FILE

ORIGINAL

Ohio | Public Utilities Commission

Original CRS Case Number	Version
00 - 1758 -EL-CRS	May 2016

RENEWAL APPLICATION FOR RETAIL GENERATION PROVIDERS AND POWER MARKETERS

Please print or type all required information. Identify all attachments with an exhibit label and title (Example: Exhibit C-10 Corporate Structure). All attachments should bear the legal name of the Applicant. Applicants should file completed applications and all related correspondence with the Public Utilities Commission of Ohio, Docketing Division; 180 East Broad Street, Columbus, Ohio 43215-3793.

This PDF form is designed so that you may input information directly onto the form. You may also download the form, by saving it to your local disk, for later use.

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A. RENEWAL INFORMATION

A-1 Applicant intends to be renewed as: (check all that apply)

☐ Retail Generation Provider ☐ Power Broker
☑ Power Marketer ☐ Aggregator

A-2 Applicant's legal name, address, telephone number, PUCO certificate number, and web site address

Legal Name **Direct Energy Business LLC**
Address **1001 Liberty Avenue, Suite 1200, Pittsburgh, PA 15222**
PUCO Certificate # and Date Certified **00-008E(9), dated November 4, 2016**
Telephone # **(800) 437-7265** Web site address (if any) **www.business.directenergy.com**

A-3 List name, address, telephone number and we b site address under which Applicant does business in Ohio

Legal Name **Direct Energy Business LLC**
Address **1001 Liberty Avenue, Suite 1200, Pittsburgh, PA 15222**
Telephone # **(800) 437-7265** Web site address (if any) **www.business.directenergy.com**

A-4 List all names under which the applicant does business in North America

Direct Energy Business LLC

A-5 Contact person for regulatory or emergency matters

Name Teresa Ringenbach
Title Sr. Manager, Gov't & Regulatory Affairs
Business address 5200 Upper Metro Place, Dublin, OH 43017
Telephone # (614) 669-6829 Fax #
E-mail address teresa.ringenbach@directenergy.(

A-6 Contact person for Commission Staff use in investigating customer complaints

Name Nicole Nadeja
Title Supervisor, Customer Escalations & Critical Care Is
Business address 1001 Liberty Avenue, Suite 1200, Pittsburgh, PA 15222
Telephone # (888) 925-9115 Fax #
E-mail address DEB.President@directenergy.com

A-7 Applicant's address and toll-free number for customer service and complaints

Customer Service address 1001 Liberty Avenue, Suite 1200, Pittsburgh, PA 15222
Toll-free Telephone # (888) 925-9115 Fax #
E-mail address DEB.President@directenergy.com

A-8 Applicant's federal employer identification number # 25-1821047

A-9 Applicant's form of ownership (check one)

☐ Sole Proprietorship
☐ Limited Liability Partnership (LLP)
☐ Corporation
☐ Partnership
☑ Limited Liability Company (LLC)
☐ Other

PROVIDE THE FOLLOWING AS SEPARATE ATTACHMENTS AND LABEL AS INDICATED:

A-10 **Exhibit A-10 "Principal Officers, Directors & Partners"** provide the names, titles, addresses and telephone numbers of the applicant's principal officers, directors, partners, or other similar officials.

B. MANAGERIAL CAPABILITY AND EXPERIENCE

PROVIDE THE FOLLOWING AS SEPARATE ATTACHMENTS AND LABEL AS INDICATED:

B-1 **Exhibit B-1 "Jurisdictions of Operation,"** provide a list of all jurisdictions in which the applicant or any affiliated interest of the applicant is, at the date of filing the application, certified, licensed, registered, or otherwise authorized to provide retail or wholesale electric services.

B-2 **Exhibit B-2 "Experience & Plans,"** provide a description of the applicant's experience and plan for contracting with customers, providing contracted services, providing billing statements, and responding to customer inquiries and complaints in accordance with Commission rules adopted pursuant to Section 4928.10 of the Revised Code.

B-3 **Exhibit B-3 "Disclosure of Liabilities and Investigations,"** provide a description of all existing, pending or past rulings, judgments, contingent liabilities, revocation of authority, regulatory investigations, or any other matter that could adversely impact the applicant's financial or operational status or ability to provide the services it is seeking to be certified to provide.

B-4 Disclose whether the applicant, a predecessor of the applicant, or any principal officer of the applicant have ever been convicted or held liable for fraud or for violation of any consumer protection or antitrust laws within the past five years.

☑ No ☐ Yes

If yes, provide a separate attachment labeled as **Exhibit B-4 "Disclosure of Consumer Protection Violations"** detailing such violation(s) and providing all relevant documents.

B-5 Disclose whether the applicant or a predecessor of the applicant has had any certification, license, or application to provide retail or wholesale electric service denied, curtailed, suspended, revoked, or cancelled within the past two years.

☑ No ☐ Yes

If yes, provide a separate attachment labeled as **Exhibit B-5 "Disclosure of Certification Denial, Curtailment, Suspension, or Revocation"** detailing such action(s) and providing all relevant documents.

C. FINANCIAL CAPABILITY AND EXPERIENCE

PROVIDE THE FOLLOWING AS SEPARATE ATTACHMENTS AND LABEL AS INDICATED:

C-1 **Exhibit C-1 "Annual Reports,"** provide the two most recent Annual Reports to Shareholders. If applicant does not have annual reports, the applicant should provide similar information in Exhibit C-1 or indicate that Exhibit C-1 is not applicable and why. (This is generally only applicable to publicly traded companies who publish annual reports.)

