millions of OVO customers from its acquired legacy base to the Kaluza platform.

Green skills

Harnessing people power

We're equipping our teams with green skills so they can help decarbonise homes across the UK. The development of green-skilled careers is so important – helping us deliver Plan Zero and also tackle the UK-wide green skills gap. We must create the right jobs and train the talented people we already have. That's why we're upskilling 15,000 roles. If we can do the right thing now, in decades to come we'll have a highly skilled workforce capable of building a greener future.

Policy

Campaigning for real change

We're pushing to improve the energy industry – not just for our customers, but for every household across the UK. We're working with the industry, government, and Ofgem to change the system for the better. Our Ten Point Plan¹ ☐, as set out in the 2022 Annual Report, has paved the way for real change. It's a compassionate, creative approach to the energy crisis that's landed multi-million pound policy announcements already. We've also called on the Government to introduce a social tariff, to protect those who can't afford to heat their homes. Finally, we've been helping our own customers manage the cost of living crisis, with an extensive £40 million support package² ☐.

ISS.

“We’re using innovative technology to reward customers for taking a step forward on their journey beyond energy. Our electric vehicle, solar, and heat pump offerings have helped customers save money and cut carbon while encouraging a transition to a greener lifestyle.”

Mat Moakes, Chief Commercial Officer, OVO

Customers

4 million strong

OVO is one of the largest energy suppliers in the UK, with 4 million customers. Over the past year we’ve focused on making a difference to customers. Our Citizens Advice scores have increased with 5* for Customer Commitments. However, we still ranked 9th (September to December 2023). We know we can do more and will continue finding ways to better serve our customers. For us, it’s also about improving green technology to support them. Over the past year, we’ve launched innovative products and propositions including solar panels, heat pumps, and electric vehicle charging plans – rewarding customers for making the switch to electric.

We don’t believe we can reach net zero without bringing everyone with us. We’re always doing everything we can to improve the experience for our customers, especially those in vulnerable circumstances.



For more information:
www.ovoenergylimited.co.uk

The 3 OVO values

We’re tackling some of the world’s most pressing problems by creating better energy systems for our planet – and for everyone on it. It’s a big task. As we work it out, we’re guided by our values.

Find a better Way

We always look for a better way, whether that’s by delivering a better service, employing brilliant people or improving our products to help tackle climate change.

Do what’s right

Being open, honest, and fair is one of the values that applies to everything we do. We take pride in talking to our customers and delivering exceptional work.

Build something great

Simple solutions aren’t quick or easy to find. They take time and tenacity. Our people work to find an answer that helps us ‘build something great’.



A look back on 2023.

**We were
recognised for our
award-winning
people offering.**

Our people policies won awards

The Sunday Times recognised OVO in its 'Best Places to Work 2023' feature. We ranked in the top 10 for Very Big Organisation, and were crowned 1st place in the Best Place to Work for Women category.

These accolades followed our announcement that we've introduced unlimited compassionate and pregnancy-loss leave for team members. This has helped set OVO apart in the energy sector, and shows we're always putting the health and wellbeing of our people first.

"It's been the most extraordinary few years and we've come out stronger. We want everyone to feel joy in their work and be able to show up as their true selves – difference is something we celebrate here. This is how we can create the very best outcomes for our customers each and every day. I'm so proud of our teams for everything they've done."

Charlotte Eaton,
Chief People Officer, OVO

We took a stand on green tariffs.

Energy suppliers often offer “100% renewable” electricity tariffs to eco-conscious customers who want to do their bit to support renewables.

But these tariffs, and the complicated REGO (Renewable Energy Guarantees of Origin) system that sits behind them, needs reform. The energy that actually flows into peoples' homes comes from the grid, which is made up of a mix of energy sources. This doesn't change regardless of the tariff that the customer chooses.

Research from | Cornwall Insight – commissioned by OVO¹ – shows that these tariffs actually don't do much to add renewable energy generation onto the grid.

What did OVO do about it?

At an event in London, we set out a new path to UK decarbonisation. Backed by Friends of the Earth, Cornwall Insight, *Ethical Consumer*, and the Energy Saving Trust, it included:

- A kitemark scheme to recognise true green energy deals
- Ways to help people reduce their gas use
- Upskilling 15,000 green roles

We stopped selling “100% renewable electricity” backed by REGOs as standard. Instead, we're reinvesting in initiatives that we believe make a real difference – things like new renewable electricity generation.

What's next?

We're not stopping there. Our plans for a new kitemark scheme will make it easier to find tariffs that truly support and fund new renewable electricity projects.

“By making this change we can focus on true green energy, and we hope others will follow our lead. Since our announcement, we've continued to focus on renewable energy generation across the UK, striving to make green energy an industry-wide standard.”

Susie Leppard,
Head of Renewables, OVO



We launched new products to reward our customers.

Over the past year, we've launched new green technologies and built on the success of our existing products and services

Our core business continues to supply gas and electricity, which contributes to the majority of our revenues and is the main contributor of our Scope 3 emissions. As a supply only company, we have limited ability to directly change the source of this energy. However, we'll continue to innovate, roll out new products that support electrification, and encourage consumers to adopt them. This way, we can have a positive *impact on the grid, homes and planet* to help reduce our Scope 3 emissions.

Driving into the future

Our intelligent EV charging add-on Charge Anytime is part of our wider plan to put less pressure on the planet, and our customers' wallets.

The add-on works by automatically charging cars when emissions and prices are low. By using Kaluza's smart technology we can make sure people are charging outside of peak times – when the grid's using fewer fossil fuels. This means we're able to provide greener energy for our customers and save them money.

In November, we announced a partnership with Kaluza and Volvo that will let OVO customers charge their cars more intelligently. The solutions will include one-way smart charging and bi-directional charging, with both due to launch in 2024. The new Volvo EX90 all-electric SUV will also launch in 2024. It will be the first Volvo Cars vehicle capable of bi-directional charging.

We also partnered with Volkswagen Group UK, Kaluza and Indra in a world first 'Vehicle to Everything' (V2X) trial, called INFLEXION.

Heat pumps have landed

The competition really heated up when OVO partnered with Heat Geek – the UK’s leading renewable installer network – to offer high quality heat pump installs to OVO customers. We also launched Heat Pump Plus, the UK’s first type of use add-on for heat pump owners. The type of use add-on means customers have two rates – one for their heat pump and one for the rest of their home’s energy usage.

Solar made simple

Last spring, we launched solar panels¹ to help people cut bills and carbon by powering their homes with clean energy from the sun. The full package includes solar photovoltaic (PV) panels, batteries, inverters, and a Smart Export Guarantee (SEG) tariff. We recognise this has a relatively small impact in the context of our financial performance.

Rewarding customers for using less

We launched Power Move and Power Move Plus to pay customers for using less power between peak hours of 4-7pm.

We also know that, as we move to renewable energy sources like wind and solar, the industry needs to do more. Sometimes, wind and solar won’t generate enough power, so we’ll need a flexible grid. That’s a grid that adjusts according to demand,

so we don’t have to fire up expensive gas power stations to provide more energy at peak times.

At OVO, we’re engaging with policy makers and driving change for a more flexible grid to bring down costs for our customers. The more we understand about the positive impact our actions can have, the greater the momentum for change.

The Energy Experts are on the case

After a successful trial period, our Energy Experts visited thousands of homes as part of our nationwide launch last year. They look at the unique features of each home, along with our customers’ lifestyle habits, and provide customers with a Home Health Report including an official Energy Performance Certificate (EPC). Energy Experts also offer money-saving advice based on their findings, and give customers clear next steps to decarbonising their homes.



We never stopped pushing for a greener, fairer future.

Our teams supported households with green initiatives while successfully campaigning for change

We retrofitted even more homes

The impact of fossil fuels on the planet – as well as rising energy bills – means it's never been more urgent to decarbonise and support the most vulnerable in society.

The UK has some of the highest rates of fuel poverty and least energy efficient homes in Europe.

Overall, OVO has helped over 10,000 homes across Britain to become more energy efficient with external wall insulation, heating upgrades, and microgeneration technology.

We recognise this has a relatively small impact in the context of our financial performance.

We supported an even greener energy system

We're supporting new wind and solar projects that we know will generate the renewables we need. We signed 127 Power Purchase Agreements in 2023, including 6 subsidy free PPAs with new build renewable generators. We also joined Community Energy England's membership as a Principal Supporter, to give the sector extra support for community-led projects. All this together means powering more homes across the UK with renewable energy in 2024.

We campaigned to abolish the prepayment poverty premium

We built on the success of our Ten Point Plan by campaigning for the abolition of the poverty penalty for prepayment customers. Historically, prepayment meter customers typically paid more for the same amount of energy than those paying by Direct Debit. OVO called for Ofgem to lower unit rates under the price cap for prepayment customers to make sure customers don't get penalised for having a prepayment meter. The poverty penalty was abolished meaning 4 areas of OVO's Ten Point Plan have now been adopted by the Government and the regulator.

We were also the first energy supplier to offer a fixed tariff to pay-monthly customers when wholesale prices started to drop. Households have endured one of the worst economic shocks for a generation, and we believe it's key that they get the support they need.

We acquired Bonnet, now Charge Anywhere, to bring accessible public charging to millions

Bonnet's technology brings EV charge points from different operators together in one easy-to-use app. Bonnet is one of the largest EV charging apps in the UK, with over 80% of the country's charge points. Drivers can find, use, and pay for public charge points without switching between different cards or logins. Bringing Bonnet into the OVO family means our customers can charge both at home and in public through our offering.



Financial performance review

Key financial and performance indicators

	2023	2022
UK Retail Energy Supply customer numbers	4 million	4 million
UK Retail Energy Supply total gas and electricity volume (TWh)	39	41
Adjusted EBITDA (£m)¹	225	20
Statutory profit/(loss) for the year (£m) (after non-cash commodity hedge revaluation gain of £1.1bn (2022: loss of £1.4bn))	817	(1,275)
Cash (£m)²	572	474
Net debt (£m)³	47	320

Reconciliation of adjusted performance measures to statutory results

	2023 £m	2022 £m
Statutory profit/(loss) for the year	817	(1,275)
Add: Income tax expense/(credit)	244	(377)
Profit/(loss) before tax	1,061	(1,652)
Add: Exceptional items and certain re-measurements	(1,035)	1,485
Add: Net finance costs	54	69
Add: Share of net losses of associates accounted for using equity method	6	2
Add: Depreciation and non-exceptional impairment of property, plant and equipment and right-of-use assets	16	14
Add: Amortisation of intangible assets	123	102
Adjusted EBITDA¹	225	20

1 See reconciliation of adjusted performance measures to statutory results.

2 Cash of £572m (2022: £474m) includes restricted cash of £144m (2022: £269m).

3 Net debt is defined as total loans and borrowings less cash and cash equivalents excluding restricted cash.

Underlying business performance

The Group's adjusted EBITDA for the year ended 31 December 2023 was £225m (2022: £20m). The increase in adjusted EBITDA was mainly due to industry-wide cost recovery through default tariff price cap allowances relating to costs in prior periods. During these prior periods, the cost of buying energy for customers under the

standard variable tariff was higher than the prices set under the price cap. The subsequent recovery of the full cost of buying energy for those customers was introduced H2 2022, and continued through 2023, which led to the lagged recovery of historical costs.

The Group's customer numbers were broadly consistent with the prior year, reflecting a stable

customer base. Consumption per customer reduced in the period, driven by the price elasticity of demand. Despite stable customer numbers and lower consumption, revenue (2023: £8.8bn vs 2022: £6.7bn; 31% increase) and gross profit (2023: £1,061m vs 2022: £657m; 61% increase) both increased. This was because prior period costs were recovered through the updated price cap methodology.

The Group continued to see an upward trend in bad debt costs. Bad debt as a percentage of revenue (excluding income received under the Energy Price Guarantee Scheme) increased from 2.8% in 2022 to 3.7% in 2023. This was a result of the high cost of energy and the cost of living crisis, which led to more payment delinquency. We also voluntarily suspended all warrant activity in December 2022 ahead of a subsequent industry-wide decision by Ofgem. OVO provided a £40m Customer Support Package which supported customers struggling with costs.

Gross profit movements were offset by increases in operating expenditures as the Group continued to invest in customer service against the backdrop of increased customer contact, and launched new brand and marketing campaigns. Inflation also had an impact on costs across the Group.

Statutory result

Overall, the statutory profit for the year was £817m (2022: loss of £1,275m), which includes a re-measurement gain of £1,086m on derivative energy contracts, exceptional items of £51m and depreciation and amortisation of £139m.

The re-measurement gain relates to commodity derivatives designated as 'held for trading'. Although the Group routinely enters into sale and purchase derivative contracts for electricity and gas to meet customers' future energy use, many of these arrangements are considered to be derivative financial instruments under IFRS 9. This requires some of the contracts to be recognised at fair value with re-measurements recognised in the income statement (for further details please see Note 2).

As of 31 December 2023, the Group held derivative financial assets relating to commodity derivatives and a re-measurement gain of £70m was recognised. The energy purchased in advance under these contracts will be used to meet the future energy needs of customers and the assets will unwind as these contracts are utilised in future periods. The remainder of the re-measurement gain for the period relates to the unwinding of commodity derivative financial liabilities held at 31 December 2022. The majority of these contracts unwound during the period as the energy purchased under these contracts was utilised to fulfil customer energy requirements during 2023. The re-measurements had no cash impact and will not result in an impact on energy costs for our customers.

Exceptional items of £51m (2022: £47m) consist of integration and reorganisation costs of £103m (2022: £76m) offset by gains on disposals of £52m (2022: £29m).

Of the £103m integration and reorganisation costs, £60m relates to the de-recognition of energy supply revenue resulting from customer migration from the legacy billing platform to a new Kaluza platform. The Group's revenue includes an estimate of consumption between meter reads. Through customer migration, we identified historical system issues which resulted in estimates of customers' consumption being recalibrated. This meant that revenue previously recognised (though not billed to customers) was not recoverable, leading to a re-estimate of unbilled and billed revenue in the year.

Other integration and reorganisation costs of £43m were £33m lower than last year, as integration

activities reduced towards the final phase of integrating SSE Energy Services (SSE) into the Group.

These costs were offset by a total gain on disposal of non-core businesses and investments of £52m (2022: £29m). This was made up of £32m from the disposal of our heritage meter portfolio and £20m from the disposal of interests in associates.

The Group's net liabilities decreased to £299m (2022: £1,119m) due to the increase in statutory profit in the current year. The re-measurement of commodity derivatives resulted in the increase in derivative financial assets to £70m (2022: liabilities of £1,016m) and the decrease in deferred tax assets to £199m (2022: £440m). The Group's intangible assets remained significant at £431m (2022: £482m) as the Group continued to invest in its customer billing platform with a total expenditure of £67m (2022: £59m) capitalised in the current year, offset by amortisation of £123m (2022: £102m). The Group made £98m prepayments and £32m interest payments against the term loan facility, and incurred £80m interest expense and amortisation of transaction fees during the current year, reducing its borrowings to £475m (2022: £525m).

Trade and other receivables decreased to £789m (2022: £1,215m) primarily due to an increase in expected credit loss allowance and timing of payments. Amounts recognised on the balance sheet relating to the Government support schemes decreased as these schemes have largely come to an end by the end of 2023, resulting in an decrease in trade and other payables to £1,165m (2022: £1,317m). Deferred income decreased to £750m (2022: £906m) as a result of falling energy prices.



What we're planning for 2024

Here's how we'll build on 2023's achievements to keep making energy better for our customers – and the planet

We'll support customers struggling with the cost of living

Since 2022, we've launched bespoke customer support packages every year to support those who need it most. We know we have a responsibility as an industry to help customers with the challenges they face, and we work with our charity partners to deliver this support. In 2023, we launched a £40 million customer support package, including free energy saving products. We know the cost of living is still financially punishing for many people, so we'll continue to work with our partners to support our customers throughout 2024.

We'll help more customers adopt green technology in their homes

Whether it's solar panels, electric car charging, smart thermostats, or heat pumps, we're already set up to install the latest green tech. Coupled with our team of Energy Experts, who provide bespoke advice to customers on making their homes more energy efficient, these products help our customers save energy and money.

This year, we'll build on our innovative add-ons, including Power Move¹ and Charge Anytime², as well as offering tailored energy insights through our app. We'll keep creating unique propositions, market-leading tariffs, and innovative trials for those customers taking big steps on their journey to net zero.

4.

**We'll
buy energy
responsibly
to keep
things stable**

Despite a slight calming after the record wholesale energy prices in 2021-22, 2023 saw more volatility in the global energy markets. Our prudent hedging strategy – how we buy energy in advance – means we can keep doing the right thing for our customers in 2024. Throughout 2023, we absorbed costs so that we could continue to support our customers. For example, in autumn, we didn't pass on the permitted standing charge increase to customers. Whilst wholesale energy prices have come down, we'll continue to work with the government and the regulator to restore the stability of our sector.

**We'll attract and retain
the brightest and best talent**

Our Belonging strategy builds a more diverse workforce – more women, more young people, more people from different backgrounds – so that we're bringing as many new skills and experiences on board as possible. In 2024, we'll do even more to develop and support our talent at OVO through training. We're building a safe, inclusive and open environment to empower everyone to be their best selves – wherever they're from, whatever they believe and however they live their lives.



We'll campaign for greater change

As we enter another challenging year for households, we'll keep campaigning for policy change to help the most vulnerable in society. We've been calling for a social tariff to protect those who cannot afford to heat and power their homes through sustained periods of high prices. We'll keep banging that drum. 2024 will be a politically charged year, and OVO will be campaigning for fairer bills to support the public and work with policymakers.

We'll go Beyond everyday energy

We're always looking for new ways to help customers track their home's energy use and find personalised ways to save costs and cut carbon. At the end of 2023, we trialled OVO Beyond – our game-changing new app upgrade. Now we're set to disrupt the energy

market with the nationwide launch in 2024. Beyond includes exclusive savings on green tech – but it also goes beyond energy. We've partnered with exciting music venues to bring entertainment to even more households.

2024 so far.

OVO announces a new Chair and CEO

At the start of 2024, we announced the appointment of retail leader Justin King CBE as Chair. OVO's Founder Stephen Fitzpatrick and Justin King thanked outgoing Chair Stephen Murphy for his guidance

and support over the past 9 years. His counsel has been invaluable during his tenure, with headline events including OVO acquiring SSE Energy Services.

We also announced the arrival of David Buttress as OVO's new CEO in May 2024. An entrepreneur, investor and former CEO, David took his first company, Just Eat, from a start-up created 'in

a basement' to Europe's largest technology IPO in a decade. He was named by Glassdoor as one of the UK's Top 5 CEOs in successive years and is credited with several major acquisitions including the takeover of two sector rivals. David described his appointment at OVO as an "incredible opportunity to create a world class customer experience for millions of UK customers."

David Buttress, CEO

Justin King CBE, Chair



A focus on those around us.

Keeping our stakeholders updated on progress

Stakeholders underpin both our strategy and business model, and our Board aims to uphold the highest standards of conduct while ensuring that all decisions are taken with consideration for the long-term interests of our stakeholders.

OVO recognises the central role it can play in supporting customers to reduce the carbon footprint of their homes and support the global effort to fight climate change. Plan Zero underpins our entire company culture. In an increasingly complex, changing and competitive market, the Board recognises that the company will only grow, thrive and deliver on the ambitions set out in Plan Zero if it understands, respects, and responds to the views and needs of our stakeholders.

Embedding Section 172 into Board decision-making processes

Section 172 is well embedded into the duties of the Board and its decision-making processes. Our Chair sets the agenda for each Board meeting and has taken steps to ensure we're meeting the requirements and carefully considering the needs of our stakeholders through a combination of the following:

- Strategically significant topics are reviewed through the Risk and Audit Committees. Regular consideration of regulatory and political risks is provided through this forum, and feedback from engagement with priority stakeholders across Government and the regulator is shared with Committee members.
- Board papers ensure that stakeholders' views have been considered and responded to, where required.
- The views and needs of stakeholders are considered thoroughly by the Board as part of any significant decisions it makes throughout the course of the year.
- Direct engagement by the Chair and Board with relevant stakeholders via a mix of bilateral meetings, committees, forums, and conferences on key strategic issues for the Group.
- Board presentations and reports are scheduled regularly. Covering issues such as customer engagement, risks, health and safety reports, investment updates, and developments related to our people and culture.
- The Directors also fulfil their Section 172 duties partly through the delegation of day-to-day decision-making to the employees of the Group. They regularly receive and consider feedback on stakeholders' views from dedicated teams within Corporate Affairs.



Our planet

Plan Zero is our response to the climate crisis. As part of it, we've assessed our own carbon footprint, and also the impact of our products and services. We recognise that our business operations have *environmental impacts, including carbon emissions, air pollution, the use of natural resources, water consumption, and the generation of waste.* OVO has a formalised 'Environment Policy', which sets out our commitment to minimise the negative impacts of our business activities on the environment, which sets out our commitment to minimise the negative impacts of our business activities on the environment.

Our customers

We launched in 2009 with a belief that energy could be better, and our mission remains to power human progress with clean, affordable energy for all.

To support our customers most in need during the energy crisis, 2023 saw our award-winning Customer Support Package launch for the second year in a row. Totalling £40 million worth of support, the package included payment support, emergency top-up credit, and temporary payment reductions. We also gave out free energy-saving products, including electric blankets and mattress toppers.

During the year, we also raised the importance of social impact and affordability in our Plan Zero report. To make it easier for our external stakeholders to see how we're getting along, we introduced a new live reporting structure. Throughout 2023, we reported our environmental performance regularly to OVO's leadership team and annually to the Board.

Our people

OVO's highly progressive people offering focuses on support for our teams. We include unlimited compassionate and pregnancy loss leave, as well as 'moments that matter' and 'recharge' leave.

Throughout the year, our surveys give colleagues at all levels the chance to share views with their fellow team members, line managers, and leadership. Our Board also regularly engages with our people through forums and OVO Together (OVO's Town Hall style monthly meeting).

One of the Group's core values is treating people fairly, giving equal opportunities to all of our people. We give fair and full consideration to applications for employment from disabled persons (as defined in the Disability Discrimination Act 1995). We also arrange appropriate training for any of our people who have become disabled during employment at OVO. In line with the Equality Act 2010, we will make every effort to give the person suitable responsibilities and reasonable adjustments in their current role. Where this is not possible, the Group will try to find the team member another role within OVO and provide additional training (as necessary).

Our communities

The OVO Charitable Foundation exists to help create a greener, brighter future – for every child. OVO Foundation invests in projects that address a real and genuine need, can demonstrate measurable and meaningful impact, and have the potential to scale.

During the year ended 31 December 2023, the Group made charitable donations of £3,013,000 (2022: £2,349,000). This amount includes donations to The OVO Charitable Foundation and other charities, including those supporting OVO's initiative to support UK consumers in relation to the cost of living crisis.

We aim to keep all relevant external stakeholders informed of our community and charitable investments.

Governments and regulators

Our Board members engage regularly with the UK Government, devolved administrations, respective Parliaments and the regulator.

In 2023, we conducted a standout programme of events during the party conference season, hosting discussions on green skills, Path to Zero and the economic opportunities of a net zero transition, alongside Ministers and senior Parliamentarians. Our dedicated Public Affairs, Policy and Regulation teams actively manage our external stakeholder plan and regularly update Board members on external developments. During 2023, the key issues discussed with stakeholders included: the energy crisis; support for financially vulnerable customers; future retail market design; and policy levers to accelerate the transition to zero carbon living.

Our suppliers

We build relationships with our suppliers based on trust. This means we can provide the best quality products and services at the most competitive prices, while mitigating data, social and environmental risks in our supply chain. In 2023, we continued to operate our Supplier Code of Conduct for all new key suppliers as part of our standard procurement process. We also continued to operate our sustainable procurement controls and made sure sustainability criteria were considered as part of any supplier selection.



Energy reimagined.

The platform powering innovation

Kaluza, part of the OVO Group, is a leading energy software company powering the future of energy worldwide. Kaluza's platform automates and simplifies operations, like onboarding and billing, empowering companies to quickly launch innovative low carbon propositions – at a lower cost.

Kaluza also connects smart home devices, like electric vehicles, storage heaters, and home batteries, and intelligently charges them based on the grid's supply and demand balance – in real time. This flexibility puts customers at the heart of the energy transition, paving the way for a future where renewable energy is affordable and accessible for all.

Certified Proud to be greener. Proud to be B Corp.



Kaluza's sustainability strategy, Mission Transition, details its plans to become carbon negative by 2030 (a target validated by The Science Based Targets initiative). Along with how it will help energy utilities transform their business and accelerate net zero for everyone.

In 2023, Kaluza achieved its B Corp Certification.

Our global partnerships.

Partnering with one of Australia's largest energy retailers and generators

In 2021, OVO and AGL announced a joint venture to bring innovative digital energy services to Australia. It took less than 5 months to migrate thousands of OVO Energy Australia (OEA) customers onto the Kaluza platform.

Since completing the migration in 2023, OEA has doubled in size and increased its performance. It also launched a number of innovative low carbon propositions, including solar and electric vehicle (EV) tariffs, in under a month.

In June 2024, AGL selected Kaluza as its technology partner for the energy transition and acquired a 20% stake in the business for US\$100 million (around AU\$150 million and GBP£78.6m), subject to conditions precedent. Kaluza's platform will enable AGL's customers to access a better customer experience and innovative propositions, while the investment will support Kaluza's growth ambitions.

AGL's investment valued Kaluza at US \$500m (around GBP£393m)

Taking Kaluza into the US and Japan

In February 2024, Kaluza partnered with Wallbox to pilot EV smart charging and Vehicle-to-Everything (V2X) technology for Pacific Gas and Electric Company (PG&E) customers in California using dynamic tariffs.

Through \$1.5 million (around GBP£1.2m) in phase 1 funding from a California Energy Commission (CEC) grant, the Kaluza platform is making EVs more accessible to California customers, especially in disadvantaged communities.

Over 6,000 miles away in Japan, Kaluza also launched a first-of-its-kind partnership with Mitsubishi Corporation (MC), Mitsubishi Motors and MC Retail Energy. In 2023, they launched Direct-to-Vehicle (D2V) EV smart charging solutions to accelerate Japan's decarbonisation – while saving customers money.

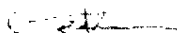
Kaluza is continuing to strengthen its relationship with Mitsubishi Corporation and expand its footprint in Japan.

Joining forces on innovation

Kaluza partners with leading auto brands, chargepoint manufacturers and other smart device makers to deliver seamless and flexible customer experiences. These integrations give customers a greater choice of device-based solutions to optimise their energy use.

Here's our thriving ecosystem of partners:

The Strategic Report has been approved by the Board on 9 August 2024 and signed on its behalf by:



Vincent Casey



Plan Zero Report

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Plan Zero.

In 2019, we launched our sustainability strategy – Plan Zero. In 2022, we created 3 ambitious pillars to make it easier to track our progress. And in 2024, we're making our report even more transparent by combining our Annual and Plan Zero reports.

Everything you need to know about our sustainability strategy is right here, all in one place. This report is supported by our sustainability hub¹ [↗](#), which you'll find on the Plan Zero website. The sustainability hub is full of methodologies, data packs, and more information on how we're aiming to meet these goals.

Climate

Reach true net zero by 2035

True net zero means being transparent about our impact and not cutting corners to reduce it. The UK grid needs to be ready for renewable energy. Also, our customers need to reduce their reliance on fossil fuels, and cut carbon from their homes. We're helping with both of these goals.

www.ovoenergylimited.co.uk

Customers

Be the UK's most trusted company

To reach net zero, we need to bring everyone along with us. Naturally, our customers are an important part of that. We're doing everything we can to give them the help they need.

Culture

Be the UK's best place to work

At OVO, our power comes from our people. We're creating a culture where brilliant people are united in the drive towards net zero. Where everyone is valued and can thrive.



Climate.

We'll always be transparent about the carbon we generate

Climate change remains one of the biggest challenges we face. Reducing the amount of carbon dioxide in the atmosphere, through a robust and transparent net zero pathway, is the only way to limit its impacts.

2035 is our target

We've set ourselves a challenging target of net zero by 2035. The science makes it clear that companies must reduce their emissions by at least 90%, offsetting no more than 10%. This is supported by our operational emission reduction targets for our fleet and hubs, as well as our installation of smart meters.

Our progress so far

Throughout the energy crisis, we've helped customers reduce their energy use. We've done this through customers engaging with our app and their smart meters, and through visits from our Energy Experts.

So far, progress has been mainly driven by customer behaviour and electricity decarbonisation on the grid. The good progress we have made in reducing emissions in our properties and fleet does not materially impact our overall emissions. Delivering net zero means supporting additional renewable energy for the grid, and helping customers get off gas, and onto their own Path to Zero.

A more transparent approach

In an effort to be more transparent, we now use location-based emissions. These more accurately reflect the emissions of the energy we buy and sell to customers. This means that our route to net zero relies more closely on the decarbonisation of the grid, as energy from Power Purchase Agreements (PPAs) and REGOs will not contribute to our reduction.

Helping customers to lower their energy use and carbon emissions will only go so far. We need to support the sector to decarbonise quickly, which we're doing through our work on policy, skills, and growing our portfolio of smaller community generators.

Metric and Performance	Target Year	Target Data	Baseline	2022	2023	Performance
			Performance (Year)			
% reduction in total carbon footprint	2030	60%	0% (2018)	33%	33%	On track
	2035	100%				
% of van fleet that is electric	2025	100%	8% (2020)	48%	71%	On track
% of properties powered by 100% 'renewable energy' sources	2030	100%	92% (2020)	96%	96%	On track
Energy efficiency of facilities (kWh/m2)	2030	70	248 (2020)	228	155	On track
% of meters that are smart meters	2025	74.1%	42% (2022)	48%	60%	On track
Tonnes of carbon emissions avoided by offering products and services that cut carbon (tCO ₂ e)	2023	10,000	c. 1500 (2021)	4,536	11,277	Achieved
% reduction in gas sold	2025	15%	0% (2020)	20%	26%	Achieved 2025.
	2030	50%				Ontrack
	2035	100%				2030.

The annex detailing the basis of preparation for each metric can be found on page 136.