C-2 **<u>Exhibit C-2 "SEC Filings,"</u>** provide the most recent 10-K/8-K Filings with the SEC. If the applicant does not have such filings, it may submit those of its parent company. An applicant may submit a current link to the filings or provide them in paper form. If the applicant does not have such filings, then the applicant may indicate in Exhibit C-2 that the applicant is not required to file with the SEC and why.

C-3 **<u>Exhibit C-3 "Financial Statements,"</u>** provide copies of the applicant's two most recent years of audited financial statements (balance sheet, income statement, and cash flow statement). If audited financial statements are not available, provide officer certified financial statements. If the applicant has not been in business long enough to satisfy this requirement, it shall file audited or officer certified financial statements covering the life of the business. If the applicant does not have a balance sheet, income statement, and cash flow statement, the applicant may provide a copy of its two most recent years of tax returns (with social security numbers and account numbers redacted).

C-4 **<u>Exhibit C-4 "Financial Arrangements,"</u>** provide copies of the applicant's financial arrangements to conduct CRES as a business activity (e.g., guarantees, bank commitments, contractual arrangements, credit agreements, etc.,).

Renewal applicants can fulfill the requirements of Exhibit C-4 by providing a current statement from an Ohio local distribution utility (LDU) that shows that the applicant meets the LDU's collateral requirements.

First time applicants or applicants whose certificate has expired as well as renewal applicants can meet the requirement by one of the following methods:

1. The applicant itself stating that it is investment grade rated by Moody's, Standard & Poor's or Fitch and provide evidence of rating from the rating agencies.

2. Have a parent company or third party that is investment grade rated by Moody's, Standard & Poor's or Fitch guarantee the financial obligations of the applicant to the LDU(s).

3. Have a parent company or third party that is not investment grade rated by Moody's, Standard & Poor's or Fitch but has substantial financial wherewithal in the opinion of the Staff reviewer to guarantee the financial obligations of the applicant to the LDU(s). The guarantor company's financials must be included in the application if the applicant is relying on this option.

4. Posting a Letter of Credit with the LDU(s) as the beneficiary.

If the applicant is not taking title to the electricity or natural gas, enter "N/A" in Exhibit C-4. An N/A response is only applicable for applicants seeking to be certified as an aggregator or broker.

C-5 **<u>Exhibit C-5 "Forecasted Financial Statements,"</u>** provide two years of forecasted income statements for the applicant's **ELECTRIC related business activities in the state of Ohio Only**, along with a list of assumptions, and the name, address, email address, and telephone number of the preparer. The forecasts should be in an annualized format for the two years succeeding the Application year.

C-6 **<u>Exhibit C-6 "Credit Rating,"</u>** provide a statement disclosing the applicant's credit rating as reported by two of the following organizations: Duff & Phelps, Fitch IBCA, Moody's Investors Service, Standard & Poor's, or a similar organization. In instances where an applicant does not have its own credit ratings, it may substitute the credit ratings of a parent or an affiliate organization, provided the applicant submits a statement signed by a principal officer of the applicant's parent or affiliate organization that guarantees the obligations of the applicant. If an applicant or its parent does not have such a credit rating, enter "N/A" in Exhibit C-6.

C-7 **<u>Exhibit C-7 "Credit Report,"</u>** provide a copy of the applicant's credit report from Experian, Dun and Bradstreet or a similar organization. An applicant that provides an investment grade credit rating for Exhibit C-6 may enter "N/A" for Exhibit C-7.

C-8 **<u>Exhibit C-8 "Bankruptcy Information,"</u>** provide a list and description of any reorganizations, protection from creditors or any other form of bankruptcy filings made by the applicant, a parent or affiliate organization that guarantees the obligations of the applicant or any officer of the applicant in the current year or within the two most recent years preceding the application.

C-9 **<u>Exhibit C-9 "Merger Information,"</u>** provide a statement describing any dissolution or merger or acquisition of the applicant within the two most recent years preceding the application.

C-10 **<u>Exhibit C-10 "Corporate Structure,"</u>** provide a description of the applicant's corporate structure, not an internal organizational chart, including a graphical depiction of such structure, and a list of all affiliate and subsidiary companies that supply retail or wholesale electricity or natural gas to customers in North America. If the applicant is a stand-alone entity, then no graphical depiction is required and applicant may respond by stating that they are a stand-alone entity with no affiliate or subsidiary companies.

D. TECHNICAL CAPABILITY

PROVIDE THE FOLLOWING AS SEPARATE ATTACHMENTS AND LABEL AS INDICATED:

D-1 **Exhibit D-1 "Operations"** provide a written description of the operational nature of the applicant's business. Please include whether the applicant's operations include the generation of power for retail sales, the scheduling of retail power for transmission and delivery, the provision of retail ancillary services as well as other services used to arrange for the purchase and delivery of electricity to retail customers.

D-2 **Exhibit D-2 "Operations Expertise,"** given the operational nature of the applicant's business, provide evidence of the applicant's experience and technical expertise in performing such operations.

D-3 **Exhibit D-3 "Key Technical Personnel,"** provide the names, titles, e-mail addresses, telephone numbers, and the background of key personnel involved in the operational aspects of the applicant's business.

D-4 **Exhibit D-4 "FERC Power Marketer License Number,"** provide a statement disclosing the applicant's FERC Power Marketer License number. (Power Marketers only)

E Steele Asst Secretary
Signature of Applicant and Title

Sworn and subscribed before me this 25 day of September 2018
Month Year

Maria Urick
Signature of official administering oath

Maria Urick, Paralegal
Print Name and Title

My commission expires on 8/30/21

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
Maria Urick
NOTARY PUBLIC
Pittsburgh, Allegheny County
My Commission Expires 08/30/2021

AFFIDAVIT

State of Pennsylvania

Pittsburgh ss.
(Town)

County of Allegheny :

[signature], Affiant, being duly sworn/affirmed according to law, deposes and says that:

He/She is the Asst. Secretary (Office of Affiant) of ____________________ (Name of Applicant);

That he/she is authorized to and does make this affidavit for said Applicant,

1. The Applicant herein, attests under penalty of false statement that all statements made in the application for certification renewal are true and complete and that it will amend its application while the application is pending if any substantial changes occur regarding the information provided in the application.

2. The Applicant herein, attests it will timely file an annual report with the Public Utilities Commission of Ohio of its intrastate gross receipts, gross earnings, and sales of kilowatt-hours of electricity pursuant to Division (A) of Section 4905.10, Division (A) of Section 4911.18, and Division (F) of Section 4928.06 of the Revised Code.

3. The Applicant herein, attests that it will timely pay any assessments made pursuant to Sections 4905.10, 4911.18, or Division F of Section 4928.06 of the Revised Code.

4. The Applicant herein, attests that it will comply with all Public Utilities Commission of Ohio rules or orders as adopted pursuant to Chapter 4928 of the Revised Code.

5. The Applicant herein, attests that it will cooperate fully with the Public Utilities Commission of Ohio, and its Staff on any utility matter including the investigation of any consumer complaint regarding any service offered or provided by the Applicant.

6. The Applicant herein, attests that it will comply with all state and/or federal rules and regulations concerning consumer protection, the environment, and advertising/promotions.

7. The Applicant herein, attests that it will fully comply with Section 4928.09 of the Revised Code regarding consent to the jurisdiction of Ohio Courts and the service of process.

8. The Applicant herein, attests that it will use its best efforts to verify that any entity with whom it has a contractual relationship to purchase power is in compliance with all applicable licensing requirements of the Federal Energy Regulatory Commission and the Public Utilities Commission of Ohio.

9. The Applicant herein, attests that it will cooperate fully with the Public Utilities Commission of Ohio, the electric distribution companies, the regional transmission entities, and other electric suppliers in the event of an emergency condition that may jeopardize the safety and reliability of the electric service in accordance with the emergency plans and other procedures as may be determined appropriate by the Commission.

10. If applicable to the service(s) the Applicant will provide, the Applicant herein, attests that it will adhere to the reliability standards of (1) the North American Electric Reliability Council (NERC), (2) the appropriate regional reliability council(s), and (3) the Public Utilities Commission of Ohio. (Only applicable if pertains to the services the Applicant is offering)

11. The Applicant herein, attests that it will inform the Commission of any material change to the information supplied in the renewal application within 30 days of such material change, including any change in contact person for regulatory purposes or contact person for Staff use in investigating customer complaints.

That the facts above set forth are true and correct to the best of his/her knowledge, information, and belief and that he/she expects said Applicant to be able to prove the same at any hearing hereof.

Asst. Secretary

Signature of Affiant & Title

Sworn and subscribed before me this 25 day of September 2018

Month Year

Signature of official administering oath

Maria Urick, Paralegal

Print Name and Title

My commission expires on 8/30/21

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
Maria Urick
NOTARY PUBLIC
Pittsburgh, Allegheny County
My Commission Expires 08/30/2021

Exhibit A-10
Officers and Directors

The following is a current list of the Officers and Directors of Direct Energy Business, LLC:

Board Positions

John Schultz Director & President, DEB, LLC	One Hess Plaza Woodbridge, NJ 07095 (732) 750-6197

Officers

Bray Dohrwardt Secretary, DEB, LLC	12 Greenway Plaza, Suite 250 Houston, TX 77046 (713) 877-3851
Erica Steele Assistant Secretary, DEB, LLC	1001 Liberty Avenue, Suite 1200 Pittsburgh, PA 15222 (412) 667-5262
Randy Kruger Treasurer, DEB, LLC	One Hess Plaza Woodbridge, NJ 07095 (732) 750-6792
Erin Miles Assistant Secretary, DEB, LLC	12 Greenway Plaza, Suite 250 Houston, TX 77046 (713)904-7062

Exhibit B-1

Jurisdictions of Operation – Direct Energy Business, LLC

Name: **Direct Energy Business, LLC**
Business Address: 1001 Liberty Avenue Suite 1200, Pittsburgh, PA 15222

License #/State of Issuance:

License # 1351 (Power)/California;
Docket # 00-05-14RE01 (Power)/Connecticut;
Certificate # 5267 (Power)/Delaware;
License # EA-04-4-4 (Power)/D.C.;
Docket No. 04-0811 (Power)/Illinois;
Docket No. 2011-201 (Power)/Maine;
License # IR-437 (Power)/Maryland;
License # CS-021 (Power)/Massachusetts;
Docket # U-13609 (Power)/Michigan;
License # ESL-0165 (Power)/New Jersey;
License # DM 15-373 (Power)/New Hampshire;
Letter Order 2017 (Power & Gas) /New York
Certificate # 00-005(9) (Power)/Ohio;
License # A-110025 (Power)/Pennsylvania;
Docket # D-96-6(Z) (Power)/Rhode Island;
Docket # 2379(A3) (Gas)/Rhode Island;
Certificate # 10011 (Power)/Texas
License # E-38 (Power)/Virginia

State Not Currently Serving Customers
License # IR-2697 (Gas)/Maryland
License #0013 (Gas)/California;
Registration # 12-03 (Gas)/Connecticut;
License # GS-052 (Gas)/Massachusetts;
License # GSL-0145 (Gas)/New Jersey;
License # A-125072 (Gas)/Pennsylvania;

<u>Direct Energy Business, LLC subsidiaries and affiliates currently serving retail electric customers or engaged in the retail sale of electricity:</u>