Total Scope 1 and 2 emissions (location-based) (tCO₂e)

Total Scope 3 emissions (location-based) (tCO₂e)

Total Scope 1, 2 and 3 emissions (location-based) (tCO₂e)

[^] This KPI was subject to external independent limited assurance by PricewaterhouseCoopers LLP ('PwC'). For the results of that assurance, see PwC's assurance report on the [Plan Zero website here](#)¹. You can also find the basis of preparations for Scope 1, 2 and 3 on the [Plan Zero website here](#)².

^{*} If we were to use the updated methodology applied for 2022 numbers, our total scope 3 emissions would be 9,375,194 tCO₂e which is 4% less than the value reported using the original methodology. This variation is below our materiality threshold of 5%.

Scope 1 and 2: emissions from our vehicles and offices

Scope 1 and 2 reporting covers the emissions our operations cause – both directly and indirectly. That's everything from the fuel we burn in our vehicles, to the electricity we use to power our offices.

This year, for the first time, we're including our Streamlined Energy and Carbon Reporting (SECR)³ [alongside](#) our other carbon reporting, so it'll be easier to hold ourselves accountable.

Our fleet of vans

We want our fleet to be 100% electric by 2025, and we made great progress last year. We bought 131 electric vans and took 288 petrol or diesel vehicles out of service. Our fleet is now 71% electric – up from 48% in 2022. And

we travelled 5,444,972 miles on electric power in the last 12 months.

We're installing more EV chargers at our engineers' homes – by the end of 2023, we'd installed 284. Plus, we're still putting drivers into our home-charging programme, Mina. This pays the drivers' energy supplier every time the driver charges their company vehicle at home.

For drivers who can't charge at home, the biggest barrier to an all-electric fleet is still a lack of public charging points. That's why, in 2023, we increased our network of charge-point operators from 18 in 2022, to 31.

Our offices

In September, we opened our new office in Glasgow. It was designed to be as energy efficient as possible, and it's the first office in the whole city to be net zero in operation. The industry-leading BREEAM system recently awarded it an 'excellent' rating.

We also closed another 27 offices in 2023, shaving 2 million kWh off our annual energy use. This was made up of:

- 1,101,389 kWh of electricity
- 905,755 kWh of gas

As for the offices we still control, they're all supplied by 'renewable tariffs'. Following our move away from REGO backed electricity as standard we're reviewing these in more detail this year.

Our property – 2023 in brief

- Our London office cut its energy use by 10% compared to 2022.
- In Bristol, our energy use increased by 5% since last year. This was because of ageing equipment, weather conditions, and more staff using the building each day.
- We introduced a new Building Management System in our main properties. This helps us to manage the buildings remotely, and gets us closer to our goal of doubling energy productivity by 2030.

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3 See page 50



Scope 3: our indirect emissions

Scope 3 covers all emissions we're not directly responsible for, from the products we sell, business travel and commuting to home working, waste disposal and more.

This year, we've made 2 changes to the way we calculate our carbon emissions.

Firstly, we've estimated our emissions from electricity sold, rather than using the fuel mix published by the Department for Energy Security and Net Zero (DESNZ). This is because we've moved our reporting timelines to earlier in the year, and the government has only just published their finalised fuel mix. Instead, we've used half hourly electricity emissions data from the National Grid to estimate our emissions from electricity sold.

We compared the emissions from this estimate to those reported in previous years under our original methodology, and found that there

was a slight difference between the data sets. So we have applied an uplift to this estimate to make it as accurate as possible.

We'll continue to apply the DESNZ fuel mix factor to our calculations once it's published in the summer. Then we'll restate our actual electricity emissions in next year's report. You can see more details on this in our 2023 Basis of Preparation.

This year, we've also expanded the number of Scope 3 sub-categories that we've reported on. The GHG Protocol splits Scope 3 into 15 different sub-categories. In previous years, we only reported on 2 of these (category 3 and 11) as they covered over 96% of our total emissions.

We want to be as transparent as possible with our carbon reporting, so we've included more sub-categories in our accounts this year. We've included earlier data for these categories when we have it. The emissions are very small in comparison, but to be fully transparent, we're reporting on every relevant Scope 3 category which you can see below.

While our emissions in category 11 has decreased, including these extra sub-categories meant our total emissions increased slightly in 2023. This is largely driven by the expansion of our reporting scope.

The energy we sell

Last year, our emissions from selling energy to customers dropped again. This is because of two things.

Firstly, we need to be clear that some of this progress is down to difficult decisions our customers are making. The cost of living crisis is still a problem, and many of our customers are being forced to use less energy as a result.

This has highlighted just how important it is that we transition to cleaner, affordable energy. We have to make sure this happens sooner rather than later to bring everyone with us. In the face of this crisis, we've been helping people to use less energy with carbon-lowering tech, and giving them expert advice.

Secondly, the UK energy grid is getting greener. Last year, the amount of electricity ever

Category	2018	2019	2020	2021	2022	2023
1 Purchased goods and services	-	-	-	-	-	148,533
2 Capital good	-	-	-	-	-	3,695
3 Fuel and energy related activities	6,639,830	5,713,536	4,781,791	5,294,859	4,481,420	4,498,111
5 Waste	3	33	13	6	9	14,913
6 Business Travel	-	-	-	234	687	3,312
7 Commuting and WFH	-	-	4,668	3,079	1,994	3,126
11 Sold products	7,880,952	7,736,339	6,936,677	6,608,667	5,289,634	5,110,096
Total Scope 3 emissions (location-based) (tCO₂e)	14,520,785	13,449,908	11,723,149	11,906,845	9,773,744	9,781,785[^]

[^] This KPI was subject to external independent limited assurance by PricewaterhouseCoopers LLP ('PwC'). For the results of that assurance, see PwC's assurance report on the [Plan Zero website here](#)¹. You can also find the basis of preparations for Scope 1, 2 and 3 on the [Plan Zero website here](#)².

generated from renewable sources passed 1 trillion kWh. That would be enough to power the UK's homes for 12 years. This is fantastic news for the future of the UK's energy grid, and gets us closer to the country's net zero goals.

Purchased goods and services

This year we worked with carbon accountancy experts Emitwise to calculate emissions from our purchased goods and services. After the electricity and gas we sell to our customers (categories 3 and 11) this is our biggest emissions category. As we sell more low carbon tech, this will become a more important part of our footprint.

Business travel

Compared to our total carbon footprint, our business travel emissions are small. However, last year we saw a big increase in emissions from business travel. We're another year on from the pandemic, and travel now feels safer for people. This will have played a part in our team travelling more often and our emissions going up.

Last year we launched Agiito, our new travel booking system. This shows our people the carbon impact of each journey they take. We'll use this tool to prompt our people to travel in greener ways.

Working from home and commuting

This year, for the first time, we asked our people how they commute to work. Compared to our total carbon emissions, our figures for commuting are small. But because this is the first time we've calculated these emissions, the overall number has increased.

We always try to find greener ways for our people to commute. All our offices are located near large train stations and are connected by public transport. And, in 2023, we opened our Glasgow office. This only has parking spaces for electric cars.

Waste in our operations

Emissions from our operations are still small compared to our total footprint. By 2030, we'll have fully decarbonised our offices. Over the last few years, we've been reducing our property portfolio, as our goal is to have three key hubs for our people. This meant we have fewer office spaces creating waste, bringing down our emissions.

This year we have used our spend data to look at emissions from our supply chain, too. That's why there is a big increase in our emissions compared to previous years. This is largely due to this disposal of old meters.

Reporting methodology

All the carbon-related figures in this report have been prepared using the Greenhouse Gas Protocol – the most widely used standard for carbon accounting and reporting. You can find out more about our reporting methodology and the application of this standard on our website³ [↗](#).

Assurance

Throughout this report, information marked with the symbol [^] was subject to independent limited assurance procedures by PwC for the year ended 31 December 2023. You can read [↗](#) PwC's assurance statement here⁴. [↗](#) You can also find the basis of preparations for Scope 1, 2 and 3 on the Plan Zero website here⁵.

Climate adaptation

In 2023, we saw the hottest year globally on record and this should be a wake-up call. While cutting carbon is still incredibly important, we also need to start adapting to our new climate.

Last year, we worked with leading think-tank Green Alliance to see how the UK is adapting to this new reality. What we found was worrying. Our country's houses simply aren't built for our new, hotter summers. This will only get worse as the planet keeps warming up.

We've helped support our customers through tough winters. And we want to be there for them in the summer, too. We found a few key areas where we can help:

Better design and insulation

- We're working with housing partners to make homes greener through OVO Energy Solutions.
- Passive cooling uses a home's design to keep it cooler during summer, without the need for technology.
- Insulation can be used to keep homes cool in summer, as well as warm in winter.

Vital help from nature

- By planting trees⁶ [↗](#) in urban areas, we can create areas of shade, helping to lower summer temperatures. We plant 1 million a year in the UK.

Using technology

- Some of our low carbon heating technology can also be used to keep a home cooler: for example, reversible heat pumps.

Policy change

- We'll keep fighting for policy changes⁷ [↗](#) that help our customers.



Customers.

Bringing everyone along with us on the journey to net zero

To reach net zero, we need to bring everyone along with us. This means building trust with our customers, being transparent in everything we do, and supporting everyone with their energy needs – especially the most vulnerable.

Checking in with our customers

For Plan Zero to work, our customers need to believe in it – and us. Every month, we check in with them to see how we’re doing, and where we can improve. We are continuing to embed customer trust into Plan Zero by measuring engagement with our customers using the metrics set out below.

Our progress so far

More customers are seeing us as a green company, as we engage with them through our app, work to offer more of our products and services, and be the energy partner of the just transition.

Last year, we revised the methodology for calculating our customer engagement metrics. We improved our data collection processes, creating a more accurate picture. Because of this, we’ve restated our 2022 calculations. They now align with our new methodology, which we’ll use in future. Although this means the numbers reported are now lower, we’re always refining our calculation methods so they show the most accurate and transparent picture we can.

For the first time we are able to report on how our most vulnerable customers are feeling, with 68% feeling supported. This is thanks to our customer support package and increasing access to government funded energy efficiency support. We know there is still much more to do to reach our target.

We have not met our energy efficiency target for homes, but have installed energy efficiency measure in over 2,800 homes to date. This has been a more challenging target due to availability of suitable products and installers. We hope our new green skills agenda will support higher numbers of installs in the coming year.

Metric	Target Year	Target Data	Baseline Performance (Year)	2022	2023	Performance
% of customers that think of us a leading green company	2030	90%	41% (2022)	38.6%	45%	On track
% of customers who are actively engaged in their energy use	2025	100%	4% (2021)	18.7%	12%	At risk
% of most vulnerable customers who feel OVO gave them the support they needed	2024	100%	Not Recorded	Not Recorded	68%	At risk
Number of homes that OVO has installed energy efficiency measures into (absolute)	2023	>1,500	1,130 (2021)	1,078	735	Not met

The annex detailing the basis of preparation for each metric can be found on page 136.

Building trust with our customers

We'll always be **open and honest** about what we're doing well, and what we're not. We'll be clear about our impact on the environment. And we'll be transparent about how we're improving our customer experience.

We'll always champion a **zero carbon community**. If we want our customers to join us on the Path to Zero, they'll have to believe in it. So we'll deliver on our promises, offer the best service possible, and make sure customers are getting the best out of OVO. We track this through:

- % of customers that think of us as a leading green company
- % of customers who are actively engaged in their energy usage

We'll bring everyone with us. The last few years have been difficult for our customers – net zero feels like a luxury right now. But the climate crisis will impact everyone. We need to make sure all of our customers get the support they need to pay for energy, as well as help them make choices that are better for the planet. We track this through:

- % of vulnerable customers who feel OVO gave them the support they needed
- Number of homes that OVO has installed energy efficiency measures into (absolute)

Advertising done differently

We want our customers to think about how – and when – they're using energy. To choose times when the grid is greener to cook, or put a wash on. And we want to help make this easier for customers to understand.

Last year, we created a one-of-a-kind advertising campaign. We used live National Grid data to show our ads when the grid was at its greenest, on over 2,600 screens at train stations and bus stops across the UK.

This unique campaign showed people the impact of using energy at certain times of the day. It also shifted 682,000 kWh of electricity to greener times – the same as powering 252 houses for a whole year. That's 58 tonnes of carbon avoided.

2,600
screens nationwide showed our campaign

"This epic new media opportunity brings together innovation and our mission to change the way the nation thinks about and consumes energy. "

Alice Tendler, Director of Brand and Marketing at OVO



Culture.

Making OVO a great place to work for everyone

At OVO our power comes from our people. We're building a culture where everyone feels valued and can thrive.

To read more about our mission to make OVO an equal workplace, see our 2023 Belonging Report [\[link\]](#). From next year, our Belonging updates will be part of our Annual Report. This means our targets for an inclusive workplace, as well as our progress, will all be found in one place. From next year, our Belonging updates will be part of our Annual Report. This means our targets for an inclusive workplace, as well as our progress, will all be found in one place.

Our progress so far

Last year, we saw a small increase in the number of women in our leadership roles. Unfortunately, we didn't make progress towards the goal of having 10% of our leaders be from ethnic minority backgrounds. We know we have work to do.

Protecting our people's wellbeing

Every quarter, we check in with our people and collect feedback via surveys, which is done through our employee survey and engagement tool, Peakon. We measure three things:

1. Overall engagement
2. How much our people understand Plan Zero and their role in it
3. Belonging – how respected, included and comfortable everyone feels at work

In 2023, we improved across all three targets. We also scored an overall Peakon of 8, a whole two years earlier than planned. Next year, we're aiming to maintain that overall score and pushing for our 2025 target of 9 in Plan Zero and Belonging.

Overall Peakon score

8.2

Plan Zero Peakon score

8.8

Belonging Peakon score

8.8

Metric	Target Year	Target Data	Baseline Performance (Year)	2022	2023	Performance
Overall Peakon score	2025	8	7.6 (2021)	7.8	8.2	Achieved
Plan Zero Peakon score	2025	9	8.3 (2021)	8.4	8.8	On track
Belonging Peakon score	2025	9	7.5 (2021)	8.4	8.8	On track
% female representation at a leadership level	2025	40%	37% (2020)	38%	39%	On track
% ethnic minority representation at a leadership level	2025	10%	8% (2020)	6%	6%	At risk
Creating new green jobs	2035	15,000	0 (2022)	0	882	On track


The annex detailing the basis of preparation for each metric can be found on page 136.

Investing in green skills

If the UK wants to be a leading green economy, there's a big hurdle we have to get over first. We need to tackle the UK-wide green skills shortage. That's why, at OVO, we're investing in green skills training and creating new jobs for the future.

In 2023, we:

- Put 882 new Zero Carbon Living Advisors through our induction programme
- Recruited 155 new Smart Metering Apprentices
- Recruited 21 new Energy Experts
- Partnered with HeatGeek to provide heat pump training for our team

Nick Long began his software development apprenticeship at OVO in 2022, in partnership with Makers² . Nick has since gone on to win the Makers Award for technical brilliance.

"Starting my software engineering apprenticeship with minimal coding background was challenging, but it turned out to be an incredible decision. I've developed entire backend services from scratch and played a big role in delivering some really innovative products, like EV chargers – achievements I never imagined possible in just a year. The support from OVO has been outstanding."

Nick Long,
Software Engineer

² <https://makers.tech/>

Helping causes that matter to us

The team at OVO loves to get stuck in. We're always proud of how much time our people donate to important causes. In November, we held Plan Zero Week, which was a chance for our people to volunteer, fundraise, and help their local communities.

London: Volunteering with the animals at Spitalfields City Farm – OVO Foundation partner

"It's heartwarming to think that we can help charities committed to making the planet better – just by donating a little of our time. The manager at Spitalfields Farm said we managed to do an entire week's work in one day!"

Giuseppe Burdo,
Senior Product Designer

Glasgow: Helping local woodland thrive with The Conservation Volunteers

"Such a rewarding experience. It was great being able to make a difference to my local area."

Lynne Bauld,
Vulnerability Guild Agent

Bristol: Protecting local wildlife with Avon Wildlife Trust

"Volunteering with the Avon Wildlife Trust was a great way to collaborate with colleagues, make a real difference in the community, and get out into the fresh air. I'd highly recommend it. I can't wait for next time."

Tom Steadman,
Senior Policy and Public Affairs Executive



Path to Zero.

Making energy better for people and the planet

In 2023, we stopped selling “100% renewable electricity” backed by REGOs as standard. Instead, we’re focusing on initiatives that we believe make a real difference – things like new renewable electricity generation. Helping customers to cut costs and our collective carbon footprint.

Growing a greener grid

Net zero is within reach. But to get there, two key things need to happen. The UK electricity grid needs to run on 100% low carbon energy. And we need to make it easier for customers to run their heating and vehicles on electricity instead of gas or petrol, so that they can stop using fossil fuels for good.

As an energy retailer, decarbonisation depends a lot on things outside of our control. This is because our pathway to net zero is always going to be aligned with how quickly the National Grid can become fully renewable.

But we *are* helping the grid get ready to run on renewable power in a few ways:

- Supporting the building of new renewable power sources, through our subsidy-free PPAs and our solar products and services.
- Helping to make the grid more flexible with our vehicle-to-everything trials. Flexibility is essential to a greener UK, because renewables aren’t a steady, constant source of power. We have to find practical ways to cope with that.
- Working with our Policy Team to help customers use less energy – and use the energy they do need in greener ways.

Going electric

Helping our customers switch from gas heating systems to electric ones will be more tricky, for a number of reasons. It involves them spending a lot of money up front. It relies on better-insulated homes. And it demands better infrastructure.

In 2023, we launched Heat Pump Plus, which rewards customers who use a heat pump with cheaper energy. But we still have a long way to go before electric heating is the norm.

Four steps to reach net zero

Reaching net zero is a journey. These are the four key steps we need to achieve to get there.

Engagement

Rewarding customers for using energy at greener times.

Automation

Using smart technology to make it easier to use energy efficiently.

Fabric

Improving the physical efficiency of the houses we live in with insulation and smart technology.

Electrification

Swapping fossil fuelled heating and transport for low carbon alternatives.

The power of policy.

Last year, we took on some big policy problems. We:

- Lobbied the government to support economically vulnerable customers over winter
- Made the case for higher subsidies for green technology, including heat pumps and insulation
- Worked with officials to make sure that the energy market evolves to help customers use less energy, and use it when the grid is greener

The priorities for our policy work haven't changed. We have four key principles:

- Making sure that energy bills are predictable and affordable for everyone
- Rewarding customers for using electricity when the grid is greenest
- Ensuring the retail market drives investment in clean power
- Ensuring all customers can easily access green technologies for their homes

We know that, to reach true net zero, we need to get rid of the status quo. So we've been working with Ofgem, the government and other political parties to help them picture what a fair, net zero energy retail market could look like.

We don't have all the solutions yet. The problems we face will change over time. But there are some important policy changes at the heart of our 4 principles that we want to see.

Making sure that energy bills are predictable and affordable for everyone

As the energy market stabilises after the energy crisis of 2021, we want to make sure that:

- Customers in fuel poverty, or those who can't avoid using lots of energy, have access to financial support.
- There is bigger, bolder action on energy efficiency so that British homes stay warm and dry, and bills are lowered.
- Information about vulnerable customers is shared across agencies, through the national data hub.
- Fairness is at the heart of the energy transition. Consumers who use energy during lower demand, greener times should be rewarded with lower prices.

Rewarding customers for using electricity when the grid is greenest

If we're going to make net zero easier, cheaper, and simpler for consumers, energy suppliers need to do their bit. Zero carbon living has to become easier for consumers to understand and engage with, so we want to make sure that:

- There are the right consumer protections in place when customers engage with flexible services.
- Customers are educated about the best action they can take to lower bills and carbon emissions.
- Customers have the right incentives to use their energy smartly, so that everyone benefits from cheaper grid upgrades.

Ensuring the retail market drives investment in clean power

A portion of customer bills is contributed towards investment in the electricity grid. We want to make sure that customers' money is invested in the right places, helping to keep bills low and support net zero.

We want to make sure that:

- The REGO system is reformed so that customers' money is directed towards getting new renewables on the grid.
- Local communities close to renewable investments are benefiting from the infrastructure that helps to enable net zero.
- The right price signals are put in place so that investment in renewables happens in the right places.

Ensuring all customers can easily access green technologies for their homes

To reach net zero, the technology that consumers use in their homes needs to change. Suppliers like OVO can help customers to reduce their carbon footprint. To help this to happen, we want to make sure that:

- The right signals and support mechanisms are in place for customers, and the workers who will help us transition away from fossil fuels.
- There is additional support for those less able to pay for home decarbonisation measures, and enough financial incentives to help to grow new markets.
- The green skills landscape is reformed, to make sure that home decarbonisation can be delivered at the pace and scale needed.
- Policy costs are moved away from electricity over the long term, to help improve the economics of EVs and heat pumps.



Belonging at OVO.

We want to make OVO a place where everyone feels like they belong. Not just because it's the right thing to do – but because we need happy, motivated people to make Plan Zero happen. We also need our people to be more representative of society as a whole.

We made some big strides in 2023. One of our main achievements was to almost double our ethnic diversity. In 2022, roughly 7% of our team came from ethnic minority backgrounds. In 2023, that rose to just over 13%. And our engagement scores improved throughout the year, which shows our people feel like they belong.

Here's the progress we made in 2023:

- We increased our ethnic diversity to 13.3%.
- We achieved the Disability Confident Employer Level 2.
- We've kept our focus on diversifying our leadership teams by launching a Black Leadership Academy, in partnership with the Aleto Foundation.
- We started to deliver bespoke anti-racism training to our senior leadership teams.
- We launched our Human Library series. This is a safe space where personal stories are shared, allowing people to connect through storytelling. It helps us develop a more supportive and inclusive culture.

You can read our Gender Pay Gap statement, as well as more details about our inclusion and diversity achievements, in our 2023 Belonging Update¹. [📄](#)

13.3%

ethnic diversity at OVO

Level 2

Disability Confident Employer

Ali Mohammed,
Manager – Proactive
Collections

“Being part of an OVO Belonging Network helps me understand what it means to be an inclusive leader at OVO. It’s made me and my team more considerate, helped us to understand different perspectives, and showed us how to collaborate better. As a menopause champion, it’s refreshing to be able to break the mould and have healthy conversations both inside and outside of the workplace.”

Jenny Latham,
Advisor – Call Centre

“Having the Neurodiversity Network really helped me. But what really changed my experience was having leaders who learned how to manage neurodivergent people. Now I can be myself – I’m never afraid to speak up or say what I need.”

Mat Moakes,
Chief Commercial Officer

“It’s been a privilege to be part of our first Black Leadership Academy in 2023. This is OVO’s flagship initiative designed to attract Black talent to leadership roles. The calibre of the people I met through the Academy was incredible, and I look forward to hopefully seeing some of them join OVO in the near future.”

Sahar Kamran,
Advisor –
Customer Transfer

“The OVO Believe Network is inclusive of all faiths, religions and beliefs. It’s provided me with a real sense of belonging at OVO. I’m proud to have developed an e-learning module that helps our people create spaces and teams that are truly inclusive.”



Impact at OVO.

How we're making a difference

Last year, we launched our impact strategy to get everyone ready for net zero. We need to make sure that, as we transition our business towards net zero, we're also improving social issues.

From creating new, highly skilled green jobs, to fixing inefficient housing, and supporting customers who need us most. Getting to net zero will take all of us. So we need to make some fundamental changes. Our impact strategy lays out the work we are doing across three areas; Social, Environmental, and Economic.

Social

The move to a green economy needs to be fair for everyone. That means supporting the people who need it most. We need to stamp out fuel poverty and bring everyone with us.

Environmental

We're already seeing the impacts of climate change, especially on nature. So we need to do everything we can to restore it and protect it.

Economic

We need to make sure people are ready to work in the new green economy. For green jobs that are available now, to green jobs of the future. We need to find and train people to take on these important roles.

Environmental.

The Wildlife Trust

The Wildlife Trusts are a federation of 46 independent wildlife conservation charities covering the whole of the UK, with a purpose is to bring wildlife back, to empower people to take meaningful action for nature, and to create an inclusive society where nature matters.

We have been working with the wildlife trust for a number of years, and last November, a group of OVO volunteers spent the day at Gunnersbury Triangle in London – a nature reserve filled with birds, small mammals, and beautiful greenery. Guided by a local expert, they created natural drainage ponds to boost this stunning wetland ecosystem.

“Volunteering at Gunnersbury Triangle was a really rewarding and enjoyable day. We built a pond to encourage biodiversity, and learned about all the plants and animals that call this hidden park home. It was great to do something to help preserve nature within such a built-up area of the city.”

Laurence Hand,
Communications Manager

Economic.

Energy Sparks, an OVO Foundation Partner, is an online tool that helps teachers and students reduce their school's carbon footprint.

Students and teachers are engaged with the causes and impact of climate change. Pupils learn how to improve their school's energy efficiency and use less.

Students are encouraged to take home what they learn, helping spread the impacts far and wide.

"The best chance of fighting the climate crisis is by empowering the next generation, and that's what Energy Sparks does."

The HEART Education Trust

Social.

Supporting customers and communities

Our Customer Support Package gives year-round help to the people who need it most. Last year, over 33,000 customers got extra support.

The package includes:

- Help with debt and financial support
- Electric blankets, smart plugs, and more ways to stay warm and save energy

- Extra money: we found over £2.4 million of new income for our customers, in partnership with Income Max¹ [🔗](https://www.incomemax.org.uk/)
- Support for organisations that are making a real difference to our customers' lives, such as the Trussell Trust and StepChange
- Funding for Business in the Community

We also signed another 25,000 people up to our Priority Services Register, so they'll find it easier to get help for all their energy needs.

OVO in the community

Recently, we supported a brand-new community hub in Newport. We hosted an event to talk about energy and debt, and delivered help from our Customer Support Package directly to some of our most vulnerable customers. We'll keep using this centre to support the community in future.

Following the success in Newport, we've since hosted a similar event in Glasgow.

¹ <https://www.incomemax.org.uk/>



OVO Foundation is our charity. Since 2014, its mission has been to create a brighter, greener future for the next generation.

Through our Climate Changers and Community Impact programmes, we're helping children and young people from under-resourced communities to connect with nature, and learn how to protect the planet they love.

Thanks to the support of OVO's customers, we've given over £2 million to climate action and education projects since 2020. Every penny donated by customers is matched by OVO, so together we can do double the good.

OVO People help further our partners' missions by getting involved through volunteering: from hands-on activities in their local communities to offering their skills to support our national partners' projects.

2023 in numbers

£2.4m

We've committed over £2.4 million of funding to climate action and education for children and young people across the UK since 2020

12

We joined forces with 12 community charities, getting children to explore local green spaces

20,000

young people benefited from our work with charity partners

25

We awarded 10 schools £1,000, and 15 more £200, to make their outdoor areas greener

350

We helped over 350 schools use online platform Energy Sparks – saving them over £2 million on their energy bills

Last summer, we joined forces with 12 community charities in Glasgow, London, and Bristol, supporting projects to get children and young people out into their local green spaces. OVO volunteers got stuck in too, helping to teach new skills.

Our Community Impact funding targets some of the country's most deprived areas, helping children and young people connect with nature locally. There's also support available to improve their physical and mental health, and they're taught new skills to help them protect nature.

Won

awards for Best Foundation and Best Educational Programme

Helped

to raise awareness of the environment among young people, with Action for Conservation's WildED programme

Buzzing to help the planet

Energising a new generation of climate heroes

The OVO Foundation Nature Prize¹ is part of the Let's Go Zero² campaign. It inspires school staff and students to create inventive nature projects on their grounds. It brings kids closer to nature and kickstarts a love for the planet.

Young people are passionate about protecting the planet, and we want to equip them with the skills, knowledge, and opportunities they need to be climate heroes.

One of the standout projects from the OVO Foundation Nature Prize in 2023 was from Northfleet Technology College in Kent. Their prize money helped them to create a buzzing nature reserve with an apiary housing over 60,000 bees.

The school's two beehives produce honey and wax, which are then used to craft sustainable products. Students then sell these products, creating much-needed extra income for 10 schools in the area – benefiting 6,000 pupils. The extra funds are used to create smaller school sites where they grow food, install solar panels and monitor the environment.

The beehives' success earned the school the Zayed Sustainability Prize³ at COP28 in Dubai, as well as £118,000 in prize money. Their plans? Taking mobile beehives across the UK to spread the word about sustainability.

6,000

students benefited from the sale of wax and honey made from their school's onsite beehives

£118,000

won by students as part of the Zayed Sustainability Prize at COP28



Understanding our impact on nature.

Humans depend on the natural world. Over 50% of the worldwide economy needs nature to function. But sadly, the more we rely on nature, the more we destroy it.

People are starting to take notice. Countries across the world have agreed to protect 30% of their natural spaces, keeping them just for wildlife. Last year also saw the launch of the Taskforce for Nature-related Financial Disclosure (TNFD). This will help companies review and report on their relationship with nature.

At OVO, we're proud early adopters of this scheme and we've already finished our first high-level nature impact review.

50%

of the worldwide economy needs nature to function

30%

of natural spaces will be protected under the Global Biodiversity Framework

These activities are key for our business and have a serious impact on nature:

Energy generation from fossil fuels	High
Energy generation from renewable energy	Medium
Mining raw materials for low carbon technologies	Low

And these are the ecosystems we take most materials from:

The atmosphere	High
Terrestrial ecosystems	Medium
Freshwater and other water sources	Low

Over the next 12 months, we'll make the TNFD framework part of our nature strategy, and we'll complete another review in 2025.

■ High ■ Medium ■ Low

Our Planting Promise.

At the start of 2024, we hit a big milestone: we planted our five-millionth tree.

Trees are a natural way to fight climate change. And they're also so much more than that. They add shade to our streets. They're an essential habitat for wildlife. They even boost people's mental and physical health. We work with the Woodland Trust and The Conservation Volunteers to support schools and communities across the country. Together, we're creating more green spaces and connecting more people with nature.

Our planting promise doesn't offset our carbon emissions. We do it because we believe that creating, restoring, and protecting the natural environment is the right thing to do, and it's important to our customers.

The Woodland Trust and The John Burns Foundation Planting hedgerows in the community

The John Burns Foundation is a community charity that works with school children, vulnerable young adults, and socially isolated groups. In 2021, they set up the Woodland Heroes Project. Thanks to the free tree packs from the Woodland Trust, a scheme funded by OVO as part of its Planting Promise, the project has become so successful it's been able to build a full programme of educational tree planting events which create essential wildlife corridors and capture carbon.