Name: **Direct Energy Business Marketing, LLC**
Business Address: 194 Wood Avenue South Suite 200, New Jersey, NJ 08830

Licensed, Not Currently Serving Electric Customers

License #/State of Issuance: Docket # 13-08-02 (Power)/Connecticut;

Docket # EA-2013-12 (Power)/D.C.;
Certificate No. 8425 (Power)/Delaware;
Docket # 2013-00404 (Power)/Maine;
License # IR-3123 (Power)/Maryland;
DM 13-260 (Power)/New Hampshire;
License # ESL0142 (Power)/New Jersey;
Letter Order 2017 (Power)/New York;
Certificate # 13-707E(2) (Power)/Ohio;
License A-2013-2368464 (Power)/Pennsylvania;
Docket # D-96-6(J6) (Power)/Rhode Island;

Name:	**Direct Energy Services, LLC**
Business Address:	12 Greenway Plaza, Suite 250, Houston, TX 77046
License #/State of Issuance:	Docket # 06-03-06RE02 (Power)/Connecticut; Case No. EA-05-3-5/Order No. 13816 (Power)/D.C.; Certificate No. 6790 (Power)/Delaware; Docket # 05-0722 (Power)/Illinois; License # CS-047 (Power)/Massachusetts; License # IR-719 (Power)/Maryland; Docket # 2005-479 (Power)/Maine; License # ESL-0078 (Power)/New Jersey; Letter Order 2017 (Power)/ New York; License # DM 15-513 (Power)/ New Hampshire; Certificate # 00-19E(9) (Power)/Ohio; License # A-110164 (Power)/Pennsylvania; Docket # D-96-6(U2)(Power)/Rhode Island; **States Not Currently Serving Customers** Case No. U-14724 (Power)/Michigan; License # E-36 (Power)/Virginia
Name:	**Direct Energy, LP**
Business Address:	12 Greenway Plaza, Suite 250, Houston, TX 77046
License #/State of Issuance:	Rep# 10040 (Power)/Texas
Name:	**CPL Retail Energy, LP**
Business Address:	12 Greenway Plaza, Suite 250, Houston, TX 77046
License #/State of Issuance:	Rep# 10023 (Power)/Texas
Name:	**WTU Retail Energy, LP**

Business Address: 12 Greenway Plaza, Suite 250, Houston, TX 77046

License #/State of Issuance: Rep# 10022 (Power)/Texas

Name: **First Choice Power, LLC**
Business Address: 12 Greenway Plaza, Suite 250, Houston, TX 77046

License #/State of Issuance: Rep# 10008 (Power)/Texas

Name: **Bounce Energy, Inc.**
Business Address: 12 Greenway Plaza, Suite 250, Houston, TX 77046

License #/State of Issuance: License # 10162 (Power)/Texas

Name: **Gateway Energy Services Corporation**
Business Address: 12 Greenway Plaza, Suite 250, Houston, TX 77046

License #/State of Issuance: License # A-2009-2137275 (Power)/Pennsylvania;
License # IR-340 (Power)/Maryland;
License # ESL-0166(Power)/ New Jersey

Direct Energy Business, LLC Wholesale Permits

Name: **Direct Energy Marketing Inc.**
Business Address: 12 Greenway Plaza, Suite 250, Houston, TX 77046

License #/Issue Authority: Permit # EA-280-B(Electric Export)/Department of Energy
Docket NO. ER11-1850 (FERC MBR) Federal Energy Regulatory Commission

Exhibit B-2
Experience & Plans

Direct Energy Business, LLC ("DEB") is part of the Direct Energy family of companies. Direct Energy is one of North America's largest retail providers of electricity, natural gas and home and business energy-related services, with over 4 million residential and commercial customers. Direct Energy provides customers with choice and support in managing their energy costs through a portfolio of innovative products and services. A subsidiary of Centrica plc (LSE:CNA), one of the world's leading integrated energy companies, Direct Energy operates in 50 states plus the District of Columbia and 8 Canadian Provinces.

DEB has been a power marketer since the fourth quarter of 2000 and is setup to serve customers in the Duke Energy, Dayton Power and Light, Cleveland Electric Illuminating, Ohio Edison, Toledo Power and Light, and AEP- Ohio. DEB plans to continue customer acquisitions and retention efforts as part of the Direct Energy business model. Upon enrollment of new customers, DEB mails a confirmation letter detailing the terms and conditions of the contract as part of the new customer "Welcome Kit".

Regarding customer inquiries and complaints:

Normal customer service hours are Monday – Friday, 8 AM – 5PM, Eastern Standard Time. When customer concerns are directed to Direct Energy Business, issues are researched and responded to quickly and courteously by the Customer Relations Department. Once the factors involved in the issues are established, contact with the customer is made to reach an amicable resolution by a Customer Relations Representative. If a customer needs additional assistance, DEB's Customer Relations Representative will inform the Supervisor of Customer Relations, who will become involved and assist with the customer inquiry. If a public agency is involved in the dispute resolutions process, once an investigation is complete, the agency is notified of the results and, assuming concurrence, the matter is closed. If the customer continues to dispute the investigation results, DEB will inform the customer that Commission Staff is available to mediate

In the interest of full disclosure, certain Direct Energy entities have been the subject of legal and regulatory proceedings in the past two years, which are summarized directly below with more detailed explanations following.

- Direct Energy, LP has been the subject of legal and/or regulatory proceedings in Texas.
- Direct Energy Business, LLC has been the subject of a regulatory proceeding with the California Public Utilities Commission.
- Direct Energy Services, LLC has been the subject of legal and/or regulatory proceedings in Michigan,
- Gateway Energy Services Corporation (formerly known as ECONnergy Energy Company, Inc.) had been the subject of legal and/or regulatory proceedings in New Jersey.

Direct Energy, LP

In August 2017, Direct Energy, LP agreed to pay an administrative penalty in the amount of $70,000 under a settlement with Staff of the Public Utility Commission of Texas to resolve allegations of non-compliance with Public Utility Regulatory Act §§ 17.001(a) and 39.101(b)(6), as well as 16 Texas Administrative Code §§ 25.474, relating to selection of a retail electric provider; 25.475, relating to general retail electric provider requirements; 25.481, related to unauthorized charges, and 25.495, relating to unauthorized change of retail electric provider. Commission Staff investigated a series of informal complaints relating to door-to-door sales vendors from January 1, 2014 through February 1, 2016. These complaints included both those received by the Commission's Customer Protection Division as well as by Direct Energy. Direct ceased door-to-door solicitations in Texas on December 1, 2016. Door-to-door sales re-commenced approximately a year later after some process improvements and continue today.

http://interchange.puc.state.tx.us/WebApp/Interchange/Documents/47362_4_951957.PDF

In 2017, Direct Energy, LP received two separate Notices of Investigation from the Public Utility Commission of Texas related to demand response. The first allegation was due to an administrative error in submission of the baseline data for the demand response customer. The second allegation was due to gaps within a demand response customer's usage data that was supplied by the host utility. These separate investigations were combined by commission staff and both were settled with a warning from the Commission.

Direct Energy Business, LLC: California (Penalty Assessment – Non-Compliance)

In July 2017, Direct Energy Business, LLC ("DEB") was notified by the Energy Division of the California Public Utilities Commission ("CPUC") that were was a deficiency in DEB's monthly compliance Resource Adequacy load forecast filing for September 2017 by 16.99 MW. The CPUC allowed a seven day extension to procure the required resources; however, we were unable to execute a contract for the deficiency with the only counterparty that had available supply in time to meet the CPUC's deadline. This resulted in the CPUC assessing a penalty of $6.66/kWm, which equaled to $113,000.

Direct Energy Services, LLC: Michigan

PUC Case U-18121
Date of Resolution: January 12, 2017

On January 12, 2017, the Michigan Public Service Commission ("MPSC") issued an order relating to a settlement with Direct Energy Services, LLC ("DES"). The terms of the settlement agreement is that DES agrees to: (1) pay a fine of $35,000 to be paid to the State of Michigan within 30 days of the Commission order approving the agreement; (2) continue a moratorium on door-to-door sales that began on November 1, 2016, that shall continue for 90 days following the date of the order approving this agreement; (3) submit new training materials within 45 days of the order approving this agreement with actual training of DES' Michigan agents to be completed within 90 days; (4) present Michigan Agency for Energy (MAE) Staff by March 31, 2017 with technologies that enhance customer identification and consent, and secure enrollment processes; (5) implement the Whitepages process described in Attachment 1 to the settlement agreement; (6) meet monthly with the MAE Staff for a period of 12 months to discuss progress with compliance with this settlement agreement and any other related matter; (7) develop with MAE Staff a template for processing complaints; and (8) reopen this docket should the MAE State Response Division identify any reoccurrence of the unauthorized switching of any customers by DES salesperson, which may result in fines, permanent moratorium on door-to-door sales and telemarketing, and or potential license revocation.

Gateway Energy Services Corporation: New Jersey

Recently in 2018, Gateway Energy Services Corporation submitted a self-report compliance issue to the New Jersey Board of Public Utilities regarding variable rate pricing for some of its customers. Resolution of this matter is expected to be finalized in the next few months.

Exhibit C-1
Annual Reports

Direct Energy Business, LLC ("DEB") is a fully owned subsidiary of Centrica plc, and as such is fully dependent on the financial statements of our parent company.

Please find included below as **"EXHIBIT C-1"**, a URL link to the 2017 Annual Report for Centrica plc and the interim 2018 Interim Results for Centrica plc.

2017 Audited Annual Statement

https://www.centrica.com/investors/financial-reporting/all-company-reports-results

2018 Interim Financial Results

https://www.centrica.com/news/interim-results-period-ended-30-june-2018

Direct Energy.

Exhibit C-2
SEC Filings

Direct Energy Business, LLC is an indirect wholly owned subsidiary of Centrica plc. Centrica plc is headquartered in Windsor, UK. As a foreign entity, Centrica is not subject to SEC jurisdiction, and thus does not have SEC filings.

Direct Energy.

Exhibit C-3
Financial Statements

Direct Energy Business, LLC ("DEB") is a fully owned subsidiary of Centrica plc, and as such is fully dependent on the financial statements of our parent company.

Please find attached in "EXHIBIT C-3", the 2017 Audited Financial Statement of Centrica plc, along with the auditor notes of James Leigh FCA (Senior Statutory Auditor) for and on behalf of Deloitte LLP and the 2016 Audited Financial Statement of Centrica plc, along with the auditor notes of Charles Bowman (Senior Statutory Auditor) for and on behalf of Pricewaterhouse Coopers LLP.

[redacted]

Independent Auditor's Report

Report on the audit of the Financial Statements

Opinion

In our opinion:

- 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 2017 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

We have audited the Financial Statements of Centrica plc (the 'Company') and its subsidiaries (the 'Group') which comprise:

- the Group Income Statement;
- the Group Statement of Comprehensive Income;
- the Group Balance Sheet;
- the Company Balance Sheet;
- the Group Statement of Changes in Equity;
- the Company Statement of Changes in Equity;
- the Group Cash Flow Statement; and
- related notes on pages 115 to 200 which include the summary of accounting policies.