Ysgol Y Castell has been part of the project, through their school's Eco Group, for three years. In January, children from the school planted new hedgerows in their hometown. They also visited the trees planted by their schoolmates in previous years, to get a firsthand look at how hedgerows are grown and maintained by local college students.

"It's very important to us that we only plant trees that are native and 'belong' where they will be planted. That's why the Woodland Trust tree packs have been fantastic – they're filled with lots of local, native trees."

John Burns Foundation

The Conservation Volunteers Boosting Scotland's tree diversity

Eddard Wood is a 6-acre plot in the Trossachs, just east of Loch Lomond. In recent years, rhododendrons have crowded the area, stopping native species from growing.

As part of OVO's Planting Promise, The Conservation Volunteers are planting 300 native saplings – from beech and oak to hazel and blackthorn – in Eddard Wood to replace the invasive rhododendrons.

"We're excited to be part of helping deliver OVO's Planting Promise. By adding 300 saplings to this once dark and crowded wood, we've already seen a huge boost to local plant diversity."

Claire, Eddard Wood



Climate-related Financial Disclosures.

How climate change could affect our business

The climate crisis affects everyone, and every business. As the world changes, it's clear that we need to do more to tackle the challenges and risks this emergency brings.

This year, we're following the UK Climate-related Financial Disclosures guidance in order to understand how climate change could impact us as a business.

Looking back – what have we achieved so far?

Last year, we voluntarily published our first non mandatory statement aligning to the Task Force for Climate-related Financial Disclosure (TCFD) framework. We performed our first round of qualitative scenario analysis, identifying the material climate-related risks and opportunities that could impact our business over the short, medium and long term.

This is the first year that we are required to report against the UK Climate-related Financial Disclosures framework. We've made some good progress, including:

- Submitting our 2030 Science Based Target (SBTi) for validation, reiterating our commitment to reduce our absolute emissions by 60% by 2030
- Formally integrating climate change into our risk management framework
- Performing quantitative scenario analysis, building on last year's analysis

What is SBTi?

This coalition of some of the world's most influential environmental organisations helps companies set realistic but ambitious targets for reducing their carbon emissions. For us, this means focusing on avoiding and reducing our emissions, while limiting the use of carbon offsets to up to 10% of our baseline year's carbon footprint. And setting a near term carbon reduction target to aim for. ¹ More about SBTi can be found here¹

- Continuing to strengthen our transition pathway in response to climate-related risks and opportunities, mapping our commercial, energy, and policy strategies against our decarbonisation targets

As required by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, this section provides our disclosure, with the table opposite setting out where we have met each of these disclosure requirements.

¹ <https://sciencebasedtargets.org/>

Climate FD	Disclosure requirement	Page
Governance	a) a description of the company's governance arrangements in relation to assessing and managing climate-related risks and opportunities	44
Risk management	b) description of how the company identifies, assesses, and manages climate-related risks and opportunities	44-45
	c) a description of how processes for identifying, assessing, and managing climate-related risks are integrated into the company's overall risk management process	44-45, 57-60
Strategy	d) a description of (i) the principal climate-related risks and opportunities arising in connection with the company's operations, and (ii) the time periods by reference to which those risks and opportunities are assessed	46-47, 60
	e) a description of the actual and potential impacts of the principal climate-related risks and opportunities on the company's business model and strategy	46-47
	f) an analysis of the resilience of the company's business model and strategy, taking into account consideration of different climate-related scenarios	46-47
Metrics and targets	g) a description of the targets used by the company to manage climate-related risks and realise climate-related opportunities and of performance against those targets	24, 48
	h) the key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities, and a description of the calculations on which those key performance indicators are based	24, 48

We understand that we should continue to prioritise climate-risk management at OVO. We've got lots planned for 2024:

Governance

We'll launch our formal climate literacy programme to develop the knowledge and skills related to climate risk from the Board down.

Strategy

We'll continue to develop our sustainable procurement programme to ensure we're considering climate-related risks in our supplier due diligence and management.

Metrics and targets

We'll embed financial value-at-stake due to climate change within our commercial decision-making channels.

Risk management

We'll continue to embed climate-risk identification, assessment and management processes into wider risk management. This includes integrating our quantitative scenario analysis into our ongoing business as our usual risk management process.

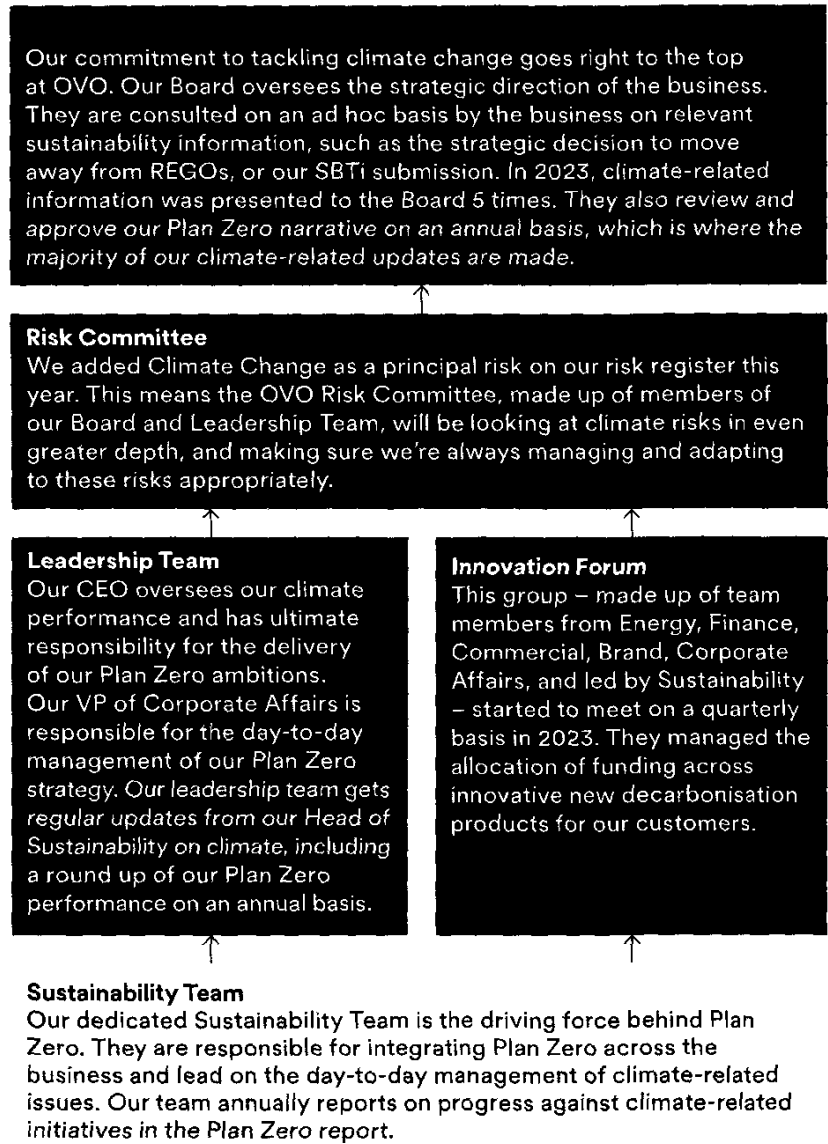


Governance

Since launching in 2019, Plan Zero has laid out our main climate ambition – to achieve true net zero across our operations and value chain by 2035. It's also given us a way of measuring and monitoring our progress. But in order to reach our climate goals, we need supporting governance structures to enable our progress and keep us accountable.

This year, we've worked on establishing and embedding climate-related risk governance at various levels across our business. You can see how this aligns with our [corporate governance here](#)¹.

The below chart shows how we govern on climate-related issues at OVO.



Green skills

In 2023, we launched a £15m Green Skills Fund to create 15,000 new green jobs. These jobs will develop the experience we need to tackle the climate crisis, and to bridge the decarbonisation skills gap. This year, we've worked out the best use for this money, and we now have a clear plan for how to invest it.

Climate literacy

In order to build a resilient business, our people need to understand climate change and how they can play their role in responding to its risks and opportunities. Understanding the climate crisis has been a big part of OVO's learning programmes since they were established. We already have three e-learning programmes available to all of our people that focus on:

- Making zero carbon living a reality
- The basics of climate change
- The energy transition

We've also made this available publicly [here](#)².

In 2023, we continued to educate our people on climate change. During Learning at Work Week, the Sustainability Team hosted three sessions on climate change and how it could impact our business and operations.

Risk management

In order to make sure we are managing climate change appropriately, we need to treat it the same as any other issue that could materially impact our business. That's why we've integrated climate change into our existing risk management framework, where it's considered alongside other major risks like market volatility and service delivery.

At OVO, we have both top-down and bottom-up approaches to our risk management. The diagram opposite shows how they interact. This approach allows us to identify, assess, manage and respond to different risks and opportunities, including those related to climate. You can read more about our approach to general risk management here.

The impacts of risks are scored over five categories (financial, reputation, regulatory, safety, service) across five levels (incidental, minor, moderate, significant and severe). This is the same scoring matrix used in non-climate risk scoring.

Bottom up

The Sustainability Team maintains a climate-related risk universe. This dataset aims to cover a complete catalogue of different climate-related risks and opportunities: from physical risks (acute and chronic) to transitional risks (policy, market, political, technology and reputation) and opportunities. This list is maintained throughout the year and updated formally on an annual basis ahead of performing our scenario analysis refresh and considers existing and emerging regulatory requirements related to climate change.

These risks are then assessed across OVO's energy and technology value chains, direct operations, up- and downstream operations and customers' homes. Where a risk or opportunity is likely to have a significant impact, it will make it onto the Sustainability Local Risk Register.

The Sustainability Local Risk Register includes a summary of all sustainability-related risks that have a medium to high inherent risk level. For each risk, the

Board Risk Committee
Meets quarterly

Retail Leadership Team
Quarterly risk reviews

Individual Leadership Team (LT) members
Monthly risk reviews

Sustainability climate risk universe
Continuous monitoring of climate risks

Principal Risks Risk mapped to our principal risk framework		

Risks are mapped to our principal risk framework

Top risks
Each top risk is owned by an LT member

Individual risks
Individual LTs identify and assess their risks

Complete catalogue of different climate related risks and opportunities

Risk response
Clear mitigation plans with target dates owned by Heads of Departments and above.

Risk acceptance based on appetite levels

effectiveness of any mitigating controls are assessed. Any risks that are deemed to have a reasonable level of residual risk (e.g. high or medium level of inherent risk that hasn't been lessened due to mitigating controls) are then flagged as material risks.

These material risks then feed into OVO's central risk management platform. Here, material risks from different areas of the business are brought together. Each risk in this platform is tagged to a Retail Leadership Team (RLT) member who has responsibility for managing and delivering their mitigation plans.

Top down

Last year, the Board approved the inclusion of climate change as one of our principal risks.

Our VP of Corporate Affairs, Brand and Marketing has ultimate responsibility for climate change as a principal risk. They are supported by the Sustainability Team who handle day-to-day climate-related risk management across the business.

As climate change is a principal risk, any risk deemed material enough to make it onto our risk management platform is assessed for any climate-related implications. If so, the risk is tagged as a 'climate change' risk. Any risks tagged as a 'climate change' risk then fall under our VP of Corporate Affairs, Brand and Marketing's responsibility formal responsibility, where they will be supported by a relevant business owner.

For example, the risk of greenwashing may have come from the Brand and Marketing risk register, but given its potential impact on our green credentials, it would be tagged as a climate change risk. This means that our VP of Corporate Affairs Brand and Marketing is ultimately responsible for the risk's management, supported by our Brand and Marketing Director.

This risk management process is managed on a continuous basis, with formal updates to the Risk Committee and Board happening on a quarterly basis.



Strategy

This is the second year we have conducted a climate scenario analysis, this time quantitatively. Scenario analysis allows us to assess a number of hypothetical outcomes by considering a range of future states of the world, using a set of assumptions and constraints. It does not provide a final forecast or prediction on what the future will look like. Scenario analysis allows us to assess our resilience to potential climate-related risks. It can also be used to make sure we're being proactive in responding to climate-related opportunities.

To assess our vulnerability to different climate-related risks, we need to define our value chain.

As a decarbonisation of the home partner, we have two main strands to our business. Supplying energy (electricity and gas) to our customers, and encouraging the uptake of our tech and products that lower carbon – like solar panels, heat pumps and so on. For both, we depend on vast, complex, global supply chains. There are lots of climate-related risks that could disrupt those supply chains – from severe weather events to transitional risks, like policy change or reputational damage.

Last year, we looked at how at how Transition Risk: the impact of carbon pricing on our energy procurement costs.

- Transition Risk: the impact of increased demand for raw materials to manufacture clean energy technologies.
- Physical Risk: the impact of chronic climate change on customer energy demands.

TCFD Risk Category	Scenario	Impact		
		Short term (2025)	Medium term (2035)	Long term (2050)
Physical: Chronic changes in climate and weather	SSP1			
	SSP2			
	SSP5			
Transitional: Carbon taxation	SSP1			
	SSP2			
	SSP5			
Transitional: Customer scrutiny	SSP1			
	SSP2			
	SSP5			
Transitional: Increased social inequality	SSP1			
	SSP2			
	SSP5			
Transitional: Changing customer behaviour	SSP1			
	SSP2			
	SSP5			

Last year we performed our initial qualitative scenario analysis on key climate risks and opportunities. This created the foundation for our climate-risk management process which we have since formally integrated into OVO's risk management process. This year our focus was on quantifying some of these key risks and opportunities in financial terms.

You can find last years qualitative scenario analysis for ease of reference. You can find more detail here [\[link\]](#).

We have reviewed these risks under the medium and long term. We conducted the analysis over our short-term time horizons too, but haven't included this here. This is because the impact wasn't as significant as under medium or long-term horizons.

- Short term: Up to 2025
- Medium term: 2026-2035
- Long term: 2036-2050

The summary tables on the next few pages detail the potential impact that these risks could have on our balance sheet under different scenarios and timescales. For reference, our impact levels are defined as:

- Low (0-5% of average annual revenue)
- Medium (5-25% of average annual revenue)
- High (25%-50% of average annual revenue)
- Very high (50%+ of average annual revenue)

We used different reference scenarios depending on the risk assessed, including but not limited to: Intergovernmental Panel on Climate Change (IPCC) scenarios, International Energy Agency (IEA) scenarios and the National Grid's Future Energy Scenarios.

Transition risks

Carbon pricing

The first transition risk we looked at was the impact of carbon pricing on our energy procurement costs. This is slightly different to the introduction of a carbon tax, and instead aims to reflect the cost of transitioning to the system. It covers things like carbon taxes, emissions trading schemes and green subsidy costs.

We have assessed this climate risk under the following scenarios:

- Current policy (~3°C of warming). Current climate policies are implemented in the UK, and nothing more.
- Net zero 2050 stress scenario: an extreme version of the future, where we achieve net zero and limit global warming to ~1.5-2°C

The gross value-at-stake takes our emissions and applies a net zero-aligned carbon price. The mitigation applied to the net value-at-stake is the customer uptake of different Zero Carbon Living (ZCL) products (like heat pumps and solar panels) in line with our commercial projections and the National Grid's Future Energy Scenarios.

	Impact out to 2035				Impact out to 2050			
	Current policies		Net zero 2050		Current policies		Net zero 2050	
	Gross value	Net value	Gross value	Net value	Gross value	Net value	Gross value	Net value
Carbon pricing	■	■	■	■	■	■	■	■
	■ Very high	■ High	■ Medium	■ Low				

Increased demand for raw materials

The second transition risk we considered was that, as demand for clean energy technologies increases, the demand for certain key component raw materials may increase accordingly. This could drive up the cost of ZCL products like solar panels, heat pumps, and other electrification products.

We also assessed this risk against the scenarios used above – current policy and net zero stress scenario.

The gross value-at-stake assesses the change in cost of procuring ZCL products as global demand for the raw materials that make up these products increases, driving up their cost. The mitigation applied to the net value-at-stake is altering our procurement

strategy of these products. Instead, we're focusing on recycled raw materials, and investigating partnerships with suppliers of these goods, to make sure we're protected from price rises in the future.

	Impact out to 2035				Impact out to 2050			
	Current policies		Net zero 2050		Current policies		Net zero 2050	
	Gross value	Net value	Gross value	Net value	Gross value	Net value	Gross value	Net value
Increased demand for raw materials	■	■	■	■	■	■	■	■
	■ Very high	■ High	■ Medium	■ Low				



Physical risk

Impact of chronic climate change on energy demand

The physical risk we covered was the impact of chronic climate change on customer energy demand, investigating how our revenues from gas and electricity may change as the planet warms. As an energy retailer, it's important we understand how climate change will impact how our customers use energy.

As this is a physical risk, we have assessed this risk against two scenarios:

- Current policies (RCP 4.5)
- High temperature (RCP 8.5)

The gross value-at-stake assessment looks at the change in revenue from energy sold given changes in energy use due to climate change. The mitigation applied to the net value-at-stake analysis is the gross opportunity of the rollout of different ZCL products to reduce our gas sold in line with our Plan Zero ambitions (rather than just a reduction in gas sold).

We also conducted this analysis over our short and medium-term time horizons but haven't included this here as the impacts were relatively immaterial.

On its own, the revenue-related value-at-stake due to chronic climate change under a high temperatures stress scenario poses a relatively minor risk to OVO, at around 1% of annual revenue. But, taken together with the carbon pricing risk, it's clear that OVO's reliance on gas for the majority of its revenue is a significant risk.

	Impact out to 2050			
	Current policies		High temperatures	
	Gross value	Net value	Gross value	Net value
Impact of chronic climate change on energy demand	■	■	■	■

■ Very high ■ High ■ Medium ■ Low

Strategic response to this analysis

Overall, the transition to a clean, green energy system presents a significant opportunity for OVO. This analysis confirms that our Plan Zero mission is the best way to mitigate our exposure and strengthen our resilience to different climate-related risks as well as responding to the opportunities associated with the energy transition.

The key takeaways to strengthen our resilience to climate risks are:

- Reduce reliance on gas for revenues through the responsible phasing out of gas as the primary heating fuel for our customers.
- Continue to accelerate the rollout of different ZCL products.
- Invest in ZCL technologies and supply chain resilience by partnering with organisations that focus on circularity principles in their product design.

We're sharing these findings throughout the business, and making sure our strategy works towards these goals. Once we have engaged with key business stakeholders we will set out our responses to each risk scenario.

Metrics and targets

We calculate and report on our Scope 1 and 2 emissions inventory in line with the SECR regulations. See our disclosure table for more information [here](#)¹.

This year we've also expanded our Scope 3 reporting. We're now including the emissions from business travel, employee commuting (and working from home), and purchased goods and services for the first time. Please see our Scope 3 emissions inventory [here](#)².

Our Scope 1, 2, and 3 footprint are monitored by our Sustainability Team.

Our main climate-related target as part of Plan Zero is to reach a true net zero position by 2035. As part of this transition, we also have an interim near term 2030 target that is currently being validated by the SBTi.

Looking to the future, now that we've performed our quantitative scenario analysis, we'll integrate our financial value-at-stake analysis into decision-making processes across the business. We will also look at defining other metrics related to the climate risks identified in our quantitative scenario analysis, like recyclability in our procurement decision-making process for our ZCL products.

¹ See page 50.

² See page 26.

Health and safety & information security at OVO

Health and safety

Total recordable injury rate: increased
0.14 injuries per 100,000 hours worked – compared with 0.06 in 2022.

There were 16 recordable injuries at OVO in 2023, mainly caused by slips, trips, falls, and manual work.

It's important to note that the overall risk of injury increased in 2023 because we grew as a company, with an extra 150 apprentices and 198 staff.

Serious road traffic collision rate: increased
0.02 incidents per 100,000 hours worked – compared with 0.00 in 2022.

High-potential event incident rate: increased
0.02 incidents per 100,000 hours worked – compared to 0.00 in 2022.

Technical health and safety

Since 2021, we've reduced the risk of technical safety incidents involving electricity or gas by over 50%. We saw a slight rise in technical health and safety incidents at the start of 2023, because we deliberately focused on making sure every incident was reported and properly recorded. Good news – there was a downward trend towards the end of 2023.

Our progress in 2023

Last year, we reviewed our OVO health and safety management structure, bringing teams together so we can collaborate more easily. In 2024, we're aiming to develop a more centralised reporting system.

Information security

At OVO, we handle a lot of information about our customers every day. It's essential that our customers, investors and regulators trust us – that's why we're always improving our data security.

Skills

In 2023, we:

- Boosted our skills training for teams handling secure data using the most up-to-date examples of security threats.
- Designed Open Worldwide Application Security Project Application Security Verification Standard (OWASP ASVS) training for our developers. This will roll out in 2024.
- Introduced digital product security leads across our key tech teams. This'll help us find any risks earlier in the engineering process – which means they're both easier and cheaper to fix.

- Rolled out a new cloud security tool to help all OVO teams find, fix and learn more about preventing issues. This reduced security findings incidents to zero in under 6 months – an amazing feat.

Clarity

Last year, we set up a Security Business Intelligence Team – a first for the energy sector. Their insights show us how secure our tech and infrastructure is, and mean we can reward teams that are going above and beyond to make customer data as secure as possible. It also means we can find and delete waste infrastructure that's both a security risk and using unnecessary energy.

Vigilance

Our cyber defence experts were hard at work in 2023. They've looked at data from an attacker's point of view to improve how we anticipate, find and respond to threats. They've also onboarded industry-leading cyber security software; set up a near-real-time alert system; and trained our teams on identifying and reporting potential threats.

Governance

Our monthly information security forum reviews and shares threat intelligence and best practice, reporting to the Risk Committee who keep the Board up to date. In 2023, we were also deemed to have met our obligations under sections G3 to G6 of the smart energy code, in the annual assessment set by the The Smart Energy Code Administrator and Secretariat. This shows our customers and partners how committed we are to information security.



OVO Streamlined Energy and Carbon Reporting

Energy Transition Holdings Ltd is required to report its energy consumption and carbon emissions in compliance with the Streamlined Energy and Carbon Reporting (SECR) regulations. In the interest of transparency, we've split out OVO and Kaluza's reporting as the operations across these two entities are considered materially different. However, for the purposes of SECR alignment these figures should be considered in aggregate. Key trends are explained in the Climate section on page 24.

Our policies

- Environment Policy¹ [↗](#)
- Modern Slavery Statement² [↗](#)
- Procurement Code of Conduct³ [↗](#)

OVO

Energy consumption figures

Area	Energy source	Unit	2022 energy consumption	2023 energy consumption
Building energy consumption	Natural gas	kWh	5,239,680	1,702,354
	Diesel	kWh	59,030	25,448
	Electricity	kWh	8,114,245	3,675,156
	District heating and cooling	kWh	–	–
Fleet energy consumption	Diesel	kWh	10,122,555	5,624,329
	Petrol	kWh	1,043,995	174,943
	Electricity	kWh	1,799,099	3,532,711
	Hybrid	kWh	5,753	4,574
	Plug-in Hybrid	kWh	1,323	4,098
Vehicle business travel energy consumption	Diesel	kWh	1,192,174	222,488
	Petrol	kWh	166,523	286,511
	Hybrid	kWh	6,127	9,840
	Plug-in hybrid	kWh	601	1,511
	Electricity	kWh	2,545	7,986
	Not specified	kWh	0	0
Total energy consumption		kWh	27,753,650	15,271,949

Greenhouse gas emissions figures

Emissions scope	Area	Emissions source	Unit	2022	2023	
				greenhouse gas emissions	greenhouse gas emissions	
Scope 1 emissions	Building energy consumption	Natural gas	Tonnes CO ₂ e	943	311	
		Diesel	Tonnes CO ₂ e	15	6	
	Fugitive emissions	R410A	Tonnes CO ₂ e	75	251	
		R407C	Tonnes CO ₂ e	15	4	
		R32	Tonnes CO ₂ e	2	0	
	Fleet energy consumption	Diesel	Tonnes CO ₂ e	2,444	1,344	
		Petrol	Tonnes CO ₂ e	238	40	
		Hybrid	Tonnes CO ₂ e	1	1	
		Plug-in Hybrid	Tonnes CO ₂ e	1	1	
	Total Scope 1 emissions			Tonnes CO ₂ e	3,734	1,959
Scope 2 emissions	Building energy consumption	Electricity (Location-based)	Tonnes CO ₂ e	1,465	744	
		Electricity (Market-based)	Tonnes CO ₂	131	94	
	Fleet energy consumption	Electricity (Location-based)	Tonnes CO ₂ e	346	731	
		Electricity (Market-based)	Tonnes CO ₂ e	763	1,348	
	Total Scope 2 emissions (Location-based)			Tonnes CO ₂ e	1,811	1,475
	Total Scope 2 emissions (Market-based)			Tonnes CO ₂	894	1,441
Scope 1 and Scope 2 emissions	Total Scope 1 and Scope 2 emissions (Location-based)		Tonnes CO ₂ e	5,545	3,434 [^]	
	Total Scope 1 and Scope 2 emissions (Market-based)*		Tonnes CO ₂ e	4,628	3,401 [^]	
	Total Scope 1 and Scope 2 emissions intensity relative to revenue (Location-based)		Tonnes CO ₂ e/£m	0.84	0.39	
	Total Scope 1 and Scope 2 emissions intensity relative to revenue (Market-based)		Tonnes CO ₂ e/£m	0.69	0.39	
Scope 3 emissions from vehicle business travel	Business travel energy consumption**	Diesel	Tonnes CO ₂ e	303	57	
		Petrol	Tonnes CO ₂ e	40	70	
		Hybrid	Tonnes CO ₂ e	2	2	
		Plug-in hybrid	Tonnes CO ₂ e	–	1	
		Electricity	Tonnes CO ₂ e	1	2	
Total Scope 3 emissions from business travel			Tonnes CO ₂ e	346	131	
Revenue	OVO Group Ltd revenue (£m)		£m	6,600	8,800	

[^] This KPI was subject to external independent limited assurance by PricewaterhouseCoopers LLP ('PwC'). For the results of that assurance, see PwC's assurance report on the Plan Zero website. You can also find the basis of preparations for Scope 1, 2 and 3 on the [Plan Zero website](#)⁵.

* Under the requirements of SECR we calculate both location- and market-based carbon emissions. We report both here to comply but we choose to report location-based for Plan Zero as we feel this more accurately reflects our impact.

** Under the requirements of SECR our Scope 3 covers the emissions from business travel in rental cars and employee owned vehicles where the company is responsible for purchasing the fuel. Our total Scope 3 figure covers other forms of business travel and other categories of Scope 3 reporting. Our SECR Scope 3 number will be lower than our total reported Scope 3.



Kaluza Streamlined Energy and Carbon Reporting

Kaluza separates its Streamlined Energy and Carbon Reporting (SECR) from the OVO Group. The full carbon accounts will be published later in the year in Kaluza's Mission Transition report.

Performance and property initiatives

Between 2022 and 2023, Kaluza's location-based emissions decreased by 17%. That's down to a decrease in electricity use and an increase in renewable energy on the UK grid.

The absolute Scope 1 and Scope 2 market-based emissions for electricity remained at zero, as Kaluza continues to power all its offices with 100% renewable energy. Natural gas emissions also stayed the same.

Business travel

In 2023, Kaluza opened its ANZ headquarters in Melbourne, Australia, and is growing a local team there, which will reduce international travel. Travel to Japan has increased as Kaluza strengthens its work with Mitsubishi Corporation and partners on smart charging.

When travel is essential, Kaluza will always find the most sustainable way to reduce its impact on the planet.

Kaluza

Energy consumption figures

Area	Energy source	Unit	2022	2023
			energy consumption	energy consumption
Building energy consumption	Natural gas	kWh	54,779	55,235
	Electricity	kWh	282,448	209,542
	Diesel	kWh	-	5
Business travel energy consumption	Not specified	kWh	36,414	95,612
Total energy consumption		kWh	373,641	360,394

Greenhouse gas emissions figures

Emissions scope	Area	Emissions source	Unit	2022	2023
				greenhouse gas emissions	greenhouse gas emissions
Scope 1 emissions	Building energy consumption	Natural gas	Tonnes CO ₂ e	11	11
		Diesel	Tonnes CO ₂ e	-	0
	Total Scope 1 emissions		Tonnes CO ₂ e	11	11
Scope 2 emissions	Building energy consumption	Electricity (Location-based)	Tonnes CO ₂ e	55	43
		Electricity (Market-based)	Tonnes CO ₂	0	0
	Total Scope 2 emissions (Location-based)		Tonnes CO ₂ e	55	43
	Total Scope 2 emissions (Market-based)		Tonnes CO ₂	0	0
Scope 1 and Scope 2 emissions	Total Scope 1 and Scope 2 emissions (Location-based)		Tonnes CO ₂ e	66	55
	Total Scope 1 and Scope 2 emissions (Market-based)		Tonnes CO ₂ e	11	11
	Total Scope 1 and Scope 2 emissions intensity relative to revenue (Location-based)		Tonnes CO ₂ e/£m	-	1.76
	Total Scope 1 and Scope 2 emissions intensity relative to revenue (Market-based)		Tonnes CO ₂ e/£m	-	0.36
Scope 3 emissions	Business travel energy consumption	Unknown	Tonnes CO ₂ e	9	26
	Total Scope 3 emissions		Tonnes CO ₂ e	9	26
	OVO Group Ltd revenue (£m)		£m	-	31

Energy Transition Holdings Ltd

Total SECR figures

			2022	2023
Energy Consumption	Total (kWh)		28,127,291	15,632,343
Carbon Emissions	Scope 1 and 2 emissions	Total Scope 1 and Scope 2 emissions (Location-based) (tCO ₂ e)	5,611	3,489
		Total Scope 1 and Scope 2 emissions (Market-based) (tCO ₂ e)	4,639	3,412
	Total Scope 1 and Scope 2 emissions intensity relative to revenue (tCO ₂ e/£m) (Location-based)		0.84	2.15
	Total Scope 1 and Scope 2 emissions intensity relative to revenue (tCO ₂ e/£m) (Market-based)		0.69	0.75
Scope 3	Total Scope 3 emissions (tCO ₂ e)		355	157



Directors' Report

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**How we
do what
we do.**



Statement on corporate governance arrangements.