The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Company Financial Statements is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report.

We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • impairment assessment for long-life assets and goodwill; • estimation of energy supply revenue; • valuation of commodity trades; • presentation of exceptional items and certain re-measurements; and • accounting for the acquisition of the Bayerngas exploration and production assets. Key audit matters considered by the Group's auditor in the prior year were broadly aligned with the items identified above, but also included consideration of onerous contracts (which are less significant in the current year with no new contracts considered to be onerous) and pensions (which while material, we do not consider to be a key audit matter as the assumptions have not changed materially in the current year). Accounting for the acquisition of Bayerngas Norge AS's exploration and production business was not relevant in the prior year.
Materiality **£50 million**	The materiality that we used in the current year was £50 million which was determined on the basis of 5.5% profit before tax before exceptional items and certain re-measurements as defined in note 7.
Scoping **All segments in full scope**	All divisions of the Group have been subject to a full scope audit using a component materiality level relevant to the size and risk associated with that business. The decision to include all divisions in our full audit scope was to enhance our understanding of the Group and ensure that our audit was appropriately scoped in our first year as auditor.
First year audit transition **We have completed a smooth and effective transition**	We developed a detailed audit transition plan, designed to deliver an effective transition from the Group's predecessor auditor, PricewaterhouseCoopers LLP ('PwC'). Our audit planning and transition commenced on 1 January 2017, when we confirmed our independence to the Group's Audit Committee. Our transition activities were performed across the Group's business divisions, which included (but were not limited to) meeting relevant partners and senior staff from PwC, shadowing PwC in the 2016 audit close meetings, attending the February 2017 Audit Committee meeting where the final report on the audit was presented and reviewing PwC's 2016 audit work papers. In March 2017, we held an audit transition planning workshop with senior members of our component teams in order to design our audit strategy and approach. Senior management relevant to the audit also participated in detailed transition workshops involving each division, together with Internal Audit and Group Finance. Our transition focused on obtaining an understanding of the Group's system of internal control, evaluating the Group's accounting policies and areas of accounting judgement and meeting with management across all divisions.

Conclusions relating to principal risks, going concern and viability statement

Going concern

We have reviewed the Directors' statement on page 100 of the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least 12 months from the date of approval of the Financial Statements.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Principal risks and viability statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 52 to 60 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation on pages 55 and 100 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the Directors' explanation on pages 61 and 62 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the Directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report (continued)

Key audit matter description

Impairment assessment for long-life assets and goodwill

The Group owns significant upstream gas and oil assets, certain power generation assets and gas storage assets, and also recognises goodwill from historic acquisitions, which are required to be reviewed for indicators of impairment or tested at least annually for impairment as appropriate.

The impairment assessment involves management judgement in considering whether the carrying value of those assets or cash generating units are recoverable.

Determining the recoverable amount involves significant estimation including:

- forecasting future cash flows;
- forecasting future production or generation profiles;
- forecasting future commodity prices;
- estimating oil and gas reserves; and
- determining an appropriate discount rate.

We note that the Group's impairment tests are particularly sensitive to future commodity price assumptions and discount rates, as shown by the sensitivities disclosed in note 7(c).

As disclosed in notes 13, 14 and 15 the total book value of long-life assets and goodwill is £10.2 billion and following management's impairment testing a total impairment of £678 million was recorded. See note 3(b) for further details of the specific assets subject to key estimation uncertainty and notes 7(c) and S2 for details of other key assumptions used in estimating fair value less costs of disposal for these assets.

Due to the significance of the judgements and estimates involved in determining the recoverable amount, those assets that are the most material and subject to the greatest estimation were concluded to represent the highest risk of impairment, as explained in note 3(b) and specified above.

For these long-life assets and goodwill, we identified a key risk of material misstatement that these assets are not recoverable or that previously recorded impairments should be reversed.

Refer to pages 74 to 75 for the Audit Committee's review and conclusion of the key judgements underpinning the impairment assessment.

How the scope of our audit responded to the key audit matter

We understood management's process for identifying indicators of impairment and for performing their impairment assessment. We assessed the design and implementation of key controls relating to asset impairment models, the underlying forecasting processes and the impairment reviews performed.

We evaluated and challenged the key assumptions and inputs into the impairment models which included performing sensitivity analysis, to evaluate the impact of selecting alternative assumptions.

We confirmed that forecast cash flows were consistent with Board approved forecasts and analysed reasonably possible downside sensitivities.

We validated production profiles to external reserve and operator estimates and agreed these to the cash flow forecast assumptions.

We evaluated the Group's determination of future commodity prices using our own internal experts, who benchmarked externally available future commodity price estimates and performed sensitivity analysis with alternative future prices.

We confirmed estimates of oil and gas reserves to third-party reserve reports, assessing the skills, qualifications and independence of these experts.

We involved our internal valuation specialists to evaluate management's discount rates, which involved benchmarking against available market views and analysis.

We evaluated the impairment or reversal judgements taken, with reference to our assessment of key assumptions as outlined above and the outcome of sensitivities performed. For potential reversal judgements, we understood the causes of any such reversal, and corroborated this to evidence of trigger events, and evaluated whether the reversal should or should not be recognised.

We audited the integrity of the impairment models and cash flow forecasts to test arithmetical accuracy. We recalculated the impairment charges, reversals or headroom and agreed to financial records. We reviewed the impairment disclosures against the requirements of IAS 36 'Impairment of Assets'.

We reviewed the presentation and disclosure of management's impairment assessment in the Financial Statements to assess whether the disclosure is consistent with the Group's policy and relevant accounting standards.

Key observations

We are satisfied that key assumptions used to determine the recoverable amount are appropriate, including estimates of reserves, production and generation profiles, and that the Group's discount rate assumptions are determined based on acceptable valuation methodologies and are reasonable when compared to the ranges determined by our internal valuation specialists.

We note that the Group's future commodity price estimates used for the impairment assessment are within the acceptable range of external sources, albeit at the higher end of this range. Based on the sensitivities that we performed on these assumptions, we are satisfied that the Group's pre-tax impairment charge of £678 million is not materially misstated, and long-life assets and goodwill are not further impaired. We concur with management's judgement that other than those reversals recognised, previously recorded impairments should not be reversed at this time.

Key audit matter description	How the scope of our audit responded to the key audit matter

Estimation of energy supply revenue

Key audit matter description

The recognition of energy supply revenue requires an estimation of customer usage between the date of the last meter reading and year end, known as unbilled revenue. There is particular uncertainty over estimating consumption arising from unusual weather patterns. Unbilled revenue recognised on the balance sheet at 31 December 2017 was £1.6 billion per note 3(b).

Our risk is focused on the accuracy, completeness and cut off of unbilled revenue, and the valuation of unbilled receivables in the UK and North American Home and Business segments.

We are required by auditing standards to presume there is a fraud risk in relation to revenue recognition, which we have pinpointed to the estimates underpinning the recognition of unbilled energy supply revenue and the potential for management override of related controls.

Refer to page 74 for the Audit Committee's review and conclusion of the key judgements included within unbilled revenue and notes 3(b) and 17 to the Financial Statements.

How the scope of our audit responded to the key audit matter

Our audit approach for unbilled revenue was a combination of tests of internal control and data analytics work. This included understanding the design of controls in the UK and North American revenue processes, from meter to cash collection and controls over the period-end revenue reconciliation process. In the UK, we tested the design, implementation and operating effectiveness of key controls relied on to estimate unbilled revenue. In North America, we assessed the design and implementation of controls around unbilled revenue.

We used data analytic tools in UK Home and Business to independently recalculate the unbilled revenue estimate generated by the billing systems for each customer account, in addition to auditing key manual adjustments made by management, and the key assumption, being the value of energy consumed since last billing used in the estimation process.

In our North America testing, we focused on creating an independent estimate of unbilled revenue at the year end and compared this to the estimate determined by management. We also performed a look-back analysis to compare the estimated settlement data against historical results and a gross margin analysis to estimate the valuation based on external market pricing.

In both the UK and North America, we also assessed the accuracy of the estimates made by management in prior periods. Any differences as a result of the work performed were investigated and challenged.

Key observations

We are satisfied that the estimation of the Group's unbilled revenue is materially correct. The estimation processes in the UK are appropriately controlled, but we note that the processes in North America are more manual in nature and we were not able to rely on the operating effectiveness of the relevant controls. We note that a reassessment of historical unbilled revenue in North America was identified by management and adjusted in the year, as explained in the Group Financial Review and the Audit Committee Report. We did not identify any material errors in the year-end estimate.

Valuation of commodity trades

Key audit matter description

In addition to proprietary trading activities, the Group enters into forward commodity contracts to optimise the value of its production, generation, storage and transportation assets as well as to meet the future needs of its customers. Certain of these arrangements are accounted for as derivative financial instruments and are recorded at fair value. We identified the following risks in respect of commodity trades:

Valuation of complex trades

Judgement is required in valuing derivative contracts, particularly where there is optionality in a contract that requires modelling on a bespoke basis (Level 2 or 3 in accordance with IFRS 13 'Fair Value Measurement'). As such we identified a risk relating to the valuation of complex trades.

Own-use treatment

Certain commodity contracts have been entered into for the purposes of securing commodity for the energy supply businesses. Where contracts have been entered into that wholly satisfy Centrica's normal business activities these have been determined to be own-use contracts and are not fair valued. Due to the size and value of these contracts we have identified the appropriateness of the own-use treatment as a key audit matter.

How the scope of our audit responded to the key audit matter

We have understood the Group's processes and controls for authorising and recording commodity trades, and assessed the design and implementation of key controls.

In the Group's Energy Marketing & Trading (EM&T) division, we used data analytic tools to trace commodity trades from initiation to recording in the Group's accounting system, which included an assessment of whether the accounting recognition was in line with the Group's accounting policies and relevant accounting standards. This confirmed that trades were appropriately authorised, controlled and captured within the reporting system, and were appropriately and consistently reported in left hand column or middle column, in accordance with the Group's accounting policies on certain re-measurements (outlined in note 2(b)).

Valuation of complex trades

We used financial instrument specialists to assist the audit team in valuing complex trades, which included auditing the Group's valuation models by creating an independent valuation, or performing input and output analysis, for all material non-standard contracts.

Own-use treatment

We reviewed all the Group's material own-use contracts to determine whether the application of the own-use treatment was appropriate.
We audited the prospective and retrospective demand tests performed by the Group to determine whether the contract volumes exceed the amount of estimated own-use demand in the relevant periods, including an evaluation of the contracts for net settlement activity.

Key observations

We are satisfied that commodity trades are valued appropriately.

In EM&T, we are satisfied that the accounting classification of trades is appropriate with trades tagged appropriately at inception.

In North America Business, we identified improvements to controls over the classification of trades and monitoring of net settlement activity for trades deemed to be own-use, which are being remediated. None have resulted in material uncorrected misstatements.

Independent Auditor's Report (continued)

Presentation of exceptional items and certain re-measurements

Key audit matter description

The selection and presentation of items excluded from adjusted profit involves significant management judgement and adjusted results are of particular interest to stakeholders. For this reason, we have identified this as an area where management would be able to directly influence results.