Our Board sets our strategy and guides our culture, values, brand and reputation. It makes sure that we understand and meet our obligations to customers, our people, regulators, and shareholders in a way that promotes our long-term interests. It also has overall responsibility for our governance, risk management, and internal control systems.

For the year ending 31 December 2023, under The Companies (Miscellaneous Reporting) Regulations 2018, Energy Transition Holdings Ltd has applied the Wates Corporate Governance Principles for Large Private Companies. Energy Transition Holdings Ltd complies with the principles as follows.

Purpose and leadership

OVO's vision is to power human progress with clean, affordable energy for everyone. Plan Zero sets out our purpose – to drive progress to zero carbon living – and our strategy for achieving this. We recognise our role in leading the transition from fossil fuels to renewable energy, and in building an energy system fit for a more sustainable future.

Board composition

The Board was chaired by Stephen Murphy. The role of the Chair is separate from the Chief Executive Officer. The Chair encourages collective contribution from directors and senior management by setting an open tone that enables healthy challenge and debate.

During 2023, Stephen Murphy indicated that he intended to stand down after 9 years chairing the Board. We've undertaken a selection

process to identify someone who can encourage a culture of innovation and positive challenge and support our strategy and wider direction. Justin King CBE, former CEO of Sainsbury's, joined as OVO's new chair on 1 March 2024.

In early 2024, Raman Bhatia announced his departure from OVO after 4 years to take up a new role outside of the sector. After a selection process, we announced in March 2024 that David Buttress, the co-founder and former CEO of Just Eat, will join OVO as CEO in May 2024.

OVO was managed in 2023 by the following individuals. In 2023, the Board of ETHL met 10 times. Full attendance was achieved except for Vincent Casey and Daniel Sasaki who attended 90% and 40% of the meetings respectively.

Director	
Stephen Murphy (to 29 February 2024)	Chair
Jonson Cox*	Senior Independent Director
Kunal Dasgupta	Non-Executive Director
Stephen Fitzpatrick	Non-Executive Director
Go Muromoto	Non-Executive Director
Daniel Sasaki	Non-Executive Director
Raman Bhatia* (to 31 May 2024)	Executive Director
Vincent Casey	Executive Director

* The Board and the Boards of subsidiary companies are made up of the individuals above and other senior management. Jonson Cox and Raman Bhatia are members of the Boards of subsidiary companies but not the Board of ETHL.

The Board is small and shareholder-appointed. As such, there is limited diversity, other than in terms of ethnicity (with 50% of Board members being from an ethnic minority). There is no female representation but this is something we are actively working on and hope to be able to address in the near future.

OVO's leadership team

OVO's leadership team sets the strategic direction of the business, guided by our Plan Zero vision.

Director	
Raman Bhatia (to 31 May 2024)	Chief Executive Officer
Vincent Casey	Chief Financial Officer
Charlotte Eaton	Chief People Officer
Mat Moakes	Chief Commercial Officer
Joe Gordon	Chief Operations Officer
Steve Harris	VP Energy
Alex Doorey	VP Corporate Affairs, Brand and Marketing
Mary Starks	VP Regulation, Risk and Policy

At present, 12.5% of OVO's leadership team (1 out of 8) is from an ethnic minority; this will reduce to 0% as of 1 June 2024; and 37.5% (3 out of 8) are female. We have active initiatives in place to further increase the diversity of our leadership team both in terms of ethnicity (for example through our Black Leadership Academy in partnership with the Aleto Foundation) and in terms of gender (for example as part of our work on Best Place to Work for Women).

Directors' responsibilities

OVO has a governance and leadership structure that provides a clear framework for oversight and decision-making for our commercial and functional leaders. It also ensures we can deliver on the ambitions set out in Plan Zero, drive commercial performance, and oversee the operations of our business.

Directors are aware of their responsibilities under the Companies Act 2006, as well as their wider obligations of sector-specific regulation in the markets in which OVO operates.

The Board has timely and regular access to information related to all aspects of OVO's businesses.

Opportunity and risk

The Board has overall responsibility for setting OVO's strategic direction and making sure risk is effectively managed with appropriate internal controls.

OVO's leadership team is accountable for effective management of risk on a day-to-day basis by identifying risk in OVO's businesses and taking action to manage risk to a tolerable level. OVO's leadership team collectively considers risk as a routine part of their regular meetings with quarterly oversight provided by the Risk Committee.

OVO's Risk Framework provides a governance approach that defines the processes, systems, and tools to support effective risk management.

OVO has reviewed its key risks and has identified 8 principal risks and uncertainties which could stop the Group from offering the best customer service, prevent it from delivering Plan Zero and adversely impact its financial health. We have split out Commodity Demand and Volatility, and Credit and Liquidity to better align the risks faced by the Group.

- Commodity Demand and Volatility
- Credit and Liquidity
- Service Delivery
- Innovation and Market Position
- Regulation, Legislation and Compliance
- People and Culture
- Cyber Security
- Climate Change



Commodity Demand and Volatility

Risk that OVO is exposed to fluctuations in the energy market caused by volatilities in commodity prices, geopolitics, macroeconomics, and regulatory interventions, and that unexpected events change the supply, demand, and pricing of gas and power.

During 2023, some of the immediate pressures from the global energy crisis have eased, but energy markets, geopolitics, and the global economy are unsettled and further major disruptive events are still a very real possibility. Macroeconomic uncertainty and cost of living pressures remain a concern as customers continue to face affordability challenges.

OVO continues to anticipate, monitor and react to these external events so we can source energy products at a reasonable price for our customers. And we are also leading the way to a clean energy economy that is less exposed to global fossil fuel price shocks, led by solar PV, electric storage heating and electric vehicles (EVs).

We actively manage our market exposures with a dedicated in-house commodity trading team reviewing and adjusting our hedging position and strategy in response to market conditions. Our pricing policy is regularly reviewed to ensure we can offer products at competitive and affordable prices.

Weather is one of the main drivers of sudden changes in demand and price. We actively model weather scenarios and their impact. We review our modelling assumptions to align to observed conditions and to consider the impact of climate change on seasonal norms. We seek hedging proposals that factor in these adjustments and other changes in demand.

Credit and Liquidity

Risk that OVO does not manage its finances such that it maintains sufficient liquid assets to meet financial liabilities as they fall due, deliver strategic growth plans, and fund future investment opportunities.

OVO can face risks both in terms of our ability to meet our payment obligations towards our lenders and suppliers, and because our customers and suppliers may not meet their payment or supply obligations to us. These risks are closely linked to our liquidity.

We recognise and plan for these internal and external causes of financial risk, and maintain resilient working models to ensure we meet our financial liabilities as they fall due. We continuously monitor economic and market factors, such as cost and wage inflation, along with energy price movements, and regularly stress test our liquidity position.

We keep our funding arrangements under regular review alongside internal systems, policies, and reporting to ensure discipline and oversight on all financial matters including tax, financial reporting, customer debt, and fraud.

Cost of living and pricing pressures have led to increasing levels of bad debt. We've delivered initiatives to improve our understanding of customer bad debt risk, provide debt support to customers earlier, and to encourage the use of Direct Debit.

We proactively monitor risk in our supply chain and actively engage key suppliers to manage counterparty risk.

Service Delivery

Risk that we don't meet the service expectations of our customer or provide the tools and knowledge to drive towards net zero; not earning the customer trust we need to decarbonise energy.

OVO aims to become one of the UK's most trusted brands as our customers make their transition to a lower carbon lifestyle. It is essential that we deliver service levels and experience in line with our aims and our customer expectations.

The migration of customers from multiple brands and systems to a single brand and billing platform has greatly simplified our operations, leading to improved customer service, reduced customer contact volumes, and associated overhead costs. However, the migration created some disruption for certain customer groups and this has led to elevated complaint volumes. We are working hard to fix these issues and are seeing improvement, but we recognise there is more to do.

We're improving our operational controls and our quality assurance to strengthen our customer service, and investing to provide our frontline care teams with the skills and technology they need to best support our customers.

We've introduced incident teams to quickly identify service problems, improve controls, and ensure customers get the right response. Alongside focusing on continuously improving controls around customer payments, billing, complaints, and data, to make sure we're performing effectively.

For our vulnerable customers, we delivered a support package totalling £40m for 2023, supporting the most vulnerable during winter. This follows OVO's calls for customer protections and campaign to introduce a social tariff for the most vulnerable.

Our 'Customer Experience Forum' and 'Voice of the Customer' analysis provides insight into our customer journeys through a range of independent review platforms and satisfaction surveys. This allows us to adapt our service to respond to customer needs and helps us make decisions as though our customers are in the room.

Innovation and Market Position

Risk that we don't respond to customer demand for reliable, low carbon, low cost, quality, innovative products and services; and we lose competitive advantage.

Energy and decarbonising homes is an evolving market driven by advances in technology, changes in government policy, geopolitics, macroeconomics, and customer appetite for greener energy. To achieve long term growth, we need to invest in innovation focusing on providing low cost, low carbon, high quality products and services.

Our challenger mentality and entrepreneurial culture means we're in a solid position to create further value for customers. Our focus is on continuing to invest in the technology and services that customers really need to decarbonise their homes, and growth through acquisitions of innovative businesses to provide pioneering products and services. We focus on opportunity areas, ensuring we have the necessary expertise to deliver development at pace.

We know that in a competitive market we must raise our brand awareness, so that customers recognise OVO as being an energy provider they can trust. In 2023, we made significant investments in our brand through a series of campaigns aimed at raising awareness of both our offering and our Plan Zero mission.

Regulation, Legislation and Compliance

Risk that, in a sector subject to increased scrutiny with increasing regulation from both government and Ofgem, OVO may not meet new and existing requirements, and may face additional cost to respond to changing requirements.

As wholesale prices have reduced since 2022, Ofgem has refocused to ensure that energy companies can return to profitability, demonstrating a healthy market. As a result, they have introduced additional market stability obligations and have strengthened standards to help support customers struggling with their bills. OVO welcomes these improvements but we're aware of the risk of regulatory overcorrection. We believe that regulation can have a positive impact on the market, and we encourage a culture that promotes customers' interests.

It's essential we continue to interpret and comply with such obligations, as well as behave responsibly and ethically. Our Board provides tone from the top, clearly communicating OVO's expectations for our conduct, corporate values, and leadership behaviours.

We maintain positive engagement with policy makers, Ofgem, and consumer groups to ensure that we're aware of any future political and regulatory requirements. This aids our understanding of the rules and the possible impacts to our business.

We make sure our leaders are accountable for compliance and ethical behaviour and make sure they're supported by dedicated and experienced compliance and legal professionals.

People and Culture

Risk that we're unable to attract, retain, and develop capable people with the right knowledge, skills and mindset to drive and deliver business growth, while embedding an inclusive culture, which is key to our strategy.

The energy sector, OVO included, has been affected by global and economic disruptive events which have shaped people's sentiment, ways-of-working, and cultural expectations significantly.

We still see challenges around the shortage of talent in our sector, including upskilling and retention in this highly competitive, dynamic and innovative industry. Preserving our unique culture and staying 'current' will be critical to our success. Things are changing rapidly – for example cost-of-living, the climate, AI – which makes it increasingly important to anticipate how our future People approach will evolve. We recognise there might be shifts away from traditional career paths, engineering and technology skills gaps for renewables and digitalisation, and intensified competition from peers.

Our People strategies, policies, and processes are regularly reviewed and updated to ensure they're relevant to our fast-changing landscape. We conduct regular reviews for pay, incentives, and wellbeing to support and prepare our people during changing times – a good example being the cost-of-living crisis. We continue to engage with our leaders and teams to reduce attrition through talent management and tools to develop potential.

Our People feedback surveys are carried out to measure and improve engagement, diversity, and inclusion, and to learn about the needs of our community. Our People Team works closely with business areas to understand current and future people requirements, which supports the development of our strategic plans.



Cyber Security

Risk that our technology infrastructure and our customers' data is compromised in the face of increasing geopolitical risk, commoditisation and automation of cyber attacks; leading to a loss of customer trust.

There is an increasingly connected and fast changing ecosystem of data, technology, and third parties that we have to adapt and respond to in order to keep our data safe. We are continuously learning from cyber security incidents that have occurred in other organisations to ensure we're better equipped to respond to any attacks in the future.

We're focused on preventing unauthorised access to customer and individual team members' data by working to continuously assess and improve the controls in place to stop any accidental disclosure or loss of information. Keeping customer data protected within our systems so we can provide expected levels of service is of paramount importance.

Security of our internal systems, infrastructures, and third-party-hosted applications are an area of continual focus and control improvements to ensure we're responding to the ever-changing cyber landscape.

Our customers expect their data to be protected while it's in our care, so any breaches across our third-party services could also result in reputational damage to OVO. We're focused on protecting customers' data from cyber attacks, embedding customer trust, and avoiding any regulatory fines that could come from the impacts of a cyber attack, by following best practice for reporting.

Climate Change

Risk that we do not meet our commitments to transition to a zero carbon energy system and that transitional climate risks impact our strategy.

OVO is committed to reaching net zero by 2035. We're leading the transition to a zero carbon energy system, and calling for greater action on the climate crisis. We'll suffer reputational risk if our claims don't stand up to scrutiny or if we don't act to decarbonise energy.

OVO is working with government and industry bodies to develop policy that supports the net zero transition, including our Ten Point Plan in 2022, and engaging on the introduction of a social tariff and better protections for vulnerable customers.

Our focus is to reduce the carbon emissions from the energy we sell, and help drive the move to a low carbon energy system. "Climate" is a core pillar of our refreshed strategy to help our people focus on the big and small pictures when it comes to Plan Zero. This helps day-to-day organisation, allows everybody to track progress and ensures claims are backed by action.

We've moved away from selling "renewable electricity" tariffs backed by REGO "as standard" and instead we're investing in the next generation of small-scale wind and solar farms in the UK, as well as other decarbonisation technology. This supports a greener electricity grid while helping customers to cut costs and carbon, as well providing transparency and trust in our green offerings.

We're helping customers cut carbon from their heating and reduce their reliance on fossil fuels. We incentivise customers to track and change their energy consumption, and provide app-based tools to help reduce the energy used by heating.

We talk more about our strategy to decarbonise the energy system and detailed Climate-related Financial Disclosures response in the Plan Zero report on page 23. →

Remuneration

OVO's approach to remuneration is focused on ensuring that we attract and retain the right mix of talented, innovative and passionate individuals in our senior management, as well as across OVO. The Remuneration Committee reviews and monitors OVO's reward practices, ensuring they are designed to support the strategy and promote long-term sustainable success.

The Remuneration Committee approves OVO's Long Term Incentive Plan, which is designed to reward and retain our senior management, based on OVO's growth trajectory. Each year, the Committee considers whether to invite our people to join the Plan, and the target award given to those people – based on seniority and their level of impact on the organisation's success.

The OVO annual bonus, available to a wider group of our people, is underpinned by a financial gateway, meaning bonuses will not be paid if the gateway is not passed. The other metrics of customer satisfaction ensure OVO does not award bonuses if OVO has not acted in the best interest of its customers. The metrics are reviewed each year to ensure they remain aligned with OVO's strategy and purpose.

Annually, all executive remuneration is benchmarked against external market data. This exercise identifies any spikes in specific disciplines and allows OVO to review remuneration by gender/ethnicity/level. Any changes to executive remuneration are reviewed and approved by the Remuneration Committee.

Stakeholders

Our Section 172(1) statement provides more detail on how we engage stakeholders and consider their interests in Board decision-making.

Board Committees

The Board Committees support the Board in specific areas of its responsibilities, as outlined below. The Committee Chairs provide regular updates to the Board on Committee meetings and activities. The Board has 3 standing committees: Audit Committee, Remuneration Committee and Risk Committee.

Audit Committee

The Audit Committee plays an important role in ensuring the integrity of financial reporting, our internal control environment, and risk management processes. Responsibilities include reviewing and monitoring the integrity of financial information prior to publication, overseeing systems of internal control and risk management, approving internal and external audit processes, and maintaining relationships with auditors.

The members of the Audit Committee are Stephen Murphy (outgoing Chair), Jonson Cox, Go Muromoto, and Kunal Dasgupta (incoming Chair). The committee

normally invites the Chief Executive Officer, Chief Financial Officer, Finance Director, Group Financial Controller, Head of Risk and Internal Audit, and the External Auditors to attend its meetings.

During 2023, the committee considered significant judgments in relation to the financial statements; reviewed and discussed the financial control framework, pensions and the Government's Energy Bills Support Scheme (EBSS) and Energy Price Guarantee (EPG) schemes; reviewed and discussed the External Auditors report for 2022, including key risk areas and material issues identified; reviewed and approved the Annual Report and Financial Statements for 2022 and the audit plan for 2023; approved the annual update to the tax strategy statement; reviewed the outcomes of internal audits and monitored progress on the internal audit plan; and approved the internal audit charter and plan for 2024.

Remuneration Committee

The Remuneration Committee is focused on ensuring that we attract and retain the right mix of talented, innovative and passionate individuals in our senior management, as well as across OVO. The committee reviews and monitors OVO reward practices, making sure they're designed to support our strategy and promote long-term sustainable success.

The members of the Remuneration Committee are Stephen Murphy (outgoing Chair), Justin King (incoming Chair), Daniel Sasaki, and Vincent Casey. The committee normally invites the Chief People Officer to attend its meetings.

During 2023, the committee considered the bonus design, metrics and outturn; reviewed and approved the executive

remuneration; reviewed the LTIP scheme design; received reports on Belonging and the gender pay gap; and reviewed and approved the pay strategy, and pay review budgets.

Risk Committee

The Risk Committee provides oversight of risk management and systems of internal control, and the processes for compliance with laws, regulations, and ethical codes of practice. It also oversees the arrangements for our team members and other stakeholders to confidentially raise concerns over any wrongdoing in our businesses; carries out in-depth reviews of specific risks; and ensures that risks are appropriately identified, managed, and mitigated.

The members of the Risk Committee are Jonson Cox (Chair), Raman Bhatia, Vincent Casey, and Joe Gordon. The committee normally invites the Finance Director, General Counsel, Head of Risk and Internal Audit, and Head of Regulation and Policy to attend its meetings.

During 2023, the committee considered a variety of matters aligned with the Group's principal risks. These included the continued evolution of our risk management framework, including fraud risk assessment and the fraud framework; operational controls improvements; billing controls; important regulatory matters; reviewing our quarterly risk position and mitigation plans; reviewing OVO's principal risks; and a review of cyber security and the IT control environment, incorporating a deep dive on, and continued monitoring of, cyber risks.



Directors' Report for the Period Ended 31 December 2023.

The Directors present their report for the period from 26 October 2022 to 31 December 2023. The Directors' report is the consolidated report covering Energy Transition Holdings Ltd (the "Company") and its subsidiary undertakings included in the consolidation.

The Company was incorporated on 26 October 2022. On 7 March 2023, Imagination Industries Ltd ("IIL"), the previous ultimate parent undertaking of OVO Group Ltd, completed a group reorganisation, demerging its non-core activities. As a result, the Company was formed and became the ultimate parent undertaking of OVO Group Ltd and its subsidiaries.

The Group financial statements consolidating Energy Transition Holdings Ltd (the "Company") and its subsidiary undertakings are presented for the year ended 31 December 2023 with comparatives included, in accordance with the Group's own established policy to present full comparative results as if it had always existed in its current form, despite the Group and Company not existing prior to 26 October 2022. The Company financial statements are presented for the period from 26 October 2022 to 31 December 2023.

Directors

The Directors of the Company, who were in office during the period and up to the date of signing the financial statements, were:

- Justin King (appointed on 1 March 2024)
- Vincent Casey (appointed on 26 October 2022)
- Kunal Dasgupta (appointed on 9 March 2023)
- Stephen Fitzpatrick (appointed on 26 October 2022)
- Go Muromoto (appointed on 9 March 2023)
- Stephen Murphy (appointed on 9 March 2023 and resigned on 1 March 2024)
- Daniel Sasaki (appointed on 9 March 2023)

Principal activities

The principal activities of the Group are set out below:

- the procurement and supply of gas and electricity from the wholesale markets and renewable sources
- the installation, repair and maintenance of boilers and the provision of boiler and heating cover
- the installation of smart meters and the provision of related services
- the supply of products and services enabling decarbonisation
- the development of technology solutions to support the energy market.

Dividends

Directors do not propose a dividend for the period.

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Non-financial and sustainability information statement

In line with The Companies (Strategic Report) (Climate Related Financial Disclosure) Regulations 2022, the new requirements have been complied with and can be found in the Climate-related Financial Disclosures section of the Annual Report.

Branches outside of the United Kingdom

Kaluza Ltd, which is a wholly owned subsidiary of the Group, has a branch, Kaluza Limited Sucursal em Portugal, located in Lisbon, Portugal, which provides engineering services to other Group companies.

Directors' liabilities

The Company purchased and maintained throughout the financial period Directors' and Officers' liability insurance in respect of itself and its Directors.

Disclosure of information to the auditors

Each Director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. Each Director confirms that there is no relevant information that they know of and of which they know the auditors are unaware.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation. Company law requires the Directors to prepare financial statements for each financial period. Under that law, the Directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and

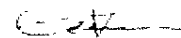
the Company and of the profit or loss of the Group and the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of

the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board on 9 August 2024 and signed on its behalf by:



Vincent Casey



Financial Statements

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Independent Auditors' Report

to the Members of Energy Transition Holdings Ltd

Report on the audit of the financial statements

Opinion

In our opinion:

- Energy Transition Holdings Ltd's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2023 and of the group's profit and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements 2023 (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position

as at 31 December 2023; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, the Company Statement of Changes in Equity for the period from 26 October 2022 to 31 December 2023; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in the Notes to the Financial Statements, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover

the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors'

Report for the period ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to Ofgem licence conditions, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and UK tax



Independent Auditors' Report

to the Members of Energy Transition Holdings Ltd (continued)

legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries to manipulate the financial statements, and management bias in accounting estimates and judgements, in particular in respect of revenue recognition and impairment of receivables. Audit procedures performed by the engagement team included:

- Discussions with management, in house legal counsel and the members of the Audit Committee, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of Ofgem's website for details of any enforcement action or open investigations;
- Testing whether tax provisions reflect relevant tax legislation, including consideration of any uncertain tax positions;
- Challenging assumptions and judgements made by management in their significant accounting estimates;
- Identifying and, where applicable, testing journal entries that met our predefined risk criteria, in particular journal entries posted with unusual account combinations; and
- Incorporating an element of unpredictability to our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Mark Skedgel
(Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors
Bristol
20 August 2024

Consolidated Income Statement

for the Year Ended 31 December 2023

	Note	Underlying business performance 2023 £m	Exceptional items and certain re-measurements 2023 ¹ £m	Results for the year 2023 £m	Underlying business performance 2022 £m	Exceptional items and certain re-measurements 2022 £m	Results for the year 2022 £m
Revenue	4	8,796	(60)	8,736	6,730	–	6,730
Cost of sales		(7,735)	–	(7,735)	(6,073)	–	(6,073)
Gross profit		1,061	(60)	1,001	657	–	657
Administrative expenses		(736)	(43)	(779)	(595)	(76)	(671)
Net impairment losses of financial assets – customer debtors	5	(244)	–	(244)	(165)	–	(165)
Re-measurement of derivative energy contracts	21	–	1,086	1,086	–	(1,438)	(1,438)
Other operating income	6	5	52	57	7	29	36
Operating profit/(loss)	7	86	1,035	1,121	(96)	(1,485)	(1,581)
Finance income	9	29	–	29	5	–	5
Finance costs	9	(83)	–	(83)	(74)	–	(74)
Net finance costs	9	(54)	–	(54)	(69)	–	(69)
Share of net losses of associates accounted for using the equity method	17	(6)	–	(6)	(2)	–	(2)
Profit/(loss) before tax		26	1,035	1,061	(167)	(1,485)	(1,652)
Income tax (expense)/credit	13	(6)	(238)	(244)	39	338	377
Profit/(loss) for the year		20	797	817	(128)	(1,147)	(1,275)
Profit/(loss) attributable to:							
Owners of the Company		19	752	771	(119)	(1,086)	(1,205)
Non-controlling interests		1	45	46	(9)	(61)	(70)
Profit/(loss) for the year		20	797	817	(128)	(1,147)	(1,275)

1 Refer to Note 8 for details of current and prior year exceptional items and certain re-measurements. The above results were derived from continuing operations.

The notes on pages 77 to 135 form an integral part of these financial statements.



Consolidated Statement of Comprehensive Income

for the Year Ended 31 December 2023

	Note	2023 £m	2022 £m
Profit/(loss) for the year		817	(1,275)
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		–	(1)
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit obligation	28	2	10
Deferred tax on defined benefit obligation	13	–	(3)
Total other comprehensive income		2	6
Total comprehensive income/(expense) for the year		819	(1,269)
Total comprehensive income/(expense) attributable to:			
Owners of the Company		773	(1,199)
Non-controlling interests		46	(70)
		819	(1,269)

The notes on pages 77 to 135 form an integral part of these financial statements.

Consolidated and Company Statements of Financial Position

as at 31 December 2023

	Note	Group		Company	
		2023 £m	2022 £m	2023 £m	2022 £m
Assets					
Non-current assets					
Property, plant and equipment	14	18	8	-	-
Right-of-use assets	15	23	38	-	-
Intangible assets	16	431	482	-	-
Deferred tax assets	13	216	440	-	-
Investments in subsidiaries	17	-	-	40	-
Investments accounted for using the equity method	17	3	8	-	-
Investments		9	-	-	-
Defined benefit pension asset	28	26	29	-	-
Derivative financial instruments	21	10	38	-	-
Income tax asset		10	-	-	-
		746	1,043	40	-
Current assets					
Inventories	19	28	34	-	-
Trade and other receivables	20	789	1,215	-	-
Derivative financial instruments	21	60	-	-	-
Income tax asset		10	7	-	-
Cash and cash equivalents	22	572	474	-	-
		1,459	1,730	-	-
Assets classified as held for sale	18	-	1	-	-
Total assets		2,205	2,774	40	-
Liabilities					
Current liabilities					
Trade and other payables	23	(1,119)	(1,299)	-	-
Deferred income		(750)	(906)	-	-
Lease liabilities	25	(6)	(9)	-	-
Provisions	27	(27)	(20)	-	-
Derivative financial instruments	21	-	(1,054)	-	-
		(1,902)	(3,288)	-	-



Consolidated and Company Statements of Financial Position

as at 31 December 2023 (continued)

	Note	Group		Company	
		2023 £m	2022 £m	2023 £m	2022 £m
Non-current liabilities					
Trade and other payables	23	(46)	(18)	-	-
Deferred tax liabilities	13	(17)	-	-	-
Loans and borrowings	24	(475)	(525)	-	-
Provisions	27	(35)	(28)	-	-
Lease liabilities	25	(29)	(34)	-	-
		(602)	(605)	-	-
Total liabilities		(2,504)	(3,893)	-	-
Net (liabilities)/assets		(299)	(1,119)	40	-
Equity					
Share capital	29	-	-	-	-
Other reserves	29	141	140	40	-
(Accumulated losses)/retained earnings		(427)	(1,200)	-	-
Total equity, attributable to owners of the parent		(286)	(1,060)	40	-
Non-controlling interests		(13)	(59)	-	-
Total equity		(299)	(1,119)	40	-

No income statement is presented for the Company as permitted by section 408 of the Companies Act 2006. The Company made no profit or loss for the period from 26 October 2022 to 31 December 2023.

The notes on pages 77 to 135 form an integral part of these financial statements.

The financial statements on pages 69 to 135 were approved by the Board on 9 August 2024 and signed on its behalf by:

Vincent Casey
Director
Energy Transition Holdings Ltd
Registered number: 14443869

Consolidated Statement of Changes in Equity

for the Year Ended 31 December 2023

	Attributable to owners of the parent			Total equity, attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
	Share capital £m	Other reserves £m	Accumulated losses £m			
At 1 January 2022 ¹	–	140	–	140	8	148
Loss for the year	–	–	(1,205)	(1,205)	(70)	(1,275)
Other comprehensive income	–	–	6	6	–	6
Total comprehensive expense	–	–	(1,199)	(1,199)	(70)	(1,269)
Decrease in non-controlling interest in subsidiaries ³	–	–	(1)	(1)	3	2
At 31 December 2022	–	140	(1,200)	(1,060)	(59)	(1,119)

1 Energy Transition Holdings Ltd (ETHL) was incorporated on 26 October 2022 to facilitate a group reorganisation which resulted in ETHL becoming the new ultimate parent of OVO Group Ltd and its subsidiaries (OGL group). The pre-existing carrying values of assets, liabilities and retained earnings of the existing OGL group have been presented as though this group structure had always existed. Refer to Group reorganisation in the Summary of significant accounting policy for further details.

2 Non-controlling interest consist of interests held by ENI Gas & Power France S.A. in OVO Energy (France) SAS and interests held by management in OVO Group Ltd.

3 On 9 September 2022, the Group sold its shareholding in OVO Energy (France) SAS (OEF) to ENI Gas & Power France S.A. (ENI). In 2021, the Group owned 75% of OEF and recognised a non-controlling interest in OEF representing ENI's 25% interest in the company. The carrying amount of the existing 25% non-controlling interest was £1m as at 31 December 2021. Loss attributable to the non-controlling interest for the prior year was £2m. Prior to the sale in the prior year, the Group had subscribed for further shares in OEF which increased its ownership to 99.75% from 75% and as a result, the Group recognised a decrease in non-controlling interests of £3m and an increase in equity attributable to owners of the parent of £3m. The Group subsequently disposed of its shareholding in OEF. Refer to Note 18 Disposals for further details.

	Attributable to owners of the parent			Total equity, attributable to owners of the parent £m	Non-controlling interests ¹ £m	Total equity £m
	Share capital £m	Other reserves £m	Accumulated losses £m			
At 1 January 2023	–	140	(1,200)	(1,060)	(59)	(1,119)
Profit for the year	–	–	771	771	46	817
Other comprehensive income	–	–	2	2	–	2
Total comprehensive income	–	–	773	773	46	819
Share-based payment transactions	–	1	–	1	–	1
At 31 December 2023	–	141	(427)	(286)	(13)	(299)

1 Non-controlling interest consist of interests held by management in OVO Group Ltd.

The notes on pages 77 to 135 form an integral part of these financial statements.



Company Statement of Changes in Equity

for the Period Ended 31 December 2023

	Share capital £m	Other reserves £m	Total equity £m
At 26 October 2022	-	-	-
Increase in equity from merger adjustment ¹	-	107	45
Distribution to owners of the parent ¹	-	(67)	(5)
At 31 December 2023	-	40	40

¹ Increase in equity from merger adjustment relates to group reorganisation during the year as part of which the Company acquired 100% of the existing ordinary share capital in Imagination Industries Ltd (IIL), via a share-for-share exchange. Shares issued to IIL's shareholders were recorded at the nominal value of shares. The share capital of IIL transferred was recorded at the carrying amount of IIL's equity items of £107m at the date of the reorganisation. The difference between the nominal value of the Company's shares issued and the amount of equity items of IIL at the date of reorganisation was credited to a merger reserve.

Subsequent to the above, IIL distributed 100% of its shares in OVO Group Ltd to the Company. The Company then distributed 100% of its shares in IIL to Imagination Industries Holdings Ltd (IIHL), recorded as distribution to owners of the parent which amounted to £67m.

The notes on pages 77 to 135 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

for the Year Ended 31 December 2023

	Note	2023 £m	2022 £m
Cash flows from operating activities			
Profit/(loss) for the year		817	(1,275)
Adjustments for non-cash items			
Depreciation of property, plant and equipment	14	5	4
Depreciation and impairment of right-of-use assets	15	11	10
Amortisation of intangible assets	16	123	102
Defined benefit pension transactions		6	2
Finance income	9	(29)	(5)
Finance costs	9	83	74
Net gain on disposals of subsidiaries and businesses	6	(32)	(29)
Net gain on disposals of investments in associates	6	(20)	–
Income tax expense/(credit)	13	244	(377)
Research and development expenditure credit	6	(5)	(7)
Net (gain)/loss on derivative financial instruments at fair value through profit or loss	21	(1,086)	1,438
Share of net losses of associates accounted for using the equity method	17	6	2
Other movements		6	5
		129	(56)
Working capital adjustments			
Decrease/(increase) in inventories		6	(5)
Decrease/(increase) in trade and other receivables		480	(282)
(Decrease)/increase in trade and other payables		(195)	424
(Decrease)/increase in deferred income		(156)	378
Increase/(decrease) in provisions		14	(11)
Cash generated from operations		278	448
Income tax paid		(10)	–
Net cash flow generated from operating activities		268	448



Consolidated Statement of Cash Flows

for the Year Ended 31 December 2023 (continued)

	Note	2023 £m	2022 £m
Cash flows from investing activities			
Interest received		21	1
Acquisition of subsidiary, net of cash acquired		(2)	–
Cash receipts from repayment of loans, classified as investing activities		–	5
Proceeds from the sale of business	18	22	1
Proceeds from the disposal of investments in associates	17	15	–
Proceeds from the disposal of subsidiaries, net of cash disposed	18	–	14
Payments for property, plant and equipment		(15)	(5)
Payments for intangible assets		(67)	(59)
Payments for investments in associates accounted for using equity method		(3)	(2)
Net cash flow used in investing activities		(29)	(45)
Cash flows from financing activities			
Interest paid		(34)	(24)
Repayment of bank borrowing	24	(98)	(38)
Principal elements of lease payments	25	(9)	(12)
Net cash flow used in financing activities		(141)	(74)
Net increase in cash and cash equivalents		98	329
Cash and cash equivalents at 1 January		474	145
Cash and cash equivalents at 31 December ¹	22	572	474

¹ Cash and cash equivalents as at 31 December 2023 include £144m (2022: £269m) restricted cash. Refer to Note 22 Cash and cash equivalents for further details.

The notes on pages 77 to 135 form an integral part of these financial statements.

Notes to the Financial Statements

for the Period Ended 31 December 2023

1 General information

The Company is a private company limited by share capital, incorporated and domiciled in the United Kingdom. The nature of the Group's operations and principal activities are set out in the Directors' Report on page 62.

The address of its registered office and principal place of business is:

1 Rivergate
Temple Quay
Bristol
England
BS1 6ED
UK

These financial statements were authorised for issue by the Board on 9 August 2024.

2 Accounting policies

All accounting policies noted below relate to the Group and Company, except for those that explicitly state that they relate to the Group or Company only.

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

Group financial statements

The Group information provided within these statements is for the period ended 31 December 2023 with comparatives presented in accordance with the Group's interpretation of the accounting standards to present full comparative results despite the Group not existing prior to 26 October 2022, following a group reorganisation. The Group reports a full twelve-month period in the statement of comprehensive income, and treats the Group as already having been in existence by 1 January 2022.

The Group financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The financial statements have been prepared under the historical cost convention, except for the following:

- assets held for sale – measured at the lower of carrying amount and fair value less costs to sell;
- financial assets and liabilities at fair value through profit or loss – measured at fair value through profit or loss; and
- defined benefit pension schemes – plan assets measured at fair value.

The preparation of financial statements in conformity with UK-adopted International Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Company financial statements

The Company information provided within these statements is for the period from 26 October 2022 to 31 December 2023. The Company financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and the Companies Act 2006 as applicable to companies using FRS 101.



Notes to the Financial Statements

for the Period Ended 31 December 2023 (continued)

2 Accounting policies (continued)

In the Company financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A cash flow statement and related notes;
- Disclosures in respect of the compensation of key management personnel;
- Disclosures in respect of capital management; and
- Related party disclosures.

No income statement is presented for the Company as permitted by section 408 of the Companies Act 2006. The Company made no profit or loss for the period from 26 October 2022 to 31 December 2023.

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Pounds Sterling (£), which is the Group's and Company's functional and presentation currency.

The financial statements are rounded to the nearest million (£m) except where otherwise stated.

Going concern

The financial statements have been prepared on the going concern basis as the Directors expect that the Group and Company will be able to continue in operation and meet their commitments as they fall due over the going concern period, which the Directors have assessed to be the period up to 30 September 2025.

The Group had net liabilities of £299m (2022: net liabilities of £1,119m) and net current liabilities of £443m (2022: net current liabilities of £514m) as at the balance sheet date. The Group's balance sheet has improved primarily due to the unwinding of the commodity derivatives designated as held for trading as at 31 December 2022. As at 31 December 2023, these derivatives were of a significantly lower amount due to decreased volatility in commodity prices throughout 2023. The Group anticipates the relatively stable trend in commodity prices to continue in the forecast period.

At 31 December 2023, the Group had £428m (2022: £205m) of unrestricted cash and cash equivalents. In addition to servicing interest costs, the Group prepaid £98m against its term loan facilities during the year and has remained compliant with all of its financial covenants under its financing arrangements and energy trading arrangements.

In July 2024, the Group successfully renewed its energy trading arrangements with its key supplier which will include enhanced payment terms, creating liquidity of up to £325m for the Group throughout the forecast period. The renewed trading arrangements will be subject to updated financial conditions similar to existing covenants. The Group also intended to repay its term loan facilities in full by the end of 2024.

Looking ahead, the Directors have reviewed the financial forecast of the Group and Company, and have performed a going concern review considering both a base and several severe but plausible downside scenarios. The base forecast takes into account of the following key assumptions:

- Gross margin fluctuations over the forecast period taking into account forecast commodity prices and expected movements in the regulatory price cap;
- Sustained high expected credit losses as a result of the continued impact of the UK cost of living crisis, despite initiatives aimed at mitigating bad debt risks and the reopening of warranty activity;
- Lower operating costs driven by business simplification offset by higher costs associated with higher customer acquisition activities;
- Steady and modest increase in customer numbers, with customer churn offset by customer growth;
- The impact of ring-fencing of renewable obligation receipts;
- The impact of repayment of the term loan facilities and the revised energy trading arrangements; and

- The Directors have considered compliance with minimum capital requirements and other regulatory requirements such as maintaining adequate cash against customer credit balances in preparing their financial forecasts and do not foresee any breaches in the going concern period.

The severe but plausible downside scenarios included a further increase in bad debt, extreme variability in commodity prices and a combination of these scenarios. Under the forecast (both base case and downside scenarios) the Group and Company have sufficient liquidity over the full going concern period and would be compliant with its financial covenants. In addition, the Directors have a range of mitigations within the Group's direct control to protect the Group's earnings and liquidity in the event of an unlikely more severe downside scenario. These mitigations include reduction and phasing of operational expenditures.

Accordingly, the Directors have a reasonable expectation that the Group and the Company have adequate liquidity and resources to continue operating for the period to 30 September 2025 and, therefore, have considered it appropriate to adopt the going concern basis in preparing the financial statements. The Directors do not believe there are any material uncertainties to disclose in relation to the Group's and the Company's ability to continue as a going concern.

Group reorganisation

Energy Transition Holdings Ltd (ETHL) was incorporated on 26 October 2022 to facilitate a group reorganisation which resulted in ETHL becoming the new ultimate parent of OVO Group Ltd (OGL) and its subsidiaries (OGL group). On 7 March 2023, ETHL acquired 100% of the existing ordinary share capital in IIL, via a share-for-share exchange. IIL and its subsidiaries (excluding OGL and its subsidiaries) were subsequently disposed of by ETHL on 9 March 2023. Given the ultimate outcome of the group reorganisation and the short time frame between the steps, it has been considered that the substance of the transaction was the acquisition by ETHL of OGL and its subsidiaries only. ETHL is not considered to be a business as defined in IFRS 3, as ETHL was the accounting acquiree in substance because OGL was incorporated before ETHL and was also the largest combining entity by relative size. Therefore, this share-for-share exchange was not considered to be a business combination, and hence fell outside the scope of IFRS 3 Business Combinations.

Under IAS 8 Accounting policies, changes in accounting estimates and errors paragraph 10, ETHL has elected to use an accounting policy to account for the combination of ETHL and OGL that reflects ETHL's acquisition of OGL as a 'capital reorganisation', or a combination of two entities under common control, where, in substance, there is no change to the existing Group, e.g. where a holding company is established as a parent of an existing company that meets the definition of a business.

Therefore, the Group established an accounting policy, which uses the pre-existing carrying values of assets and liabilities of the existing OGL group, and accordingly the Group financial statements have been presented as though this new group structure had always existed. Shares in OGL held by management continue to be owned directly rather than being converted to a shareholding in ETHL. Hence, the Group financial statements reflect a non-controlling interest that differs from the non-controlling interest previously reflected by the OGL group.

The Directors have deemed this policy as meeting the requirements of IAS 8 as the information provided is relevant and reliable to users and the financial statements faithfully represent the financial position, financial performance and cash flows; reflect the economic substance of transactions, other events and conditions, and not merely the legal form; and are neutral (that is, free from bias); being prudent; and being complete in all material respects.



Notes to the Financial Statements

for the Period Ended 31 December 2023 (continued)

2 Accounting policies (continued)

Basis of consolidation

The Group financial statements consolidate the Company and its subsidiary undertakings drawn up to 31 December 2023.

A subsidiary is an entity controlled by the Company. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

Inter-company transactions, balances and unrealised gains on transactions between the Company and its subsidiaries, which are related parties, are eliminated in full.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholders' share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in accounting policy

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2023:

- IFRS 17 Insurance Contracts;
- Definition of Accounting Estimates – amendments to IAS 8;
- International Tax Reform – Pillar Two Model Rules – amendments to IAS 12;
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12; and
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2.

The amendments listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

IFRS 17 'Insurance Contracts'

IFRS 17 Insurance Contracts is effective from 1 January 2023. The Group has fixed fee service contracts that were previously accounted for as insurance contracts under IFRS 4 Insurance contracts. These contracts fall within the scope of IFRS 17 as the Group conducts individual risk assessments when setting the price of these contracts. The Group applies the simplified 'Premium Allocation Approach' to its contracts as the duration of the Group's insurance contracts is not greater than one year. The application of IFRS 17 has not resulted in a material impact on the consolidated financial statements.

Amendments to IAS 12 – 'Income Taxes: Pillar Two Model Rules'

On 23 May 2023, the IASB issued an amendment to IAS 12 'Income Taxes' to clarify how the effects of the global minimum tax framework should be accounted for and disclosed effective 1 January 2023. This included a mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes. Refer to Note 13 for further details.

New standards and interpretations not yet adopted

Certain amendments to accounting standards have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. These amendments are not expected to have a material impact on the Group or Company in the current or future reporting periods and on foreseeable future transactions.

Government Support Schemes

In light of the cost of living crisis in the year, the UK Government established the following schemes which form part of the Government's cost of living assistance package for consumers from October 2022 to March 2023.

Energy Price Guarantee Scheme

The Energy Price Guarantee Scheme (EPG) protected consumers from increases in energy costs as the scheme limited the amount suppliers could charge per unit of energy used. The scheme reduced the average annual domestic household bill for the period from 1 October 2022 to 30 June 2023 to approximately £2,500 per annum. The scheme remained in place until April 2024. Energy suppliers were compensated by the Government for the savings delivered to households, which represented the difference between the expected price cap and the guarantee rates. Management determined it appropriate to apply the requirements of IAS 20 Government Grants to EPG grant income. The Group recognised EPG grant income over the support period as customers were charged reduced rates. The Group recognised EPG grant income to the extent there was reasonable assurance that the Group would comply with the scheme conditions which mainly related to the operating activities of the Group and that the income would be received. Non-compliance with the scheme conditions could result in the repayment of EPG grant income. The Group presented EPG grant income within revenue as it judged the income arose from the ordinary activities of the Group. During the year, the Group recognised EPG grant income of £2.2bn (2022: £853m) which represented the amount of savings delivered to households.

Energy Bills Support Scheme and Alternative Fuel Payment Scheme

The Energy Bills Support Scheme (EBSS) provided domestic electricity customers in Great Britain with £400 of support, delivered by electricity suppliers over six months from October 2022. Households received a discount of £66 applied to their energy bills in October and November, rising to £67 each month from December through to March 2023. In addition, the Alternative Fuel Payment scheme (AFP) was also established in 2023 and provided domestic users of alternative fuels with a £200 payment, delivered by electricity suppliers in February 2023. The Group delivered this support as either a cash benefit or a credit to customers' energy account, depending on their payment type. The Group received funding from the Government monthly in advance. The funding from the Government was restricted to the use of delivering the support to customers. The Group recognised a cash asset disclosed as restricted cash and a corresponding liability related to the obligation to deliver the support to customers to the extent that the cash had been received but not yet distributed at a reporting period end. The Group received £583m (2022: £1,021m) from the Government under the schemes during the year and distributed £828m (2022: £729m) to customers. These schemes ended in 2023 and any surplus grants were repaid to the Government as of the balance sheet date. No assets or liabilities were recognised as at the balance sheet date relating to obligations not yet satisfied under the schemes (2022: £292m which consist of £269m cash received from BEIS and £23m unredeemed vouchers issued to prepayment customers).

Revenue

The principles in IFRS 15 are applied to revenue recognition criteria using the following 5 step model:

1. Identify the contracts with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations



Notes to the Financial Statements

for the Period Ended 31 December 2023 (continued)

2 Accounting policies (continued)

Transaction price

In determining the transaction price, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

(i) Variable consideration

If the consideration in a contract includes a variable amount, revenue is only recognised to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

(ii) Consideration payable to a customer

If the contract contains consideration payable to a customer, this is accounted for as a reduction of the transaction price.

Revenue recognition

The below sets out the revenue recognition accounting policies for each material revenue stream for the Group:

Sale of gas and electricity

The Group earns the majority of its revenue from the supply of electricity and gas to customers. Revenue is recognised 'over time' consistent with the delivery of electricity and gas to the customer, as the receipt and consumption of the benefits of the electricity and gas is considered to be simultaneous. Further information is included in Note 3.

Revenue is measured on the applicable customer tariff rate and after deduction of discounts such as paperless billing, or government schemes such as the Warm Home Discount.

Installation and rental of meters

Installation and rental of meters predominantly relates to the provision of meter installation to meter asset providers. Revenue from the installation of meters is recognised at a point in time as the control of installed meters passes to the customers.

Voiceline and broadband revenue

Voiceline and broadband revenue is earned from the provision of services relating to the sale of telephone and broadband connectivity and associated services to consumers within the telecommunications market. The majority of voiceline and broadband revenue is recognised 'over time' as the provision of voiceline and broadband services is considered consistent with receipt and consumption of the benefits of the services.

Sale of home and emergency cover

Revenue from the sale of home and emergency cover predominantly relates to the provision of boiler service and boiler and central heating cover. Boiler service contracts are entered into with home services customers by Corgi Homeplan Ltd. Boiler and central heating cover are insurance contracts entered into with home services customers by OVO Insurance Services Ltd, authorised and regulated by the Guernsey Financial Services Commission. Both companies are wholly-owned subsidiaries of the Group.

Boiler service contracts are typically fixed-fee contract for the provision of boiler service. Revenue arising from boiler service is recognised at a point in time when the service is performed.

Boiler and central heating covers protect policyholders against the risk of breakdowns. These covers generally include maintenance, repair and/or replacement of the items affected but the benefits available to customers may vary, depending on the terms and conditions of the contracts entered into. The Group is exposed to risk transferred under these contracts which depends on the occurrence of future uncertain events such as extreme weather events, the nature and frequency of faults, and the cost of repair or replacement of the items affected. Insurance risk is actively managed through customer risk assessment at contract inception and annual boiler service.

The risk transferred under these contracts is not considered materially concentrated as the covers are sold to residential customers across the UK with small individual contract values. The Group regularly assesses insurance risk sensitivities such as frequency of claims and increases in fulfilment costs based on both historical and forward-looking information and a reasonable increase in these sensitivities would not have a material impact on the results of the Group.

The amount and timing of the Group's future cash flows arising from these contracts is uncertain and is also dependent on the terms and conditions entered into with the customers such as the items that are covered and the level of associated services that is agreed, the number of call-outs to carry out work, and limits on repairs and maintenance and/or replacement costs.

Revenue is recognised over the life of contracts (usually twelve months). Costs incurred to settle claims predominantly relate to the labour costs in servicing claims.

The below sets out the revenue and expenses relating to insurance contracts recognised in the financial statements.

	2023 £m	2022 £m
Revenue relating to insurance contracts	48	50
Expenses relating to insurance contracts	(40)	(42)

Accrued income and receivables

Accrued income is the right to consideration in exchange for goods or services provided to a customer. If the Group provides goods or services to a customer before the customer pays consideration or before payment is due, accrued income is recognised for the earned consideration that is conditional.

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to provide goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group provides goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities, or deferred income, are recognised as revenue when the Group performs under the contract.

Net basis of measurement of contract balances

Accrued income and deferred income balances are determined for each contract on a net basis. This is because the rights and obligations within each contract are considered inter-dependent. Where two contracts are with the same or related entities, an assessment is made of whether accrued income and deferred income are inter-dependent and if so, contract balances are reported net.

Renewable obligation certificates (ROCs)

The Group participates in the Renewables Obligation ("RO") scheme administered by Ofgem under which energy suppliers are required to fulfil their obligation by either presenting a specified number of ROCs in respect of each MWh of electricity supplied to customers or by making a payment to cover the shortfall.

Where the Group purchases and takes delivery of ROCs to meet its obligation under the scheme, the certificates are initially recognised at cost within inventories. The costs of the certificates are recognised in cost of sales within the income statement when the obligation arises. The Group accrues for its obligation to deliver ROCs at the amount of the purchased ROCs with any estimated shortfall based on the relevant buy-out price at the reporting date.



Notes to the Financial Statements

for the Period Ended 31 December 2023 (continued)

2 Accounting policies (continued)

Exceptional items and certain re-measurements

Exceptional items and certain re-measurements are those expenses or credits that are deemed unusual by nature and/or scale and of such significance that separate disclosure is required for the financial statements to be properly understood. Exceptional items and certain re-measurements include fair value gain/(loss) on *derivative financial instruments*.

The Group has undertaken a lengthy transformation programme which has spanned over more than a year. Transformation programmes are generally of a one-off nature as the incurrence of costs associated to them ceases when they are complete. The costs of these programmes are considered exceptional and may be reported in more than one year.

Finance income and costs

Interest income and expense is recognised in the income statement as it accrues, using the effective interest method.

Tax

The tax expense or credit for the period comprises current tax and deferred tax. Tax is recognised in the income statement, except that a charge (or credit) attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge or credit is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Group operates and generates taxable income.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, the expected period of realisation and using tax rates enacted or substantively enacted at the reporting period end date. Deferred tax is not discounted.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Tax assets and tax liabilities are offset in the statement of financial position where they relate to taxes levied by the same tax authority and the same taxable entity or group and the entity has a legally enforceable right to set off.

Property, plant and equipment

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than those under construction, over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Leasehold property	Period of the lease
Fixtures and fittings	3 years straight line
Miscellaneous equipment	4 to 10 years straight line
Office equipment	3 years straight line

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

Goodwill is not subject to amortisation but is tested for impairment.

Negative goodwill arising on an acquisition is recognised directly in the income statement. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the income statement on disposal.

Intangible assets

Customer-related intangible assets acquired in a business combination are recognised at fair value at the acquisition date.

Customer-related intangible assets have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses.

Computer software and licences acquired in a business combination are recognised at fair value at the acquisition date.

Acquired computer software and licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include software development employee costs and an appropriate portion of relevant attributable overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Development costs previously recognised as an expense are not recognised as assets in subsequent periods.



Notes to the Financial Statements

for the Period Ended 31 December 2023 (continued)

2 Accounting policies (continued)

Amortisation

Amortisation is provided on intangible assets, other than goodwill, so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Amortisation method and rate
Software and IT development costs	3 – 5 years straight line
Contractual customer relationships	Over the expected life of the contract
Trade name	4 – 10 years straight line
Other intangible assets	3 – 5 years straight line

Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash flows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Investments

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in the income statement, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described for non-financial assets.

The Company only policy is that investments in subsidiaries are carried at cost, less any impairment. When the Company reorganises the structure of its group by establishing a new entity as its parent in a manner that satisfies the following criteria:

- the new parent obtains control of the original parent by issuing equity instruments in exchange for existing equity instruments of the original parent;

- the assets and liabilities of the new group and the original group are the same immediately before and after the reorganisation; and
- the owners of the original parent before the reorganisation have the same absolute and relative interests in the net assets of the original group and the new group immediately before and after the reorganisation,

the Company measures cost at the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the date of the reorganisation.

Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the income statement. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This might mean that amounts previously recognised in other comprehensive income are reclassified to the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents which are not available for use by the Group are presented as restricted cash.

Trade receivables

Trade receivables are predominantly amounts due from customers for the sale of electricity and gas or other services performed in the ordinary course of the Group's business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables do not carry any interest and are held at transaction price less an appropriate impairment recognised where loss is probable. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables and accrued income. Further detail on this model and application within these financial statements can be found within Note 3.

Inventories (excluding renewable obligation certificates)

Smart meter and related inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.



Notes to the Financial Statements

for the Period Ended 31 December 2023 (continued)

2 Accounting policies (continued)

Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Leases

Definition

A lease is a contract, or a part of a contract, that conveys the right to use an asset or a physically distinct part of an asset (the underlying asset) for a period of time in exchange for consideration. Further, the contract must convey the right to the Group to control the asset or a physically distinct portion thereof. A contract is deemed to convey the right to control the underlying asset if, throughout the period of use, the Group has the right to:

- obtain substantially all the economic benefits from the use of the underlying asset, and;
- direct the use of the underlying asset (e.g. direct how and for what purpose the asset is used).

Initial recognition and measurement

The Group initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.

The lease liability is measured at the present value of the lease payments to be made over the lease term.

The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate.

The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the Group's initial direct costs (e.g. commissions) and an estimate of restoration, removal and dismantling costs.

Subsequent measurement

After the commencement date, the Group measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments or on the occurrence of other specific events.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest charges are included in finance costs in the income statement, unless the costs are included in the carrying amount of another asset applying other applicable standards. Variable lease payments not included in the measurement of the lease liability are included in operating expenses in the period in which the event or condition that triggers them arises.

The related right-of-use asset is accounted for using the Cost model in IAS 16 and depreciated and charged in accordance with the depreciation requirements of IAS 16 Property, Plant and Equipment as disclosed in the accounting policy for Property, Plant and Equipment. Adjustments are made to the carrying value of the right-of-use asset where the lease liability is re-measured in accordance with the above. Right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of assets as disclosed in the accounting policy in impairment.

Short-term and low value leases

The Group has made an accounting policy election, by class of underlying asset, not to recognise lease assets and lease liabilities for leases with a lease term of 12 months or less (i.e. short-term leases).

The Group has made an accounting policy election on a lease-by-lease basis, not to recognise lease assets on leases for which the underlying asset is of low value.

Lease payments on short-term and low value leases are accounted for on a straight line bases over the term of the lease or other systematic basis if considered more appropriate. Short-term and low value lease payments are included in operating expenses in the income statement.

Financial instruments

Initial recognition

The Group recognises financial assets and financial liabilities in the statement of financial position when, and only when, the Group becomes party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

Classification and measurement

Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology:

Financial assets are classified into one of the following three categories:

- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income (FVTOCI); or
- financial assets at fair value through the profit or loss (FVTPL).

Financial liabilities are classified into one of the following two categories:

- financial liabilities at amortised cost; or
- financial liabilities at fair value through the profit or loss (FVTPL).

The classification and the basis for measurement are subject to the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:

At 31 December 2023, the Group had no assets measured at FVOCI.



Notes to the Financial Statements

for the Period Ended 31 December 2023 (continued)

2 Accounting policies (continued)

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either of the above two criteria is not met, the financial assets are classified and measured at fair value through the profit or loss (FVTPL).

If a financial asset meets the amortised cost criteria, the Group may choose to designate the financial asset as FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

Financial assets at fair value through the profit or loss (FVTPL)

Financial assets not otherwise classified above are classified and measured as FVTPL. This classification includes derivative financial assets.

Financial liabilities

All financial liabilities, other than those classified as financial liabilities at FVTPL, are measured at amortised cost using the effective interest rate method. FVTPL classification includes derivative financial liabilities.

Impairment of financial assets

The Group applies the IFRS 9 expected credit loss model to financial assets measured at amortised cost. For trade receivables and accrued income, the Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance.

For other financial assets carried at amortised cost, the Group applies the 3-stage general impairment model and recognises either a lifetime expected credit loss or a 12-month expected credit loss depending on the Group's assessment of whether there has been a significant increase in the credit risk associated with the financial asset since initial recognition.

Commodity derivatives

Within its regular course of business, the Group routinely enters into sale and purchase transactions for physical delivery of electricity and gas. Where the contract was entered into and continues to be held for the purpose of meeting forecast customer usage, the contracts are designated as 'own-use' contracts and are measured at cost. These contracts are not within the scope of IFRS 9.

Derivative commodity contracts which are not designated as own-use contracts are accounted for as trading derivatives and are recognised in the statement of financial position at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the income statement.

The percentage of contracts that are deemed to meet own-use criteria is considered to be an area of accounting judgement that significantly impacts the level of unrealised gains and losses on derivatives that are recognised in the financial statements.

Although the Group only enters into contracts based on expected volumes, the volumetric risk means that the Group often has to enter into offsetting sell trades to match actual demand. This constitutes net settling under IFRS 9 which requires such contracts to be treated as derivative financial instruments under IFRS 9 rather than falling within the 'own-use' exemption. The Group therefore designates its contracts as either 'own-use' or 'trading' depending on the risk of them being net settled with only those contracts that are deemed to be highly probable of resulting in physical delivery being treated as own-use.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and the Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, contributions are paid to publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

Defined benefit pension obligation

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset recognised in the statement of financial position in respect of defined benefit pension plan is the fair value of plan assets minus the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is measured using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments by reference to market yields at the reporting date on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses are charged or credited to other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in the income statement.

Employee benefits

The Group operates a flexible benefit scheme for qualifying employees whereby in addition to their salary, those employees are invited to select certain benefits with a value based on a percentage of their base pay. All costs related to the scheme are expensed in the income statement in the year which services are rendered by employees. One of the available benefits is payment to a defined contribution pension plan. This is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay further amounts. The Group has automatically enrolled employees in its pension scheme since November 2013.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.



Notes to the Financial Statements

for the Period Ended 31 December 2023 (continued)

3 Critical accounting judgements and key sources of estimation uncertainty

The key estimates and judgements made by the Directors in the preparation of the financial statements are in respect of revenue recognition, impairment of trade receivables, recognition of deferred tax assets, derivative financial instruments and group reorganisation.

Revenue recognition – energy supplied but not yet measured (estimation uncertainty)

Revenue from energy supplied to OVO customers includes an estimate of the value of electricity or gas supplied to customers between the date of the latest meter reading and the financial year end.

This estimate comprises both billed revenue (trade receivables) and unbilled revenue (accrued income) and is calculated with reference to the tariffs and contractual rates applicable to customers against estimated customer consumption. Estimated customer consumption takes into account various factors including usage patterns, weather trends and notified aggregated volumes supplied to the customers from national settlements bodies.

This estimate is subject to an internal validation process which compares calculated unbilled volumes to a theoretical real-time billing benchmark measure of unbilled volumes with reference to historical consumption patterns adjusted for seasonality/weather and aggregated metering data used in industry reconciliation processes. At 31 December 2023, revenue arising from estimated consumption amounted to £1,228m (2022: £1,635m). The judgements applied, and the assumptions underpinning these judgements in arriving at this estimated amount, are considered to be appropriate. However, a change in these assumptions would have an impact on the amount of revenue recognised. Management believes that based on latest industry data the amount of revenue recognised could decrease by up to £12m based on a reasonable change in the consumption assumed in reaching this estimate.

Revenue recognition – Energy Price Guarantee government grants (estimation uncertainty)

The Group recognises revenue arising from government grants under the Energy Price Guarantee Scheme (EPG). The government grants are determined by a support rate on a p/kWh basis determined by the Government and the volume of electricity and gas treated as supplied by the Group and, therefore, are subject to the same estimation uncertainty in energy supply revenue recognition (refer to Revenue recognition – energy supplied but not yet measured for further information).

The scheme is subject to industry reconciliation procedures which can result in a higher or a lower value of industry deemed supply than has been estimated as being supplied to customers by the Group and, as a result, can impact the amount of EPG income recognised. There are also conditions attached to the scheme that the Group is required to comply with in order to receive the support payment. The Group recognises EPG income to the extent it has reasonable assurance that it has complied with the conditions attaching to the EPG scheme and that the EPG income recognised thus far will be received.

The judgments applied, and the assumptions underpinning these judgements, are considered to be appropriate. However, a change in these assumptions would have an impact on the revenue recognised. The primary source of estimation uncertainty relating to unread revenue arising from eligible customers under the scheme amounted to £113m (2022: £589m). Management believes that based on latest industry data the amount of revenue recognised could decrease by up to £1m based on a reasonable change in the consumption assumed in reaching this estimate.

Derivative financial instruments (accounting judgement)

The Group classifies derivative energy contracts as 'own-use' in accordance with the Group's expected sale, purchase or usage requirements. The percentage of contracts that are deemed to meet 'own-use' criteria is considered to be an area of accounting judgement that significantly impacts the level of unrealised gains and losses on derivatives that are recognised in the financial statements.

Although the Group only enters into contracts based on expected volumes, the volumetric risk means that the Group often has to enter into offsetting sell trades to match actual demand. This constitutes net settling under IFRS 9 which requires such contracts to be treated as derivative financial instruments under IFRS 9 rather than

falling within the 'own-use' exemption. The Group therefore designates its contracts as either 'own-use' or 'trading' depending on the risk of them being net settled, with only those contracts that are deemed to be highly probable of resulting in physical delivery being treated as own-use.

At 31 December 2023, the Group has £70m (2022: £1,016m) of derivative energy contracts that are not designated as own-use contracts and are measured at fair value through profit or loss. Refer to Note 32 Financial risk management for sensitivity analysis.

This follows a comprehensive review of the 'own-use' volume thresholds during the year that resulted in a materially higher percentage of contracts being designated as 'own-use' compared to the prior year.

Impairment of trade receivables (estimation uncertainty)

Impairments against trade receivables are recognised where loss is expected. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables and accrued income. For energy customers, the impairment is calculated by splitting the portfolio into segments and the Directors have based their assessment of the level of impairment on collection rates experienced within each segment to date. The estimates and assumptions used to determine the level of provision will continue to be reviewed periodically and could lead to changes in the impairment provision methodology which would impact the income statement in future years.

The assumption that future performance of customer debt settlement will be reflective of past performance is the most significant assumption within the expected credit loss provisioning model. To address this risk, the Group reviews the provision rates for each segment on a regular basis to ensure they include the most up to date assumptions and use forward looking information. In order to test the sensitivity of the impairment of the Group's trade receivables balance, the Group has considered the impact of the underlying provision rates worsening by 10%. This would lead to a £42m increase in the expected credit loss provision in 2023.

Deferred tax assets (accounting judgement and estimation uncertainty)

Deferred tax assets have been recognised in respect of UK tax losses and other temporary differences giving rise to deferred tax assets where the Directors believe it is probable that these assets will be recovered, i.e. that future taxable amounts (e.g. taxable profits) will be available to utilise those temporary differences and losses. The carrying amount of the deferred tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. The recoverability of deferred tax assets relating to losses is based on forecasts of future taxable profits which are, by their nature, uncertain.

The Group prepares medium term forecasts based on Board-approved budgets. These are used to support judgements made in the preparation of the Group's financial statements including the recognition of deferred tax assets.

Having assessed the level of profits made by the Group since the year end and forecasts of revenue and costs for the coming years, the Directors believe it is probable that the Group will generate sustainable profits and therefore a deferred tax asset has been recognised. Deferred tax assets of £188m in respect of UK tax losses are expected to be utilised over the next twelve to fifteen years (2022: nine to thirteen years).

The Group remains exposed to the risk of changes in law that impact the Group's ability to carry forward and utilise tax attributes recognised as deferred tax assets.

Group reorganisation (accounting judgement)

The Group established an accounting policy in relation to the Group reorganisation whereby the existing carrying values of assets and liabilities and retained earnings were combined. Full year statements of comprehensive income were prepared for both the current and prior year. This gives an accurate and complete view of the results and balances of the Group in both the current and comparative year. See Group reorganisation in Accounting policies for more information.



Notes to the Financial Statements

for the Period Ended 31 December 2023 (continued)

4 Revenue

Analysis of revenue

The analysis of the Group's revenue for the year from continuing operations is set out below:

	2023 £m	2022 £m
Sale of gas and electricity	6,387	5,624
Government grants – Energy Price Guarantee Scheme	2,151	853
Installation and rental of meters	106	119
Sale of home and emergency cover and related services	61	65
Voiceline and broadband revenue	–	34
Other revenue	31	35
	8,736	6,730

The Group has recognised grant income of £2,151m (2022: £853m) in the year which represents the amount of support delivered to households and compensated by the Government under the Energy Price Guarantee Scheme (EPG).

During the year, the Group has de-recognised £60m of previously recognised revenue from the sale of gas and electricity as a result of a change in estimate following a migration of customers onto a new billing platform (see Note 8 for further details).

Revenue generated outside of the UK in the year is £nil (2022: £17m) of which £nil (2022: £14m) is included within 'Sale of gas and electricity' and £nil (2022: £3m) is included within Other revenue.

Other revenue mainly consists of sale of energy efficiency solutions services of £12m (2022: £13m), sale of renewable certificates of £nil (2022: £10m), boiler installation services of £5m (2022: £3m), Software-as-a-Service professional services of £4m (2022: £1m) and other miscellaneous income totalling £10m (2022: £4m).

Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	Group		
	31 December 2023 £m	31 December 2022 £m	1 January 2022 £m
Assets related to contracts with customers			
Trade receivables	911	679	603
Accrued income	192	370	374
Provision for impairment of trade receivables and accrued income	(510)	(329)	(310)
Total current assets related to contracts with customers	593	720	667
Contract liabilities			
Deferred income	(750)	(906)	(534)
Total current contract liabilities	(750)	(906)	(534)

All deferred income recognised as of 31 December 2022 has been recognised in revenue in the current year and the balance at 31 December 2023 is expected to be fully recognised in the financial year ended 31 December 2024.

Net trade receivables and accrued income decreased in 2023 due to an increase in expected credit loss allowance as a result of the cost of living crisis and the suspension of warrant activity increasing the impairment risk on aged debts. Refer to Note 32 for further details on impairment losses of financial assets. Deferred income decreased as a result of falling energy prices.

5 Net impairment losses of financial assets – customer debtors

The analysis of the Group's net impairment losses of financial assets for the year is as follows:

	2023 £m	2022 £m
Impairment losses of trade receivables and accrued income	247	167
Reversal of previously recognised impairment losses	(3)	(2)
Net impairment losses of financial assets – customer debtors	244	165

Refer to Note 32 for further details on impairment losses of financial assets.

6 Other operating income

The analysis of the Group's other operating income for the year is as follows:

	2023 £m	2022 £m
Gain on disposal of investments in associates	20	–
Gain on disposal of subsidiaries	–	30
Net gain/(loss) on disposal of businesses	32	(1)
Research and development expenditure credit	5	7
	57	36

Gain on disposal of investments in associates includes gain on partial disposal of the Group's ownership interest in Indra Renewable Technologies Limited of £20m (2022: £nil). Net gain/(loss) on disposal of businesses consists of gain on disposal of the heritage meter portfolio of £32m (2022: gain on disposal of the Revenue Protection business of £1m and loss on disposal of intangible assets of £2m). The gain on disposal of subsidiaries in the prior year relates to the sale of Origin Communication Limited and OVO Energy (France) SAS. Refer to Note 18 for further details on disposals.



Notes to the Financial Statements

for the Period Ended 31 December 2023 (continued)

7 Operating profit/(loss)

Arrived at after charging/(crediting):

	2023 £m	2022 £m
Net impairment losses of financial assets – customer debtors	244	165
Depreciation expense – property, plant and equipment	5	4
Depreciation expense – right-of-use assets	11	10
Amortisation – intangible assets	123	102
Renewable obligation certificates	321	326
Government grants – Energy Price Guarantee Scheme	(2,151)	(853)

8 Exceptional items and certain re-measurements

	2023 £m	2022 £m
Integration	99	37
Group reorganisation	4	39
Gain on disposal of investments in associates	(20)	–
Gain on disposal of subsidiaries	–	(30)
Net (gain)/loss on disposal of businesses	(32)	1
Re-measurement of derivative energy contracts	(1,086)	1,438
Exceptional items and certain re-measurements included within Group operating profit/(loss)	(1,035)	1,485
Net taxation on exceptional items and certain re-measurements	238	(338)

Integration

The Group continued to engage in activities to integrate SSE operations and systems into OVO throughout the year, following the acquisition of OVO (S) Energy Services Limited Group (SSE) in 2020. The majority of the costs within integration are associated with staff personnel and professional services supporting customer migration from the SSE legacy customer operating platform to a new platform, and integrating and simplifying the SSE legacy technology estate within the Group. The total costs incurred in relation to integration activities during the year were £39m (2022: £37m).

During the year, the Group changed its accounting estimate for unbilled and billed revenue in relation to customers migrated from the SSE legacy customer operating platform to the new platform, resulting in a de-recognition of energy supply revenue of £60m (2022: £nil). The Group's energy supply revenue includes an estimate of consumption between meter reads. Through customer migration, the Group identified historical system issues which resulted in estimates of customers' consumption being recalibrated. This meant that revenue previously recognised (though not billed to customers) was not recoverable, leading to a re-estimate of unbilled and billed revenue in the year. The de-recognition of unbilled and billed revenue is treated as exceptional as the underlying issues resulting in the de-recognition were attributed to customer migration.

Group reorganisation

The Group continued its restructuring programme throughout the year which was initiated following the acquisition of SSE in 2020. The majority of the costs within group reorganisation relate to redundancy costs being recognised in relation to both incurred and expected future severance costs.

Group reorganisation and integration are part of a group wide programme which was initiated following the SSE acquisition and is therefore considered non-recurring after the programme is complete. These costs cross more than one accounting period as the programme spans over more than a year. The programme was largely complete by the end of 2023. Lower further costs are expected to be incurred as the Group concludes the programme in 2024.

Gain on disposal of investments in associates

Gain on disposal of investments in associates includes the gain of partial disposal of the Group's stake in Indra Renewable Technologies Limited of £20m (2022: £nil). Refer to Note 17 for further details.

Gain on disposal of subsidiaries

Gain on disposal of subsidiaries includes the gain on disposals of Origin Communications Limited of £21m and OVO Energy (France) SAS of £9m in the prior year. Refer to Note 18 Disposals for further details.

Net (gain)/loss on disposal of businesses

Net (gain)/loss on disposal of businesses consists of gain on disposal of the heritage meter portfolio of £32m. Prior year amount includes gain on disposal of Revenue Protection business of £1m and loss on disposal of intangible assets of £2m. Refer to Note 18 Disposals for further details.

Re-measurement of derivative energy contracts

Energy contracts that are not designated as 'own-use' contracts constitute financial instruments under IFRS 9 and are carried at fair value through profit or loss. Re-measurement of derivative energy contracts has resulted in a net gain of £1.1bn (2022: loss of £1.4bn). The significant gain relates to the unwind of the derivative financial liabilities at 31 December 2022 as the majority of the related contracts were utilised in the current year.

Income statement classification

Recognised in revenue is £60m de-recognition of unbilled and billed revenue as a result of a change in estimate (2022: £nil). The £1.1bn gain arising from the re-measurement of derivative energy contracts is recognised in re-measurement of derivative energy contracts (2022: £1.4bn loss). The total net gain on disposals of investments in associates, subsidiaries and businesses of £52m is recognised in other operating income (2022: £29m). The remaining total of £43m exceptional costs is recognised in administrative expenses (2022: £76m).

Adjusted performance measures

Management reports adjusted performance measures in the financial statements as management considers they provide additional useful information on business performance and underlying trends. They are also the primary measure management uses to monitor performance internally and are also reported to our lenders as part of covenants reporting.

Adjusted performance measures are non-GAAP measures and are not defined by IFRS. The presentation of alternative performance measures is a judgement and policy choice made by management and, therefore, not comparable.

Adjusted EBITDA is defined as operating profit/(loss), after adjusting for depreciation, amortisation, impairment and exceptional items and certain re-measurements including fair value gain/(loss) on derivative financial instruments. Adjusted operating profit/(loss) is defined as operating profit/(loss), after adjusting for exceptional items and certain re-measurements including fair value gain/(loss) on derivative financial instruments. Adjusted profit/(loss) before tax is defined as profit/(loss) before tax, after adjusting for exceptional items and certain re-measurements including fair value gain/(loss) on derivative financial instruments.



Notes to the Financial Statements

for the Period Ended 31 December 2023 (continued)

8 Exceptional items and certain re-measurements (continued)

A reconciliation of the adjusted performance measures to statutory profit/(loss) is shown below.

	2023 £m	2022 £m
Statutory profit/(loss) for the year	817	(1,275)
Add: Income tax expense/(credit)	244	(377)
Profit/(loss) before tax	1,061	(1,652)
Add: Exceptional items and certain re-measurements	(1,035)	1,485
Adjusted profit/(loss) before tax	26	(167)
Add: Net finance costs	54	69
Add: Share of net losses of associates accounted for using equity method	6	2
Adjusted operating profit/(loss)	86	(96)
Add: Depreciation of property, plant and equipment and right-of-use assets	16	14
Add: Amortisation and impairment of intangible assets	123	102
Adjusted EBITDA	225	20

9 Finance income and costs

	2023 £m	2022 £m
Finance income		
Interest income on bank deposits	28	5
Interest income on defined benefit pension scheme	1	-
Total finance income	29	5
Finance costs		
Interest and finance charges paid or payable for loans and borrowings	(80)	(70)
Unwinding of discount on provisions	-	(1)
Interest expense on leases	(3)	(3)
Total finance costs	(83)	(74)
Net finance costs	(54)	(69)

10 Staff costs

Group:

The aggregate payroll costs (including Directors' remuneration) are as follows:

	2023 £m	2022 £m
Wages and salaries	261	254
Social security costs	27	28
Pension costs – defined contribution scheme	14	16
Pension costs – defined benefit scheme	8	5
Capitalised staff costs	(42)	(35)
Staff costs recognised in the income statement	268	268

Capitalised staff costs are included in software and IT development costs within intangible assets.

Company:

No employees are directly employed by Energy Transition Holdings Ltd. The aggregate payroll costs included in the Company financial statements during the period from 26 October 2022 to 31 December 2023 are £nil.

Group:

The monthly average number of persons employed (including Directors) during the year, analysed by category is as follows:

	2023 No.	2022 No.
People & operations	3,197	3,737
Technology & business change	798	822
Commercial & finance	933	699
Group	81	29
	5,009	5,287

11 Directors' remuneration

The Company's Directors' remuneration for the period from 26 October 2022 to 31 December 2023 is as follows:

	Period from 26 October 2022 to 31 December 2023 £'000
Remuneration	818
Contributions paid to defined contribution pension scheme	4
	822

In respect of the highest paid Director:

	Period from 26 October 2022 to 31 December 2023 £'000
Remuneration	701
Contributions paid to defined contribution pension scheme	4
	705

The Directors' remuneration and salary costs for the period from 26 October 2022 to 31 December 2023 are recognised in OVO Energy Ltd (2022: OVO Energy Ltd).

Retirement benefits were accruing to one of the Directors. The number of Directors in respect of whose qualifying services shares were received or receivable under long-term incentive schemes is nil. No shares were received or receivable in the period by the highest-paid Director in respect of qualifying services under the Group's long-term incentive scheme. Total aggregate share-based payments recognised in the period in respect of the Directors' qualifying services is £7,000.



Notes to the Financial Statements

for the Period Ended 31 December 2023 (continued)

12 Auditors' remuneration

	2023 £'000	2022 £'000
Audit of Company	203	–
Audit of subsidiaries	666	750
Total audit fees	869	750
Other non-audit services	94	75
Total auditors' remuneration	963	825

The Group bears the costs of audit of the OVO Energy Group of the Electricity Supply Pension Scheme (ESPS) which amounted to £18,000 for the year ended 31 December 2023 (2022: £20,000). Other non-audit services include limited assurance over selected sustainability information reported in the Energy Transition Holdings Ltd's Annual Report and agreed upon procedures in connection with the Group's term loan facilities reporting requirements.

13 Income tax (expense)/credit

Tax charged/(credited) in the consolidated income statement:

	2023 £m	2022 £m
Current taxation		
Current taxation	2	2
Adjustment in respect of prior periods	1	–
Total current taxation	3	2
Deferred taxation		
Arising from origination and reversal of temporary differences	245	(321)
Adjustment in respect of prior periods	(4)	(1)
Arising from changes in tax rates and laws	–	(57)
Total deferred taxation	241	(379)
Tax expense/(credit) in the income statement	244	(377)

The tax on profit/(loss) before tax for the current year is lower than (2022: higher than) the standard rate of corporation tax in the UK of 23.5% (2022: 19%).

The differences are reconciled below:

	2023 £m	2022 £m
Profit/(loss) before tax	1,061	(1,652)
Corporation tax at standard rate	249	(314)
Effect of expenses not deductible in determining taxable profit or tax loss	3	–
Adjustment for prior periods	(3)	(1)
Deferred tax not recognised for the period	–	4
Effect of different statutory tax rates	–	(1)
Deferred tax credit relating to changes in tax rates or laws	–	(57)
Effect of revenues exempt from taxation	(5)	(8)
Total tax charge/(credit)	244	(377)

**Deferred tax
Group**

Deferred tax movement during the year:

	At 1 January 2023 £m	Recognised in income £m	Recognised on business combinations £m	At 31 December 2023 £m
Accelerated tax depreciation	46	(6)	–	40
Provisions	1	–	–	1
Revaluation of intangible assets	(56)	12	(1)	(45)
Tax losses carry-forwards	188	–	1	189
Pension benefit obligations	(7)	1	–	(6)
Derivatives	238	(255)	–	(17)
Corporate interest restriction carried forward	30	1	–	31
Other items	–	6	–	6
Net tax assets/(liabilities)	440	(241)	–	199

Deferred tax movement during the prior year:

	At 1 January 2022 £m	Recognised in income £m	Recognised in other comprehensive income £m	Recognised on business combinations £m	At 31 December 2022 £m
Accelerated tax depreciation	37	9	–	–	46
Provisions	–	1	–	–	1
Revaluation of intangible assets	(61)	3	–	2	(56)
Tax losses carry-forwards	156	32	–	–	188
Pension benefit obligations	(5)	1	(3)	–	(7)
Derivatives	(80)	318	–	–	238
Corporate interest restriction carried forward	15	15	–	–	30
Net tax assets/(liabilities)	62	379	(3)	2	440

Other items relate to amounts deductible on a paid basis.

Deferred tax assets have been recognised in respect of carried forward tax losses on the basis that there will be future profits available against which to offset them. There are no time limits on the recovery of such losses. Refer to Note 3, critical accounting judgements, for further discussion on the basis for recognition of deferred tax assets.

A deferred tax liability of £17m (2022: asset of £238m) is recognised in respect of the re-measurement gain on derivative energy commodity contracts which is not taxable in the period. This deferred tax liability will be reversed when the relevant contracts unwind in future periods.

Deferred tax of £22m (2022: £20m) has not been recognised in relation to an element of tax losses for which it is not considered probable that the losses will be utilised based on assessment of available evidence. This comprises £20m (£81m gross) for UK tax losses and £2m (£7m gross) for Spanish tax losses.

The main UK corporation tax rate effective from 1 April 2023 is now 25% increased from the previous rate of 19%. The average rate applicable for the year ended 31 December 2023 is 23.5%. Deferred tax assets and liabilities have been remeasured based on the applicable tax rate in the period that the balances are expected to be realised, which is currently 25% for future periods. The impact of this remeasurement in the period is a tax credit of £nil (2022: £57m).



Notes to the Financial Statements

for the Period Ended 31 December 2023 (continued)

13 Income tax (expense)/credit (continued)

In December 2021, the OECD released a framework for Pillar Two model rules which introduced a global minimum corporate tax rate of 15% for large multinational groups. The UK Government enacted legislation on 11 July 2023 to implement the global minimum tax rules and a UK domestic minimum tax. The Group will be within the scope of these rules for the year ended 31 December 2024. The Pillar Two Effective Tax Rate (ETR) is calculated for each jurisdiction in which the Group operates and Top Up Tax can arise when the Pillar Two ETR is less than 15%. Top Up Taxes could be payable in the UK, or the local jurisdiction if it has introduced a Qualifying Domestic Minimum top-up tax.

The Group has reviewed the published guidance and the safe harbour rules to assess the expected impact of the new regime based on the most recent tax filings and financial statements. Whilst this will increase the Group's tax compliance obligations, the impact on the Group's tax charge is not expected to be material. However, the rules are complex and the Group is continuing to monitor the impact of future transactions and as further guidance is published by the OECD and local territories.

Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax impact. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

14 Property, plant and equipment

Group

	Leasehold property £m	Fixtures and fittings £m	Office equipment £m	Miscellaneous equipment £m	Total £m
Cost					
At 1 January 2022	14	2	9	10	35
Additions	2	–	2	–	4
Disposals	(4)	–	(3)	(9)	(16)
At 31 December 2022	12	2	8	1	23
Additions	7	–	3	5	15
Disposals	–	(1)	(3)	–	(4)
At 31 December 2023	19	1	8	6	34
Accumulated depreciation					
At 1 January 2022	11	2	5	9	27
Charge for the year	1	–	2	1	4
Eliminated on disposals	(4)	–	(3)	(9)	(16)
At 31 December 2022	8	2	4	1	15
Charge for the year	1	–	3	1	5
Eliminated on disposals	–	(1)	(3)	–	(4)
At 31 December 2023	9	1	4	2	16
Carrying amount					
At 31 December 2023	10	–	4	4	18
At 31 December 2022	4	–	4	–	8
At 1 January 2022	3	–	4	1	8

The depreciation charge of £5m (2022: £4m) is recognised in administrative expenses. The amount of contractual commitments for the acquisition of property, plant and equipment as at the balance sheet date is £nil (2022: £3m).

15 Right-of-use assets

Group

	Property £m	Fleet £m	Total £m
Cost			
At 1 January 2022	51	22	73
Additions	7	–	7
Modifications	–	6	6
At 31 December 2022	58	28	86
Additions	–	1	1
Disposals	(16)	(22)	(38)
Modifications	–	1	1
At 31 December 2023	42	8	50
Accumulated depreciation			
At 1 January 2022	27	11	38
Charge for the year	6	4	10
At 31 December 2022	33	15	48
Charge for the year	6	5	11
Eliminated on disposals	(16)	(16)	(32)
At 31 December 2023	23	4	27
Carrying amount			
At 31 December 2023	19	4	23
At 31 December 2022	25	13	38
At 1 January 2022	24	11	35

Depreciation charge of £11m (2022: £10m) is recognised in administrative expenses. There is no impairment recognised in the current and prior year.



Notes to the Financial Statements

for the Period Ended 31 December 2023 (continued)

16 Intangible assets

Group

	Goodwill £m	Contractual customer relationships £m	Software and IT development costs £m	Trade name £m	Other intangible assets £m	Total £m
Cost						
At 1 January 2022	153	338	195	51	7	744
Additions	–	–	59	–	–	59
Disposals	–	(12)	(23)	–	–	(35)
Transfers to assets held for sale	–	(5)	–	–	–	(5)
At 31 December 2022	153	321	231	51	7	763
Additions	–	–	67	–	–	67
Acquired through business combinations	1	1	3	–	–	5
Disposals	–	–	(82)	–	–	(82)
At 31 December 2023	154	322	219	51	7	753
Accumulated amortisation						
At 1 January 2022	3	111	68	23	4	209
Amortisation charge	–	46	42	13	1	102
Eliminated on disposals	–	(5)	(21)	–	–	(26)
Transfers to assets held for sale	–	(4)	–	–	–	(4)
At 31 December 2022	3	148	89	36	5	281
Amortisation charge	–	44	67	12	–	123
Eliminated on disposals	–	–	(82)	–	–	(82)
At 31 December 2023	3	192	74	48	5	322
Carrying amount						
At 31 December 2023	151	130	145	3	2	431
At 31 December 2022	150	173	142	15	2	482
At 1 January 2022	150	227	127	28	3	535

Amortisation charge of £123m (2022: £102m) is recognised in administrative expenses.

Included within the carrying amount of the Software and IT development costs of £145m (2022: £142m) are intangible assets under construction of £40m (2022: £42m), which are not subject to amortisation. Carrying value of development costs associated with the Kaluza platform included in Software and IT development is £86m (2022: £67m). The remaining amortisation period of the Kaluza platform is between two and five years (2022: three and five years). Contractual customer relationships include customer relationships acquired from SSE with a carrying value of £122m (2022: £153m). The remaining amortisation period is between two and five years (2022: four and six years).

Impairment assessment

At each reporting period end date, an annual impairment test for goodwill and intangibles not yet ready for use is undertaken. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash flows (cash-generating units) and the carrying value of the cash-generating units is compared to their recoverable amount. Where the recoverable amount is less than the carrying value, an impairment occurs. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. There has been no indication that other non-financial assets might be impaired.

The recoverable amount of the CGUs has been determined using a value in use calculation in line with IAS 36. The methodology applied to the value in use calculation reflects past experience and external sources of information. Pre-tax cash flows used in the value in use calculations are derived from the Group's board-approved budget for 2024 and five-year forecast. Long term growth rates have been used in the extrapolation of cash flow projections beyond the five-year forecast period and are determined with reference to publicly available historical data and long term growth rate forecasts from external sources, adjusted for management assumptions where appropriate. Cash flows are discounted at a pre-tax rate that reflects both current market assessments of the time value of money and the risks specific to the CGUs. Discount rates are based on the estimated weighted average cost of capital of each CGU, adjusted to reflect the impact of tax to derive a pre-tax discount rate. Inflation rates used in the forecast are based on publicly available inflation forecasts, adjusted for management assumptions where appropriate.

The Group considers UK Retail Energy, Home Services and Kaluza to be separate CGUs. There is no goodwill associated with Kaluza and the carrying value of its other long lived assets are comfortably supported by the implied valuation of the business from the recent transaction with AGL (see Note 35) and hence no further impairment assessment has been performed. The key assumptions used in the value in use calculations for impairment assessment for the other two CGUs are set out below:

	UK Retail Energy	Home Services
Goodwill allocated to CGU	£114m (2022: £113m)	£37m (2022: £37m)
Assumptions		
Revenue	Existing customers adjusted for growth forecast based on customer acquisition activity and the current and anticipated market conditions. Gas and electricity revenue based on forward market prices and price caps.	
Gross margin	Gross margins achieved in latest periods adjusted for current market conditions and the impact of expected regulatory changes on cost of goods.	
Operating costs	Payroll costs based on projected headcount in line with expected efficiency achieved as a result of integration and cost saving initiatives and inflation expectations. Sales & marketing and customer acquisition costs in line with the Group's growth plan. Credit losses based on historical assumptions updated for current market conditions and growth assumptions on revenue and customers.	
Growth rate to perpetuity	0% (2022: 0%)	0% (2022: 0%)
Pre-tax discount rate	16% (2022: 19%)	16% (2022: 19%)

This testing did not identify any instances where the carrying value was in excess of the recoverable amount and, therefore, no impairment charge has been recorded. No reasonable possible change in any of the above assumptions would result in the elimination of the recoverable amount headroom over the assets carrying values.



Notes to the Financial Statements

for the Period Ended 31 December 2023 (continued)

17 Investments

Group subsidiaries

Details of the Group subsidiaries as at 31 December 2023 and 31 December 2022 are as follows:

Name of subsidiary	Principal activity	Registered office / Country of incorporation	Proportion of ownership interest and voting rights held	
			2023	2022
OVO Group Ltd*	Holding company	1 Rivergate Temple Quay, Bristol, England, BS1 6ED, UK	94.34%/100%	94.70%/100%
OVO Holdings Ltd	Holding company	1 Rivergate Temple Quay, Bristol, England, BS1 6ED, UK	100%	100%
OVO Finance Ltd	Holding company	1 Rivergate Temple Quay, Bristol, England, BS1 6ED, UK	100%	100%
OVO Energy Ltd	Sale of electricity and gas to customers in the UK	1 Rivergate Temple Quay, Bristol, England, BS1 6ED, UK	100%	100%
OVO Electricity Ltd	Electricity supply licence holder and sale of services associated with the supply of electricity to other OVO group companies	1 Rivergate Temple Quay, Bristol, England, BS1 6ED, UK	100%	100%
OVO Gas Ltd	Gas supply licence holder and sale of services associated with the supply of gas to other OVO group companies	1 Rivergate Temple Quay, Bristol, England, BS1 6ED, UK	100%	100%
Spark Energy Limited	<i>Dissolved</i>	Grampian House, 200 Dunkeld Road, Perth, Scotland, PH1 3GH, UK	0%	100%
Spark Gas Shipping Ltd	Non-trading company	1 Rivergate Temple Quay, Bristol, England, BS1 6ED, UK	100%	100%
Kaluza Ltd	Development of intelligent energy platform	69 Notting Hill Gate, London, England, W11 3JS, UK	100%	100%
Kaluza (US) LLC	Management services	Capitol Services, Inc, 1675 South State St., Suite B, Dover, DE 19901, Kent County, USA	100%	100%
Kaluza Pty Ltd	Engineering services	Tower Five, Collins Square, Level 22, 727 Collins Street, Docklands, VIC 3008, Australia	100%	0%
OVO Field Force Ltd	Non-trading company	1 Rivergate Temple Quay, Bristol, England, BS1 6ED, UK	100%	100%
Corgi Homeplan Ltd	Sale of boiler, central heating and electrical wiring services, breakdown cover and installation services	Cadworks, 41 West Campbell Street, Glasgow, Scotland, G2 6SE, UK	100%	100%
Kantan Ltd.	Development of software application	9 Pembridge Road, London, England, W11 3JY, UK	91.84%/100%	91.84%/100%
Intelligent Energy Technology Ltd	Holding company	1 Rivergate Temple Quay, Bristol, England, BS1 6ED, UK	100%	100%

Name of subsidiary	Principal activity	Registered office / Country of incorporation	Proportion of ownership interest and voting rights held	
			2023	2022
OVO Insurance Services Ltd.	Insurance services	PO Box 155, Mill Court, La Charroterie, St Peter Port, Guernsey, GY1 4ET	100%	100%
OVO Energy Spain SL	Sale of electricity and gas to customers in Spain	C. Muntaner 328 Entresuelo 1a, 08021 Barcelona, Spain	100%	100%
OVO Energy Germany GmbH	Dormant	CO23 Berlin UG, Stresemannsr. 23, 10963 Berlin, Germany	100%	100%
OVO (S) Energy Services Limited	Intermediate holding company	1 Rivergate Temple Quay, Bristol, England, BS1 6ED, UK	100%	100%
OVO (S) Electricity Limited	Dormant	1 Rivergate Temple Quay, Bristol, England, BS1 6ED, UK	100%	100%
OVO (S) Gas Limited	Sale of products and services enabling decarbonisation	1 Rivergate Temple Quay, Bristol, England, BS1 6ED, UK	100%	100%
OVO (S) Energy Solutions Limited	Installation of energy efficiency measures in domestic properties	Cadworks, 41 West Campbell Street, Glasgow, Scotland, G2 6SE, UK	100%	100%
OVO (S) Home Services Limited	Sale of boiler, central heating and electrical wiring services, breakdown cover and installation services	Cadworks, 41 West Campbell Street, Glasgow, Scotland, G2 6SE, UK	100%	100%
OVO (S) Metering Limited	Dissolved	Cadworks, 41 West Campbell Street, Glasgow, Scotland, G2 6SE, UK	0%	100%
Bonnet Ltd	Development of software application	1 Rivergate, Temple Quay, Bristol, England, BS1 6ED, UK	100%	0%

* Indicates direct investment of the Company

Ownership interest in all subsidiaries is based on ordinary shares held.

For the year ended 31 December 2023 the following subsidiaries were entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies:

OVO Group Ltd (08862063)
OVO Holdings Ltd (10722665)
Spark Gas Shipping Ltd (05857480)
OVO Field Force Ltd (08785057)
Corgi Homeplan Ltd (SC358475)
Kantan Ltd. (11681210)
Intelligent Energy Technology Ltd (08330989)
OVO (S) Energy Services Limited (11046212)
OVO (S) Electricity Limited (04094263)
OVO (S) Gas Limited (02716495)
OVO (S) Energy Solutions Limited (SC386054)
OVO (S) Home Services Limited (SC292102)
Bonnet Ltd (12281063)



Notes to the Financial Statements

for the Period Ended 31 December 2023 (continued)

17 Investments (continued)

Energy Transition Holdings Ltd has guaranteed the liabilities of the above subsidiaries in order for them to qualify for the exemption from audit under Section 479A of the Companies Act 2006 for the year ended 31 December 2023.

Group associates

	Investments accounted for using the equity method £m
Cost	
At 1 January 2022	8
Additions	2
Share of net losses of associates	(2)
At 31 December 2022	8
Additions	5
Share of net losses of associates	(6)
Disposals	(4)
At 31 December 2023	3
Carrying amount	
At 31 December 2023	3
At 31 December 2022	8

During the year, the Group subscribed for additional shares in OVO Energy Pty Ltd, The Renewable Exchange Limited and Chaddenwysh Services Limited. Prior year additions relate to further share subscription in OVO Energy Pty Ltd.

In July 2023, the Group sold its stake in Indra Renewable Technologies Limited (Indra), reducing its investment from 33.18% to 10.94%. The consideration for the shares disposed of was £15m and was fully paid. The carrying value of Indra at the date of partial disposals was £4m. The remaining stake held by the Group was recognised at a fair value of £9m in investments on the balance sheet. The Group recognised a total gain on disposal of £20m in other operating income in the income statement.

Details of the Group's associates as at 31 December 2023 and 31 December 2022 are as follows:

Name of associate	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2023	2022
Indra Renewable Technologies Limited	Design, development, and manufacture of smart energy solutions for use with electric vehicles	Sentinel House, Sparrowhawk Close, Malvern, England, WR14 1GL, UK	10.94%	33.18%
Chaddenwych Services Limited	Energy information technology platform and service	86-90 Paul Street, London, England, EC2A 4NE, UK	26.83%	29.66%
The Renewable Exchange Limited	Trading platform and solutions for renewable generators	One The Square, Temple Quay, Bristol, England, BS1 6DG, UK	55.8%/44%	42.35%/44%
OVO Energy Pty Ltd	Sale of electricity and gas to customers in Australia	L22 120 Spencer Street, Melbourne, VIC 3000, Australia	49%	49%

Indra Renewable Exchange Limited was no longer an associate of the Group as of 1 August 2023.

Company investments

	31 December 2023 £m
Investments in subsidiaries	40
Cost	
At 26 October 2022	–
Additions	107
Disposals	(67)
At 31 December 2023	40
Carrying amount	
At 31 December 2023	40
At 31 December 2022	–

Additions relate to group reorganisation during the year as part of which the Company acquired 100% of the existing ordinary share capital in Imagination Industries Ltd (IIL), via a share-for-share exchange. Shares issued to IIL's shareholders were recorded at the nominal value of the shares. The share capital of IIL transferred was recorded at the carrying amount of IIL's equity items of £107m at the date of the reorganisation. The difference between the nominal value of the Company's shares issued and the amount of equity items of IIL at the date of reorganisation was credited to a merger reserve.

Subsequent to the share-for-share exchange, IIL distributed 100% of its shares in OVO Group Ltd (OGL) to the Company. As a result, the Company recognised an increase in investment in OGL being the book value of OGL held in IIL before the distribution, with a corresponding decrease in investment in IIL. Following this, the Company distributed 100% of its shares in IIL to Imagination Industries Holdings Ltd (IIHL), resulting in disposal of investment of £67m.



Notes to the Financial Statements

for the Period Ended 31 December 2023 (continued)

18 Disposals

Disposal of heritage meter portfolio

On 9 October 2023, the Group disposed of its traditional meter rental operation (heritage meter portfolio) which generates revenue from the rental of traditional meters. The operation was a line of business within OVO Energy Ltd, an indirectly wholly owned subsidiary. The operation does not represent a major line of business or geographical area of operation for the Group. The Group recognised a total gain of £32m on the disposal which is recognised in other operating income in the income statement. The carrying values of assets disposed of as at the date of completion was £nil.

The amount of deferred consideration is dependent on the number of meters that have been removed or have had their MAPIDs updated to reflect the ownership of the meters by the new meter asset provider. At the time of the sale, the fair value of the deferred consideration was determined to be £10m. It has been recognised as a financial asset at fair value through profit or loss.

Details of the disposal is set out below:

	9 October 2023 £m
Gain on disposal:	
Total consideration	32
Net assets disposed of	-
Gain on disposal before income tax	32
Income tax expense	(8)
Gain on disposal after income tax	24
Satisfied by:	
Cash	22
Deferred consideration	10
Total consideration	32
Cash flow analysis:	
Cash consideration received	22
Net cash inflow arising on disposal	22

The assets of the operation classified as held for sale as at 31 December 2022 are as follows:

	2023 £m	2022 £m
Intangible assets – acquired customer relationships	-	1
Assets held for sale	-	1

Prior year disposal of Origin Communications Limited and OVO Energy (France) SAS

In August 2022, the Group agreed to sell the entire issued share capital of Origin Communications Limited to Tosca IOM Finco Limited. Origin Communications Limited was an indirect wholly owned subsidiary of OVO Group Ltd which provides telephone and broadband connectivity and associated services to consumers in the UK. The sale completed on 14 October 2022. In addition, the Group sold its shareholding of OVO Energy (France) SAS (OEF) to ENI Gas & Power France S.A. (ENI) for a consideration of €1 during the prior year. Up until the sale, the Group owned 75% of OEF and recognised a non-controlling interest in OEF representing ENI's 25% interest in the company. Before the sale, the Group had subscribed for further shares in OEF which increased

its ownership to 99.75% from 75%. The Group sold its 99.75% shareholding in OEF on 9 September 2022. OEF was a subsidiary which operates in the energy supply business in France.

Both subsidiaries do not represent a major line of business or geographical area of operation for the Group. The Group recognised a total gain of £30m on the disposals which is recognised in other operating income in the income statement.

The carrying amounts of assets and liabilities disposed of as at the date of completion are as set out in the table below:

	Origin Communications Limited 14 October 2022 £m	OVO Energy (France) SAS 9 September 2022 £m
Assets and liabilities disposed of:		
Intangible assets – acquired customer relationships	7	–
Trade and other receivables	8	10
Cash and cash equivalents	5	4
Trade and other payables	(10)	(16)
Deferred income	–	(6)
Deferred tax liabilities	(2)	–
Net assets/(liabilities) disposed of	8	(8)
Gain on disposal:		
Total consideration	29	–
Net (assets)/liabilities disposed of	(8)	8
Gain on disposal before income tax and reclassification of foreign currency translation reserve	21	8
Reclassification of foreign currency translation reserve	–	1
Gain on disposal after income tax and reclassification of foreign currency translation reserve	21	9
Satisfied by:		
Cash	23	–
Deferred consideration	6	–
Total consideration	29	–
Cash flow analysis:		
Cash consideration received	23	–
Less: cash and cash equivalents disposed of	(5)	(4)
Net cash inflow/(outflow) arising on disposal	18	(4)



Notes to the Financial Statements

for the Period Ended 31 December 2023 (continued)

19 Inventories

	Group		Company
	31 December	31 December	31 December
	2023	2022	2023
	£m	£m	£m
Finished goods and goods for resale	28	34	-

Finished goods and goods for resale primarily comprises smart meter and related assets. The costs of finished goods and goods for resale recognised as an expense in the year amounted to £30m (2022: £35m). Write-down of inventories amounted to £3m in the year (2022: £8m). These are included within cost of sales.

20 Trade and other receivables

	Group		Company
	31 December	31 December	31 December
	2023	2022	2023
	£m	£m	£m
Trade receivables and accrued income	1,103	1,049	-
Provision for impairment of trade receivables and accrued income	(510)	(329)	-
Net trade receivables and accrued income	593	720	-
Amounts owed by related parties	-	1	-
Grant receivables	-	107	-
Prepayments	34	200	-
Cash collateral	77	87	-
Cash-in-transit	-	50	-
Other receivables	85	50	-
	789	1,215	-

Grant receivables consist of grant income receivable from the Government in relation to the Energy Price Guarantee Scheme. As at the balance sheet date, the Group is in a payable position under the scheme. The grant payables are included in trade and other payables.

The fair value of those trade and other receivables classified as financial assets are disclosed in Note 31.

The Group's exposure to credit and market risks, including impairments and allowances for credit losses, relating to trade and other receivables is disclosed in Note 32.

21 Derivative financial instruments

	Group		Company
	31 December 2023 £m	31 December 2022 £m	31 December 2023 £m
Derivative financial instruments classified in non-current assets	10	38	-
Derivative financial instruments classified in current assets	60	-	-
Derivative financial instruments classified in current liabilities	-	(1,054)	-
Total derivative financial instruments	70	(1,016)	-

The Group designates certain energy contracts as held for trading. Energy contracts that are not designated as 'own-use' contracts constitute financial instruments under IFRS 9 and are carried at fair value through profit or loss.

The amount of derivative re-measurement that has been recognised through the profit or loss is as follows:

	2023 £m	2022 £m
Amounts recognised in operating profit/(loss)		
Re-measurement of derivative energy contracts	1,086	(1,438)
Amounts recognised in the consolidated income statement	1,086	(1,438)

22 Cash and cash equivalents

	Group		Company
	31 December 2023 £m	31 December 2022 £m	31 December 2023 £m
Cash at bank	416	474	-
Short-term deposits	156	-	-
	572	474	-

Restricted cash

Cash at bank includes £144m restricted cash (2022: £269m). For the 2023/24 renewable obligation (RO) scheme year onwards, licensed electricity suppliers in Great Britain are required to protect their renewable obligation under a process called 'RO ringfencing'. The Group opted to protect its RO accruals by holding the quarterly cumulative obligation in a trust account. The deposit is disclosed as restricted cash. Restricted cash as at 31 December 2022 is £269m which relates to cash received from the Government not yet distributed to customers under the Energy Bills Support Scheme. The use of this cash is restricted to distributing to eligible customers to reduce their energy bills under the scheme.

Cash available for use as at 31 December 2023 is therefore £428m (2022: £205m).

Short-term deposits

Short-term deposits relate to term deposits placed with banks and have an original maturity of three months or less.



Notes to the Financial Statements

for the Period Ended 31 December 2023 (continued)

23 Trade and other payables

	Group		Company
	31 December 2023 £m	31 December 2022 £m	31 December 2023 £m
Current liabilities			
Trade payables	422	384	-
Accrued expenses	562	589	-
Amounts due to related parties	15	15	-
Grant payables	40	-	-
Social security and other taxes	8	6	-
Other payables	72	305	-
	1,119	1,299	-
Non-current liabilities			
Amounts due to related parties	46	18	-

Grant payables relate to net overpayment of government grants received under the Energy Price Guarantee Scheme.

As at 31 December 2022, £292m included in the other payables amount relates to obligations not yet satisfied under the Energy Bills Support Scheme which consist of cash received from the Government of £269m not yet distributed to customers and £23m unredeemed vouchers issued to prepayment customers. As at 31 December 2023, the Group has no other payables relating to obligations not yet satisfied under the Energy Bills Support Scheme.

The Group's exposure to market and liquidity risks, including maturity analysis, relating to trade and other payables is disclosed in Note 32.

The Group's commodity purchasing arrangement gives rise to a variable liability to the creditor which is a combination of accounts payable and future purchase commitments secured on the cash and debtors of OVO Energy Ltd.

24 Loans and borrowings

The statement of financial position includes the following amounts relating to loans and borrowings:

	Group		Company
	31 December 2023 £m	31 December 2022 £m	31 December 2023 £m
Loans and borrowings			
Bank borrowings	309	379	-
Other borrowings	166	146	-
	475	525	-

Bank borrowings

Bank borrowings consist of a £300m term loan facility and a £100m second lien term loan facility. Both facilities are repayable in full on 14 January 2025. The second lien loan facility is subordinated to the first facility.

Interest on the term loan facility was payable at 8.25% plus variable rate up to 26 October 2023 from which date interest is payable at 7.75% plus variable rate. Interest on the second lien facility was payable at 8.625% plus variable rate from 15 January 2021 to 14 January 2022; and is payable at 9.75% plus variable rate from

15 January 2022. Interest margin on the term loan facility increased by 1.5% from 15 July 2021. The incremental interest of 1.5% is capitalised, compounded and added to the unpaid principal amount of the loan. Interest on the second lien facility is capitalised, compounded and added to the unpaid principal amount of the loan.

Since the inception of the facilities, £136m (2022: £38m) prepayments have been made against the term loan facility; £9m (2022: £5m) interest has been capitalised against the term loan facility and £35m (2022: £14m) against the second lien facility. The outstanding principal of the term loan and second lien facilities as at 31 December 2023 are therefore £173m (2022: £267m) and £135m (2022: £114m) respectively.

Accrued but not yet paid or capitalised interest on the term loan and second lien facilities as at the balance sheet date are £13m (2022: £16m) and £5m (2022: £7m) respectively.

Costs incurred in initially raising these facilities were £39m and are being amortised over the life of the facilities. As at the balance sheet date, total amortised transaction fees and the effect of debt modification for both facilities are carried at £17m (2022: £25m).

Other borrowings

Other borrowings consist of loan notes issued. The principal of the loan notes is £100m. Loan notes are unsecured and are repayable in full on 31 December 2029. Interest is payable at 13.25%. Unpaid interest is capitalised, compounded and added to the unpaid principal amount of the loan. As at 31 December 2023, the outstanding principal of the loan notes is £166m (2022: £146m) of which £66m (2022: £46m) relates to interest capitalised.

The Group's exposure to market and liquidity risk, including maturity analysis, in respect of loans and borrowings is disclosed in Note 32.

25 Leases

Group

The statement of financial position includes the following amounts relating to lease liabilities:

	31 December 2023 £m	31 December 2022 £m
Current lease liabilities	6	9
Non-current lease liabilities	29	34
Total lease liabilities	35	43

Lease liabilities maturity analysis

A maturity analysis of lease liabilities based on undiscounted gross cash flows is as follows:

	31 December 2023 £m	31 December 2022 £m
Less than one year	9	11
Between one and five years	23	25
Greater than five years	16	21
Total lease liabilities (undiscounted)	48	57

The Group leases various offices and vehicles. The balance sheet amounts relating to leases are shown within Note 15 Right-of-use assets.

The current year interest expense on lease liabilities (included in finance costs) was £3m (2022: £3m).

The total cash outflow for leases for the year ended 31 December 2023 was £12m (2022: £15m).



Notes to the Financial Statements

for the Period Ended 31 December 2023 (continued)

26 Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were or will be classified in the Group's statement of cash flows as cash flows from financing activities.

Group

Reconciliation of liabilities arising from financing activities

	At 1 January 2023 £m	Financing cash flows £m	Non-cash changes		At 31 December 2023 £m
			Interest expense £m	Other changes £m	
Non-current loans and borrowings	525	(130)	80	–	475
Non-current lease liabilities	34	–	–	(5)	29
Current lease liabilities	9	(12)	3	6	6
	568	(142)	83	1	510

	At 31 At 1 January 2022 £m	Financing cash flows £m	Non-cash changes		December 2022 £m
			Interest expense £m	Other changes £m	
Non-current loans and borrowings	514	(59)	70	–	525
Non-current lease liabilities	30	–	–	4	34
Current lease liabilities	12	(15)	3	9	9
	556	(74)	73	13	568

The 'Other changes' column includes the effect of new leases, and reclassification of amounts between non-current and current liabilities.

Non-current loans and borrowings financing cash flows include £98m (2022: £38m) prepayments and £32m (2022: £21m) interest payments against the term loan facility during the year. Interest expense include interest expense and amortisation of transaction fees of £80m (2022: £70m).

27 Provisions

Group

	Meter rental agreements provisions £m	Other provisions £m	Total £m
At 1 January 2023	23	25	48
Additional provisions	17	25	42
Provisions used	(6)	(17)	(23)
Unused amounts reversed	–	(4)	(4)
Increase due to passage of time or unwinding of discount	(2)	–	(2)
Increase from transfers and other changes	1	–	1
At 31 December 2023	33	29	62
Non-current liabilities	25	10	35
Current liabilities	8	19	27

Meter rental agreements provisions

Meter rental agreements provisions of £33m (2022: £23m) consist of obligations under agreements with meter assets providers (MAPs) whereby the Group is liable to pay termination charges when commissioned metering equipment has been removed. The costs of £25m (2022: £23m) are expected to be utilised over the lifespan of the agreements and therefore, the timing of the cash outflows is uncertain. In addition, the Group has recognised £8m (2022: £nil) provision in relation to penalties payable for falling short of minimum committed volumes under these agreements. The penalties are expected to be utilised over the lifespan or at the end of the agreements, depending on the MAPs.

Other provisions

Other provisions consist of the following:

Onerous contracts provisions £6m (2022: £10m)

Included in onerous contracts provisions are £3m (2022: £nil) IT-related service contracts that are deemed onerous. These contracts related to services supporting and maintaining the operations of the SSE legacy customer operating platform. The platform has been decommissioned during the year and therefore, these IT contracts are deemed unfavourable. The costs under these contracts are expected to be fully utilised over the next 12 months. Onerous contracts provisions as at 31 December 2022 included £6m relating to a telephony services agreement which was terminated during the year and the costs of £6m were fully utilised.

Restructuring provision £4m (2022: £7m)

Following the acquisition of SSE in 2020, the Group initiated an integration programme which has resulted in the redundancy of a number of employees in the Group. The programme was aimed at simplifying the business to reduce costs. Restructuring costs currently provided for are expected to be fully utilised over the next 12 months.

Dilapidation provision £2m (2022: £5m)

The Group is required to restore the leased premises of its offices to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets.



Notes to the Financial Statements

for the Period Ended 31 December 2023 (continued)

27 Provisions (continued)

Facility agreement exit fee provision £2m (2022: £2m)

Upon the occurrence of an exit event for a fully repaid facility agreement, the Group is required to make an exit fee payment based on the enterprise value of the Group at the date of the event. The recognised provision reflects the Directors' best estimate of the fair value of this fee at 31 December 2023.

The remaining provisions included within other provisions of £15m (2022: £1m) consist of £9m (2022: £nil) relating to obligations under Ofgem schemes which are expected to be utilised in 2024, and £6m (2022: £1m) other claims.

28 Pension and other schemes

Defined contribution pension scheme

The Group operates both defined contribution and benefit pension schemes. The pension cost charge under the defined contribution scheme for the year represents contributions payable by the Group to the scheme and amounted to £14m (2022: £16m).

Defined benefit pension schemes

Introduction

The Group sponsors a funded defined benefit pension scheme for qualifying UK employees, the OVO Energy Group of ESPS. The scheme was established on 14 January 2020 following the acquisition of OVO (S) Energy Services Limited Group by the OVO Group in order to provide retirement benefits for eligible company employees. The scheme is sectionalised with separate sections for former members of the Southern Electricity Group of the ESPS and former members of the Scottish Hydro-Electric Pension Scheme. The assets in each section are ringfenced to provide benefits solely for the members of that section.

The scheme is administered by an independent trustee, which is legally separate from the Group. The trustee is required by law to act in the interest of all relevant beneficiaries, and is responsible for the investment policy for the assets and day-to-day administration of the benefits. Under the scheme, employees are entitled to annual pensions, and in some cases also lump sum benefits, on retirement at age 60 or 63 calculated with reference to pensionable service and final pensionable salary. Benefits are also payable on death and following other events such as withdrawing from active service. No other post-retirement benefits are provided to these employees.

Profile of the scheme

The Defined Benefit Obligation (DBO) includes benefits for current employees, former employees and current pensioners. Broadly, about 29% of the DBO is attributable to current employees, 14% to deferred pensioners and 57% to current pensioners.

The scheme duration is an indicator of the weighted-average time until benefit payments are made. For the scheme as a whole, the duration is approximately 17 years.

Funding requirements

UK legislation requires that pension schemes are funded prudently. The first formal valuation of the scheme since inception on 14 January 2020 had an effective date of 31 March 2020, and resulted in a surplus of £10m relative to technical provisions overall. Following the scheme's first formal valuation, the Group is paying contributions equivalent to 32.7% of salaries for employees in the Southern section and 39.0% of salaries for employees in the Hydro section to meet the expected cost of benefits being built up by these employees.

The formal valuation at 31 March 2023 is currently underway.

Risks associated with the scheme

The scheme exposes the Group to some risks, the most significant of which are:

Asset volatility

The DBO is calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield, this will create a deficit.

The scheme holds some of its assets in equities which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets is monitored to ensure it remains appropriate given the scheme's long-term objectives.

Changes in bond yields

A decrease in corporate bond yields will increase the value placed on the scheme's DBO for accounting purposes, although this will be partially offset by an increase in the value of the scheme's bond holdings.

Inflation risk

The majority of the scheme's DBO is linked to inflation, and higher inflation leads to a higher DBO (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation).

Most of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy

The majority of the scheme's obligations are to provide benefits for the lifetime of the member, so increases in life expectancy will result in an increase in the DBO.

Risk management

The Group and trustees have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes an asset-liability matching policy which aims to reduce the volatility of the funding level of the scheme. By investing in assets such as index-linked gilts and swaps, which perform in line with the liabilities of the scheme, the scheme is protected against inflation being higher than expected. The trustees insure certain benefits which are payable on death before retirement.

Reporting at 31 December 2023

The preliminary results of the formal valuation at 31 March 2023 have been adjusted to the statement of financial position date, taking account of experience over the period since 31 March 2023, changes in market conditions, and differences in the financial and demographic assumptions. The present value of the Defined Benefit Obligation, and the related current service cost, were measured using the projected unit credit method.

The principal assumptions used to calculate the liabilities under IAS 19 are as follows:

Main financial assumptions

The principal financial assumptions used to determine the present value of the defined benefit obligation at the statement of financial position date are as follows:

	31 December 2023 %	31 December 2022 %
Discount rate	4.50	4.70
RPI inflation	3.00	3.10
CPI inflation	2.60	2.70
Rate of general long-term increase in salaries	3.10	3.20
Pension increases in payment (RPI max 5% p.a.)	2.80	2.90
Pension increases in payment (RPI max 3% p.a.)	2.20	2.30
Pension increases in payment (CPI max 3% p.a.)	2.10	2.10

The financial assumptions reflect the nature and term of the scheme's liabilities.



Notes to the Financial Statements

for the Period Ended 31 December 2023 (continued)

28 Pension and other schemes (continued)

Post-retirement mortality assumptions

	31 December 2023 Years	31 December 2022 Years
Life expectancy for male currently aged 60	25.40	26.40
Life expectancy for female currently aged 60	27.60	28.40
Life expectancy at 60 for male currently aged 40	26.90	27.90
Life expectancy at 60 for female currently aged 40	29.20	29.90

	31 December 2023	31 December 2022																								
Mortality base table adopted	<p>SAPS S3 'All' tables for males and SAPS S3 'Middle' tables for females with the following scaling factors:</p> <table border="1"> <thead> <tr> <th style="text-align: left;">Southern Section</th> <th style="text-align: center;">Male member*</th> <th style="text-align: center;">Female member*</th> </tr> </thead> <tbody> <tr> <td>Active</td> <td style="text-align: center;">117%</td> <td style="text-align: center;">103%</td> </tr> <tr> <td>Deferred</td> <td style="text-align: center;">102%</td> <td style="text-align: center;">102%</td> </tr> <tr> <td>Pensioner</td> <td style="text-align: center;">105%</td> <td style="text-align: center;">107%</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th style="text-align: left;">Hydro Section</th> <th style="text-align: center;">Male member*</th> <th style="text-align: center;">Female member*</th> </tr> </thead> <tbody> <tr> <td>Active</td> <td style="text-align: center;">97%</td> <td style="text-align: center;">127%</td> </tr> <tr> <td>Deferred</td> <td style="text-align: center;">97%</td> <td style="text-align: center;">92%</td> </tr> <tr> <td>Pensioner</td> <td style="text-align: center;">101%</td> <td style="text-align: center;">120%</td> </tr> </tbody> </table> <p>* Different scaling factors apply to future dependants</p>	Southern Section	Male member*	Female member*	Active	117%	103%	Deferred	102%	102%	Pensioner	105%	107%	Hydro Section	Male member*	Female member*	Active	97%	127%	Deferred	97%	92%	Pensioner	101%	120%	<p>SAPS S3 Tables 'All' for males and 'Middle' for females scaled by 105% for Southern Section and by 109% for Hydro Section</p>
Southern Section	Male member*	Female member*																								
Active	117%	103%																								
Deferred	102%	102%																								
Pensioner	105%	107%																								
Hydro Section	Male member*	Female member*																								
Active	97%	127%																								
Deferred	97%	92%																								
Pensioner	101%	120%																								
Mortality future improvements adopted	<p>CMI 2022 projections model with Sk parameter of 7.0, A parameter of 0.25% p.a., 2020 and 2021 weighting parameters ("w2020" and "w2021" respectively) of 0% and 2022 weighting parameter ("w2022") of 25%, and long-term improvement rate of 1.25% p.a.</p>	<p>CMI 2021 projections model with Sk parameter of 7.0 and A parameter of 0.25, and long-term improvement rate of 1.25% p.a.</p>																								
GMP equalisation	<p>Cost of equalising benefits for differences in GMPs between males and females taken to be around 0.2% of liabilities</p>	<p>Cost of equalising benefits for differences in GMPs between males and females taken to be around 0.2% of liabilities</p>																								
Cash commutation	<p>Allowance made for members to take maximum permitted lump sum at retirement by commuting pension based on current commutation terms</p>	<p>Allowance made for members to take maximum permitted lump sum at retirement by commuting pension based on current commutation terms</p>																								

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	31 December 2023 £m	31 December 2022 £m
Fair value of scheme assets	88	85
Present value of scheme liabilities	(62)	(56)
Defined benefit pension scheme surplus	26	29
Asset recognised in the statement of financial position	26	29

Minimum funding requirement

When determining the adjustment in respect of the minimum funding requirement, it has been assumed that the Group would be entitled to a refund from the scheme of any surplus arising in the scheme in future. This is on the basis of the gradual settlement of liabilities over time until there are no remaining members, and takes into account the respective powers of the company and the trustees under the scheme's governing documentation.

Scheme assets

Changes in the fair value of scheme assets during the year are as follows:

	31 December 2023 £m	31 December 2022 £m
Fair value at start of year	85	120
Interest income on scheme assets	4	2
Re-measurement gains/(losses) on scheme assets	1	(37)
Contributions by employer	2	3
Net benefits paid out	(4)	(3)
Fair value at end of year	88	85



Notes to the Financial Statements

for the Period Ended 31 December 2023 (continued)

28 Pension and other schemes (continued)

Analysis of assets

The scheme assets are invested in the following asset classes:

	31 December 2023 £m	31 December 2022 £m
Equities	13	12
Index-linked gilts	34	31
Corporate bonds	35	33
Cash/net current assets	6	9
Total market value of assets	88	85

Actual return on scheme assets

	2023 £m	2022 £m
Interest income on scheme assets	4	2
Re-measurement gains/(losses) on scheme assets	1	(37)
Actual return on scheme assets	5	(35)

The pension scheme has not invested in any of the Group's own financial instruments or in properties or other assets used by the Group. All scheme assets are quoted.

Scheme liabilities

Changes in the present value of scheme liabilities over the year are as follows:

	31 December 2023 £m	31 December 2022 £m
Present value at start of year	56	100
Current service cost	1	3
Past service cost (including curtailments)	7	2
Actuarial losses/(gains) on scheme liabilities arising from changes in financial assumptions	1	(49)
Actuarial (gains)/losses on scheme liabilities arising from changes in demographic assumptions	(1)	1
Actuarial (gains)/losses on scheme liabilities arising from experience	(1)	1
Interest expense	3	2
Net benefits paid out	(4)	(4)
Present value at end of year	62	56

Amounts recognised in the consolidated income statement

	2023 £m	2022 £m
Amounts recognised in operating profit/(loss)		
Current service cost	(1)	(3)
Past service cost (including curtailments)	(7)	(2)
Recognised in arriving at operating profit/(loss)	(8)	(5)
Amounts recognised in finance income		
Interest income on defined benefit pension scheme	1	-
Amounts recognised in the income statement	(7)	(5)

Amounts taken to the consolidated statement of comprehensive income

	2023 £m	2022 £m
Re-measurement gains/(losses) on scheme assets	1	(37)
Actuarial (losses)/gains arising on scheme liabilities from changes in financial assumptions	(1)	49
Actuarial gains/(losses) on scheme liabilities arising from changes in demographic assumptions	1	(1)
Actuarial gains/(losses) on scheme liabilities arising from experience	1	(1)
Amounts recognised in the statement of comprehensive income	2	10

Sensitivity to key assumptions

The key assumptions used for IAS 19 are: discount rate, inflation and mortality. If different assumptions were used, this could have a material effect on the results disclosed. The sensitivity of the results to these assumptions is set out below.

The sensitivity information shown has been prepared by approximately adjusting the IAS 19 liabilities calculated at the statement of financial position date using the same method used to adjust the results of the latest formal valuation to the statement of financial position date.

	2023 Change £m	Value £m	2022 Change £m	Value £m
DBO at the end of year	-	62	-	56
0.25% p.a. decrease in the discount rate	3	65	3	60
0.25% p.a. increase in the inflation assumptions	2	64	3	59
One-year increase in life expectancy	1	63	1	58



Notes to the Financial Statements

for the Period Ended 31 December 2023 (continued)

29 Share capital and reserves

Allotted, called up and fully paid shares

	31 December 2023		26 October 2022	
	No.	£	No.	£
A Ordinary of £0.00001 each	14,598,927	1,460	–	–
Preference Shares of £0.00001 each	1,869,749	187	–	–
	16,468,676	1,647	–	–

Both A Ordinary and Preference shares have full voting, dividend and capital distribution rights. The Preference shares have priority rights to a dividend and on a return of capital. Both A Ordinary and Preference shares do not confer any rights of redemption.

Current year movements in issued capital are as follows:

	26 October 2022 No.	Newly Issued No.	Cancelled No.	31 December 2023
A Ordinary	–	24,407,016	(9,808,089)	14,598,927
Preference	–	1,869,749	–	1,869,749
Total	–	26,276,765	(9,808,089)	16,468,676

Refer to Summary of transactions with entities controlled by the same ultimate controlling party (Company) in Note 33 Related party transactions for further details on share capital movement.

Nature and purpose of reserves

Other reserves (Group & Company)

Other reserves arose as part of the group reorganisation in the current year. Refer to Group reorganisation in the Summary of significant accounting policy for further details on the amount arisen from the Group reorganisation. The Group's other reserves also include a share-based payment reserve of £1m (2022: £nil).

30 Share-based payments

Group Share Schemes

Scheme details and movements

The Group operates a number of employee share scheme applicable to senior and middle management employees. Under the terms of the schemes, employees of the Group are awarded class B, C, D and E Ordinary shares in OVO Group Ltd, and class A, B and E Ordinary shares in Kaluza Ltd. The schemes have different vesting periods and conditions depending on the class and company of the shares awarded. Schemes awarding shares in OVO Group Ltd and shares in Kaluza Ltd vest in tranches over a four year period, with a portion of the shares vesting at certain time intervals. The vesting of shares is subject to continued employment in the companies of the Group. Employees leaving prior to the vesting date will forfeit their rights to unvested share awards. Vested shares under the schemes are acquired on a future sale, initial public offering, or return of capital of the issuing company.

The share-based payment expense is recognised in the income statement of the employing companies of the Group. The schemes are equity settled and a fair value liability is calculated on grant date. The expense is charged to the income statement on a straight-line basis over the expected vesting period of the awards. For the purpose of valuing the awards, to calculate the share-based payment charge, shares issued during the year were valued using an option pricing methodology with inputs such as the equity value of the companies based on observable market multiples of competitors, discounted cash flows and, where available, transaction data.

B1 and B3 shares in OVO Group Ltd issued in 2023 were valued at £4.08 and £0.05 per share respectively (2022: £0.10 per B3 share). A, B1 and E1 shares in Kaluza Ltd issued in 2023 were valued at £0.99, £0.27 and £0.88 per share respectively.

The total charge to the income statement and the corresponding increase in equity was £770,000 in 2023 (2022: £135,000).

Reconciliation of movements in awards

Thousands of shares Share class	Shares issued in Kaluza Ltd			Shares issued in OVO Group Ltd			
	A	B	E	B	C	D	E
As at 1 January 2023	–	–	–	166	27	408	480
Issued in the year	364	590	636	57	–	–	–
Forfeited in the year	–	(17)	–	(16)	–	–	–
Issued at 31 December 2023	364	573	636	207	27	408	480
Weighted average vesting period (months)	12	20	15	25	–	–	–

Thousands of shares Share class	Shares issued in OVO Group Ltd			
	B	C	D	E
As at 1 January 2022	164	27	408	514
Issued in the year	29	–	–	–
Forfeited in the year	(27)	–	–	(34)
Issued at 31 December 2022	166	27	408	480
Weighted average vesting period (months)	19	–	–	–



Notes to the Financial Statements

for the Period Ended 31 December 2023 (continued)

31 Financial instruments

Set out below is a comparison, by class, of the carrying amounts and fair values of the Group's financial instruments:

Group

Group	31 December 2023 £m Carrying value	31 December 2023 £m Fair value	31 December 2022 £m Carrying value	31 December 2022 £m Fair value
Financial assets				
Financial assets through profit or loss				
Trade and other receivables	10	10	1	1
Derivative financial instruments	70	70	38	38
Total financial assets through profit or loss	80	80	39	39
Financial assets at amortised cost				
Cash and cash equivalents	572	572	474	474
Trade and other receivables	745	745	1,007	1,007
Total financial assets at amortised cost	1,317	1,317	1,481	1,481
Total financial assets	1,397	1,397	1,520	1,520
Financial liabilities				
Financial liabilities through profit or loss				
Derivative financial instruments	-	-	(1,054)	(1,054)
Financial liabilities at amortised cost				
Trade and other payables	(1,157)	(1,157)	(1,311)	(1,311)
Loans and borrowings	(475)	(475)	(525)	(543)
Lease liabilities	(35)	(35)	(43)	(43)
Total financial liabilities at amortised cost	(1,667)	(1,667)	(1,879)	(1,897)
Total financial liabilities	(1,667)	(1,667)	(2,933)	(2,951)

Deferred consideration of £10m arising from the disposal of heritage meter portfolio has been recognised as a financial asset at fair value through profit or loss and included in trade and other receivables.

As at 31 December 2022, the Group held £1m convertible loan notes issued by the Group's associates, which were accounted for at fair value through profit or loss and included in trade and other receivables. The loan notes were repaid during the year.

Management assesses that the fair values of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their carrying amounts largely due to the short term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values:

- The fair value of financial assets is based on the expectation of recovery of balances. Impaired receivables mainly relate to customers from whom it is unlikely that full payment will ever be received. The primary inputs used to impair the receivable balances are not based on observable market data.
- The fair value of loans and borrowings and lease liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- The fair value of derivative financial instruments is determined with reference to closing market prices. All derivatives are classified as Level 2 within the fair value hierarchy. The fair value measurements are those derived from inputs, other than quoted prices, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

32 Financial risk management and impairment of financial assets

Group

The Group's activities expose it to a variety of financial risks: credit risk, market risk (predominantly from interest rate risk and commodity price risk), liquidity risk and operational risk. The Group's overall risk management programme focuses on the unpredictability of commodity price markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the Risk Committee, under policies approved by the Directors and the Group management team.

Credit risk and impairment

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and from security deposits held by suppliers and distributors as collateral and deposits with the Group's bank.

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £1,397m (2022: £1,520m) being the total of the carrying amount of financial assets which include trade receivables and accrued income, derivative financial instruments and cash. Included in the carrying amount of financial assets are security deposits held by suppliers and distributors as collateral which amounted to £77m (2022: £87m). Treasury, trading and energy procurement counterparties typically have strong credit ratings and accordingly have low credit risk; the Group does not expect credit losses to arise on these balances. The Group manages credit risk relating to trade receivables and accrued income by monitoring the ageing of outstanding balances regularly and, depending on the business units, assessing the creditworthiness of a new customer before trade commences. As the Group's customer base is residential and therefore diverse, there is limited concentration of risk.

The Group measures expected credit losses by performing an impairment analysis at each reporting date. Expected credit losses are recognised unless the Group is satisfied that no recovery of the amount owing is possible, at which point the amounts considered irrecoverable are written off against the trade receivable directly. The Group provides for impairment losses based on estimated irrecoverable amounts determined by reference to specific circumstances and the experience of management of debtor default in the industry. Trade receivables are written off only after a period of time has elapsed since the final bill. Enforcement activity continues in respect of these balances unless there are specific known circumstances that remove any value in further action.

The credit quality of financial assets that are neither due or impaired can be assessed by reference to historical information about counterparty default rates. Impaired receivables mainly relate to customers from whom it is unlikely that full payments will be received. The simplified approach of measuring lifetime expected credit losses has been adopted to measure expected credit losses on trade receivables and accrued income. The provision is calculated based on default rates applied to different groups of outstanding receivables based on brands and payment types, whether the receivables are billed or unbilled, and whether the customer has left. The Directors have based their assessment of the level of impairment on collection rates experienced within each grouping to date.

Macroeconomic conditions

Management has taken into account the impact of forward-looking economic factors when measuring expected credit losses. In assessing the adequacy of expected credit loss allowances, management has excluded the effect of Government support measures which largely ended in June 2023. This has resulted in an uplift in the allowances. In addition, collection performance in the year was negatively impacted by the suspension of field-based debt collection activity. As field activity is expected to resume in 2024, management has included a benefit in the allowances.



Notes to the Financial Statements

for the Period Ended 31 December 2023 (continued)

32 Financial risk management and impairment of financial assets (continued)

Whilst inflation and interest rates remain high, management considered the impact of these factors has already been included in the past collection performance over the prior year which forms the basis of the underlying calculation of loss allowances. In addition, external information suggests household disposable income is only forecast to decrease modestly in 2024. Therefore, management has not included further uplift in the allowances relating to these factors.

Allowances for impairment by credit losses

2023	Energy supply customers £m
At start of year	329
Additional impairment for credit losses recognised in the year	247
Amounts written off	(66)
At end of year	510

2022	Energy supply customers £m
At start of year	310
Additional impairment for credit losses recognised in the year	167
Amounts written off	(146)
Reversal of impairment losses	(2)
At end of year	329

All expected credit losses recognised within the Group related to energy supply revenue contracts with customers. The tables below show the ageing and expected credit losses profile of billed receivables for credit customers. Billed receivables are segmented on a customer account basis by the age of the customer's oldest invoice. Ageing is not available for Pay-as-you-go receivables of £89m (2022: £115m) against which a provision of £40m is held (2022: £37m). Unbilled receivables are £221m (2022: £351m) against which a provision of £12m is held (2022: £34m). Provisions for Pay-as-you-go and unbilled receivables are calculated on the similar basis as billed receivables. In addition, the Group has non-energy supply related receivable balances of £31m (2022: £40m) against which no provision is held.

2023**Residential energy customers**

Days past oldest invoice date	Current £m	31-90 days £m	>90 days £m	>12 months £m	Total £m
Direct debits					
Expected credit loss rate	0.0%	0.0%	7.1%	38.9%	10.5%
Gross carrying amount	17	18	42	18	95
Expected credit loss	–	–	3	7	10
Net carrying amount	17	18	39	11	85
Payment on demand					
Expected credit loss rate	9.1%	15.4%	35.0%	81.5%	56.3%
Gross carrying amount	33	26	140	222	421
Expected credit loss	3	4	49	181	237
Net carrying amount	30	22	91	41	184
Final bills					
Expected credit loss rate	50.0%	62.5%	73.3%	93.7%	85.8%
Gross carrying amount	4	8	75	159	246
Expected credit loss	2	5	55	149	211
Net carrying amount	2	3	20	10	35
Total net residential energy customer receivables	49	43	150	62	304

2022**Residential energy customers**

Days past oldest invoice date	Current £m	31-90 days £m	>90 days £m	>12 months £m	Total £m
Direct debits					
Expected credit loss rate	4.8%	5.0%	6.5%	28.6%	7.6%
Gross carrying amount	21	20	31	7	79
Expected credit loss	1	1	2	2	6
Net carrying amount	20	19	29	5	73
Payment on demand					
Expected credit loss rate	20.5%	28.6%	35.2%	43.8%	36.0%
Gross carrying amount	39	28	88	112	267
Expected credit loss	8	8	31	49	96
Net carrying amount	31	20	57	63	171
Final bills					
Expected credit loss rate	42.9%	46.2%	72.5%	90.7%	79.7%
Gross carrying amount	7	13	69	108	197
Expected credit loss	3	6	50	98	157
Net carrying amount	4	7	19	10	40
Total net residential energy customer receivables	55	46	105	78	284



Notes to the Financial Statements

for the Period Ended 31 December 2023 (continued)

32 Financial risk management and impairment of financial assets (continued)

Market risk

Interest rate risk

The Group borrows to finance its operations and growth. Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates. The Group aims to minimise interest rate risk in order to optimise cost of capital.

Sensitivity analysis

The Group has performed an analysis of the sensitivity of the Group's financial position and performance to changes in interest rates. The Group deems a two percentage point move (2022: two) in UK interest rates to be reasonably possible, considering the current interest rate environment. The Group's profit/(loss) before tax is affected through the impact on floating rate borrowings as follows:

	2023		2022	
	Increase/ decrease in basis points	Effect on profit before tax £m	Increase/ decrease in basis points	Effect on loss before tax £m
Term loan facilities	+200	(7)	+200	8
	- 200	7	- 200	(8)

Commodity price risk

Commodity risk is the exposure that the Group has to price movements in the wholesale gas and electricity markets. The risk is primarily that market prices for commodities will fluctuate between the time that tariffs are set and the time at which the corresponding procurement cost is fixed; this may result in lower than expected margins or unprofitable sales. The Group is also exposed to volumetric risk in the form of uncertain consumption profiles arising from a range of factors which include weather, economic climate and changes in energy consumption patterns.

The Group manages commodity risk by entering into forward contracts for a variety of periods. Energy procurement contracts are entered into and continue to be held for the purpose of the receipt of a non-financial item which is in accordance with the Group's expected purchase and sale requirements and are therefore out of scope of IFRS 9. Only certain energy contracts that are not designated as 'own-use' contracts constitute financial instruments under IFRS 9.

Energy contracts that are not financial instruments under IFRS 9 are accounted for as executory contracts and changes in fair value do not immediately impact profit or equity, and as such, are not exposed to commodity price risk as defined by IFRS 7. So, whilst the risk associated with energy procurement contracts outside the scope of IFRS 9 is monitored for internal risk management purposes, only those energy contracts within the scope of IFRS 9 are within the scope of the IFRS 7 disclosure requirements. Although the Group only enters into contracts based on expected volumes, the volumetric risk discussed above means that the Group often has to enter into offsetting sell trades to match actual demand. This constitutes net settling under IFRS 9 which requires such contracts to be treated as derivative financial instruments under IFRS 9 rather than falling within the 'own-use' exemption. The Group therefore designates its contracts as either 'own-use' or 'trading' depending on the risk of them being net settled, with only those contracts that are deemed to be highly probable of resulting in physical delivery being treated as own-use.

The Group regularly re-assesses the volume threshold at which contracts are deemed to be highly probable of resulting in physical delivery to reflect the latest best view of forecasted volume. As at 31 December 2023, the Group has £70m (2022: £1,016m) derivative energy contracts that are not determined as own-use contracts and are measured at fair value through profit or loss.

Sensitivity analysis

The Group has performed an analysis of the sensitivity of the Group's financial position and performance to changes in commodity prices in respect to derivative energy contracts measured at fair value through profit or loss. The impact of changes in commodity prices on the fair value of the Group's derivative financial assets is as follows:

	2023		2022
	Reasonably possible change in variable	Effect on profit before tax £m	Effect on loss before tax £m
UK gas (p/therm)	+/- 25%	- /(-)	109/(109)
UK power (£/MWh)	+/- 25%	7/(7)	56/(56)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group management team uses short and long term cash flow forecasts to manage liquidity risk. Forecasts are supplemented by sensitivity analysis which is used to assess funding adequacy for at least a 12-month period.

The biggest threat to the Group's liquidity would arise from unusually cold weather or other factors causing customer volumes to be much higher than anticipated. This could place a strain on the Group's working capital as payments due for supplier invoices could become due before customer collection levels could be adjusted. The Group has an extended payment facility with its key supplier where the Group may defer payments past the supplier invoices due date. The maximum credit available under the facility varies monthly as it is generally based on the Group's working capital. During the year, the credit available under the facility ranged from £0 to £125m. The Group has not utilised the facility in the current or prior year. The Group also manages this liquidity risk by following a strict and sophisticated hedging policy which details the methods by which the Group models, manages and executes on its gas and power demand forecasts and wholesale energy trading position. The Group generally hedges in line with Ofgem mechanism that calculates the wholesale cost allowance in the price cap. The Group does not actively seek to speculate on commodity price risk and all trades are entered into to reduce the risk associated with wholesale energy price exposure. The policy also limits the maximum and minimum size of the hedged position.

The Group manages its cash resources to ensure it has sufficient funds to meet all expected demands as they fall due. The table below sets out the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Maturity analysis

	Within 1 year £m	Between 1 and 5 years £m	After more than 5 years £m	Total £m
2023				
Trade and other payables	1,111	46	-	1,157
Bank and other borrowings	-	309	166	475
Lease liabilities	9	23	16	48
	1,120	378	182	1,680



Notes to the Financial Statements

for the Period Ended 31 December 2023 (continued)

32 Financial risk management and impairment of financial assets (continued)

	Within 1 year £m	Between 1 and 5 years £m	After more than 5 years £m	Total £m
2022				
Trade and other payables	1,293	18	–	1,311
Bank and other borrowings	–	397	146	543
Lease liabilities	11	25	21	57
Derivative financial instruments	1,054	–	–	1,054
	2,358	440	167	2,965

Capital risk management

Capital risk is managed to ensure the Group continues as a going concern and grows in a sustainable manner. The Group's total capital comprises the Group's net debt and total equity. Net debt is calculated as total loans and borrowings less cash and cash equivalents (excluding restricted cash). Management monitors debt levels to limit the risk of financial distress and to improve the Group's credit standing and, in doing so, seeks to reduce its cost of debt and collateral requirements in energy trading and hedging arrangements, and to remain as an attractive counterparty to the Group's suppliers.

The Group maintains a consolidated financial model to monitor the development of the Group's capital structure, which has the ability to model various scenarios and sensitivities. Key outputs from this model are regularly presented to the Board.

	Group	
	31 December 2023 £m	31 December 2022 £m
Loans and borrowings	475	525
Less: cash and cash equivalents (excluding restricted cash)	(428)	(205)
Net debt	47	320
Total shareholders' deficit	(299)	(1,119)
Total capital	(252)	(799)

The Group's borrowings are subject to meeting its financial covenants attached to the Group's credit facilities. The Group complied with all external borrowing covenants during the years ended 31 December 2023 and 31 December 2022. Compliance with these covenants is monitored by management on a monthly basis. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 2022, except for the exclusion of lease liabilities from the definition of capital.

33 Related party transactions

Key management personnel

Key management includes Directors of the Company and members of the Group executive leadership team. The compensation paid or payable to key management for employee services to the Group's subsidiaries is as follows:

	2023 £'000	2022 £'000
Wages and salaries	4,913	5,443
Compensation for loss of office	–	963
Social security costs	663	991
Pension costs – defined contribution scheme	76	72
Share-based payments	51	45
	5,703	7,514

Summary of transactions with key management

Loans with Directors and key management personnel are disclosed as follows:

2023

	At 1 January 2023 £'000	Advances £'000	Repayments £'000	At 31 December 2023 £'000
Loans to Directors and key management personnel	405	18	(11)	412

2022

	At 1 January 2022 £'000	Advances £'000	Repayments £'000	At 31 December 2022 £'000
Loans to Directors and key management personnel	405	–	–	405

Loans to Directors and key management personnel are subject to interest at the official rate which was 2% from 1 January 2023 to 5 April 2023 and 2.25% from 6 April 2023. Interest is accrued on a daily basis on the principal amount of the loan outstanding. Interest is payable upon the repayment of the loan amount. Interest accruing on these loans amounted to £9,000 (2022: £8,000) for the year.

In February 2023, the Group sold shares in Indra Renewable Technologies Limited (Indra) to a management personnel prior to the sale of its stake in Indra to Gulf Oil International Limited. The same management personnel had been advanced a loan by Intelligent Energy Technology Ltd, a subsidiary of the Group. Interest was accrued on a daily basis on the principal amount of the loan at the official rate which was 2% from 1 January 2023 to 5 April 2023 and 2.25% from 6 April 2023. The loan of £1m and accrued interest of £17,000 were repaid in full during the year.

Summary of transactions with entities controlled by the same ultimate controlling party (Company)

Up until 7 March 2023, Imagination Industries Ltd (IIL) was the ultimate and immediate parent of OVO Group Ltd (OGL). On 7 March 2023, IIL undertook a group reorganisation, demerging its non-core activities. As a result, Energy Transition Holdings Ltd (ETHL) was formed and became the ultimate parent undertaking of OVO Group Ltd and its subsidiaries. A series of related party transactions took place in order to facilitate the reorganisation.

ETHL was incorporated on 26 October 2022. 1 ordinary A share of nominal value £0.0001 was issued by the Company to Stephen Fitzpatrick (SF), the ultimate controlling party of the Company, for £0.0001 consideration settled in cash.



Notes to the Financial Statements

for the Period Ended 31 December 2023 (continued)

33 Related party transactions (continued)

On 7 March 2023, ETHL issued 19,616,177 ordinary A shares of nominal value £0.0001 to SF in exchange for 950,000 IIL ordinary shares of nominal value £0.0001 which was 100% of the issued share capital of IIL. Subsequently, IIL distributed 100% of its shares in OGL to the Company, being 9,808,089 ordinary A shares of £0.00001.

On 9 March 2023, 9,808,089 A ordinary shares of ETHL with nominal value of £0.0001 each were extinguished by way of a capital reduction actioned via a solvency statement. ETHL transferred 100% of its shares in IIL to Imagination Industries Holdings Ltd (IIHL).

On 9 March 2023, ETHL issued shares to Mitsubishi Corporation, Mayfair Olympic Holdco Limited and Anthony Rice in exchange for their existing shares in OGL. The shareholders exchanged their shareholdings as follows:

- Mitsubishi Corporation exchanged 3,383,320 A ordinary shares in OGL for 3,383,320 A ordinary shares in ETHL.
- Mayfair Olympic Holdco Limited exchanged 1,860,465 preference shares and 115,187 A ordinary shares in OGL for 1,860,465 preference shares and 115,187 A ordinary shares in ETHL.
- Mayfair Galahad Holdco Limited exchanged 1,291,756 A ordinary shares in OGL for 1,291,756 A ordinary shares in ETHL.
- Anthony Rice exchanged 9,284 preferred shares and 575 A ordinary shares in OGL for 9,284 preferred shares and 575 A ordinary shares in ETHL.

Summary of transactions with parent entities (Group)

Imagination Industries Ltd

During the year, the Group incurred costs of £43m payable to Imagination Industries Ltd (2022: £32m). As at 31 December 2023, £61m remained outstanding from the Group to Imagination Industries Ltd (2022: £33m).

Mayfair Equity Partners LLP

During the year, the Group incurred costs of £100,000 payable to Mayfair Equity Partners LLP (2022: £100,000). No amounts were outstanding as at 31 December 2023 (2022: £nil).

Mitsubishi Corporation International (Europe) plc

During the year, the Group incurred costs of £114,000 payable to Mitsubishi Corporation International (Europe) plc (2022: £103,000). No amounts were outstanding as at 31 December 2023 (2022: £nil).

Summary of transactions with associates (Group)

The Renewable Exchange Limited and Chaddenwysh Services Limited

Interest on loan notes issued by The Renewable Exchange Limited and Chaddenwysh Services Limited is accrued at 7% and 10% respectively and the loan notes are repayable or convertible into shareholding in the associates at maturity or in certain events. As at 31 December 2022, loans to The Renewable Exchange Limited of £1m and Chaddenwysh Services Limited of £1m were outstanding. These loans were repaid in the year ended 31 December 2023 in exchange of increased shareholding in the associates.

Indra Renewable Technologies Limited

In the year ended 31 December 2022, the Group agreed to extend a working capital loan facility to Indra Renewable Technologies Limited (Indra) in exchange for stock warrants. Interest was accrued at 8% on the working capital loan. The facility was repaid in the prior year. Indra is no longer an associate of the Group as at 1 August 2023 as the Group reduced its stake in the entity during the year. During the year, the Group purchased inventories of £1m (2022: £nil). The amount disclosed consist of purchases up to 31 July 2023. No amounts in relation to the purchases were outstanding as at 31 December 2023 (2022: £nil).

OVO Energy Pty Ltd

In April 2021, the Group entered into a partnership with AGL, Australia's largest energy retailer and generator to bring digital energy services to Australia. As part of the agreement, Kaluza Ltd, a wholly owned subsidiary of the Group, provides professional and subscription services to OVO Energy Pty Ltd (OEA), a Group's associate. The Group has recognised £4m (2022: £1m) revenue from OEA in the year and deferred revenue of £1m (2022: £5m) as at 31 December 2023 relating to payments received in advance of services performed. No amounts were outstanding as at 31 December 2023 (2022: £nil).

34 Parent and ultimate parent undertaking

The ultimate controlling party is Stephen Fitzpatrick.

The Company is the most senior parent entity producing publicly available financial statements. These financial statements are available upon request from the registered office at 1 Rivergate, Temple Quay, Bristol, United Kingdom, BS1 6ED, UK.

35 Subsequent events after the period ended 31 December 2023

On 28 March 2024, OVO Group Ltd, a subsidiary of the Company, entered into an agreement to sell its shareholding in OVO Energy Australia Pty Ltd (OEA) to AGL Electricity (VIC) Pty Limited (AGL) for £2m. Completion occurred on 3 April 2024.

In June 24, the Group announced the closure of Energy Solutions business in 2025. The principal activity of the business is the installation of energy efficiency measures in domestic properties. The decision came as part of the Group's strategy to focus solely on the energy retail market. The closure will take place over the next year.

In June 2024, the Group and AGL New Energy EIF Pty Limited (AGL) entered into a share subscription agreement whereby AGL will acquire 20% stake in Kaluza Ltd by way of new shares subscription in the company for a consideration of £79m, subject to conditions precedent.

In July 2024, the Group successfully renewed its energy trading arrangements with its key supplier which include various deferred payment facilities, with a combined total facility limit of up to £325m.

For more information:

www.ovoenergylimited.co.uk



Plan Zero Metrics Basis of Preparations

Reduction in our carbon footprint (%)	*This metric has been calculated as follows: $(\text{Total assured carbon emissions for current year (tCO}_2\text{e)} - \text{Total assured carbon emissions for baseline year (tCO}_2\text{e)}) / (\text{Total assured carbon emissions for baseline year (tCO}_2\text{e)}) * 100$
EVs in our fleet (%)	*This metric has been calculated as follows: $(\text{Number of fleet vehicles that are electric (\#)} / (\text{Total fleet vehicles (\#)}))$
Offices powered by renewable electricity (%)	*This metric has been calculated as follows: $\text{renewable electricity (kWh)} + \text{renewable electricity generated onsite (kWh)} / \text{total electricity consumed (kWh)}$
Facilities energy efficiency (kWh / m2)	*This metric is measured as energy (in kWh) over floor area (m2) and it is calculated as follows: $(\text{Total energy consumed (gas, electricity and onsite generation in kWh) in premises that OVO operates}) / (\text{Total floor area occupied by OVO for these sites (m}^2\text{)})$
Smart metres installed (cumulative)	*This metric is calculated as: $\text{Number of meters on supply that are smart (\#)} / \text{Total meters on supply (\#)}$
Tonnes of carbon emissions avoided through provision of decarbonisation products and services (tCO ₂ e)	*This metric is calculated as: $(\text{Number of product installations (\#)}) \times (\text{carbon avoided per product sale (tCO}_2\text{e avoided per install per year)})$ The value attributed per product is calculated according to this methodology ¹ , although the carbon saved per product is updated annually.
Reduction in natural gas sold (%)	*This metric is measured as a percentage reduction between the kWh of gas sold in the current year vs the baseline year. It is calculated as: $((\text{Total gas sold to customers in current year (kWh)}) - (\text{total gas sold to customers in baseline year (kWh)})) / (\text{total gas sold to customers in baseline year (kWh)})$

Customers that think we're a leading green company (%)	*This metric is calculated as: $(\text{Total customers that think we're a leading green company (\#)} / (\text{total OVO customers tested (\#)}))$
Active quarterly Energy Tracker users (%)	*This metric is calculated as: $(\text{Total customers that engage with energy saving insights relating to their consumption data (\#)} / (\text{total customers able to access said energy saving insights (\#)}))$
Most vulnerable customers who feel OVO provided the support they need (%)	*This metric is calculated as: <i>An average customer satisfaction score among customers who are present on the Priority Service Register (PSR)</i>
Number of homes that have had energy efficient measures installed by Energy Solutions (#)	*The metric is calculated as: <i>the number of homes that Energy Solutions have installed energy efficiency measures into (#)</i>
Overall Peakon score	*This metric is calculated as: <i>the Average of all scores provided by OVO people for "Overall Peakon Score"</i>
Plan Zero Peakon score	*This metric is calculated as: <i>the Average of all scores provided by OVO people for "Plan Zero Peakon Score"</i>
Belonging Peakon score	*This metric is calculated as: <i>the Average of all scores provided by OVO people for "Belonging Peakon Score"</i>
Female representation at a leadership level (%)	*This metric is calculated as: $\text{Women in leadership} = (\text{Total women at a leadership level (\#)} / (\text{All leadership roles (\#)}))$
Ethnic minority representation at a leadership level (%)	*This metric is calculated as: $(\text{All leadership roles that identify as an ethnic minority (\#)} / (\text{All leadership roles (\#)}))$
Green jobs created (#)	*This metric is calculated as: <i>number of roles created that are defined as 'green' e.g. help advise on, survey or install decarbonisation technologies into customers homes (#)</i>

For more information:

www.ovoenerylimited.co.uk