The Group's accounting policy for the presentation of exceptional items and certain re-measurements is disclosed in note 2(b). As disclosed in note 7 to the Financial Statements, exceptional items after taxation of £476 million and certain re-measurements after taxation of £69 million have been recognised in the current year.

Exceptional items include impairments or write backs on long-life assets, gains or losses on business disposals and costs associated with the Group's restructuring programme.

Where the Group enters into trades that give rise to an accounting mismatch between accrual accounted assets, contracts and demand and the marked to market accounted forward commodity contracts, the fair values of those contracts are accounted for separately as 'certain re-measurements' within the middle column of the Group's Income Statement and are excluded from business performance.

Due to the judgement involved in identifying and valuing these contracts, we have identified the appropriateness of the allocation of trades to the middle column as a key audit matter, as this has a significant impact on the Group's reported business performance.

There is a risk that adjusted profit measures are misleading and that the principles used to determine the classification as exceptional are not in line with relevant guidance, substantiated or applied on a consistent basis.

Refer to page 74 for the Audit Committee's consideration of exceptional items and certain re-measurements.

How the scope of our audit responded to the key audit matter

We evaluated the Group's accounting policy for exceptional items and certain re-measurements against guidance issued by the Financial Reporting Council (FRC) and European Securities and Markets Authority (ESMA) regarding the publication of transparent, unbiased and comparable financial information.

We considered management's rationale for the treatment of exceptional items presented and performed our own independent assessment of the selection and presentation of each item against the Group's accounting policies and relevant regulatory guidance. We challenged management over the principles used to determine items as exceptional, assessing whether the application of the Group's policy was appropriate and consistent.

For certain re-measurements, we audited the principles management use to determine whether a trade should be recognised as part of ongoing business performance or presented separately. We evaluated whether those agreed principles had been applied consistently by reviewing key contracts and testing a sample of trades to confirm that the accounting treatment was appropriate.

We also verified that trades within certain re-measurements were entered into at market prices where the counterparty was another Group business, to ensure that profits and losses within the middle column reflect only market-related movements.

We reviewed the presentation and disclosure of these items in the Financial Statements to assess whether the disclosure is consistent with the Group's policy, in line with FRC and ESMA guidance, and understandable to readers.

Key observations

We are satisfied that the items presented as exceptional and within certain re-measurements in the Financial Statements are in compliance with the Group's accounting policies, which have been applied consistently with prior periods, and are clearly described to readers.

Accounting for the acquisition of Bayerngas exploration and production assets

Key audit matter description

The Group acquired the European exploration and production assets of Bayerngas on 8 December 2017. Accounting for business combinations is complex and this transaction involved the acquisition of certain assets and liabilities, in return for a share of the Group's existing Exploration & Production assets, together with various complex contractual rights between the parties. The acquisition accounting is set out in note 12 and total consideration was £745 million with goodwill recognised on acquisition of £102 million.

We identified the following risks of material misstatement associated with the transaction:

- accounting for the transaction, including:
  - the assessment of control;
  - the assessment of shares issued as equity or debt instruments;
  - the valuation of consideration contributed and goodwill arising; and
  - the valuation of non-controlling interest.
- the fair valuation of assets acquired in the transaction with Bayerngas, which included evaluating reserve estimates, future production profiles and commodity prices and the selection of appropriate discount rates; and
- the disclosure of the business combination as presented in note 12 of the Financial Statements.

Refer to page 75 for the Audit Committee's review of business combinations, including the acquisition of Bayerngas Norge AS.

How the scope of our audit responded to the key audit matter

In response to this key audit matter, we assessed the accounting treatment for the transaction by reviewing key documents and evaluating the accounting judgements against relevant accounting guidance. We have also reviewed the disclosures of the business combination provided in note 12.

We audited the fair valuation of acquired assets and the fair valuation of the Group's existing Exploration & Production assets, which were used to determine the consideration value. This involved internal valuation specialists in both Norway and the UK.

Given the nature of the fair value exercise, much of this work was consistent with our work performed for impairment purposes. Therefore refer to the key audit matter for Impairment above regarding our audit of management's discount rate, future commodity prices and estimates of reserves.

Key observations

We are satisfied that the accounting judgements taken are appropriate and that the fair values adopted are not materially misstated, although we refer to our observations on the Group's future commodity price assumptions outlined in the Impairment matter above. We note that using alternative price assumptions would have a significant impact on the valuation of acquired assets and the valuation of consideration payable for those assets.

Our application of materiality

We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

Materiality	£50 million (2016: £59 million) The materiality for the Company accounts was determined to be £40 million (2016: £53 million), capped to be consistent with our highest component materiality.
Basis for determining materiality	We determined Group materiality on the basis of 5.5% of 2017 pre-tax profit adjusted for exceptional items and certain re-measurements as defined and reconciled in note 7 to the Financial Statements. The predecessor auditor used 5% of a three-year average of pre-tax profit adjusted for exceptional items and certain re-measurements.
Rationale for the benchmark applied	Pre-tax profit adjusted for exceptional items and certain re-measurements was considered to be the most relevant benchmark as it is of most interest to stakeholders. Furthermore exceptional items and certain re-measurements are volatile and materially impact the Group's performance each year due to events and transactions that are not part of the underlying activities of the Group and excluding them enables a more consistent basis with which to consider the Group's performance on an ongoing basis.
Reporting threshold	We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £5 million (2016: £5 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

An overview of the scope of our audit

The Group is organised by its different operating segments as outlined in note 4. These operating segments represent the different businesses in the Group and are how management monitor performance. We used the Group's operating segments as the basis for our audit scope.

Our audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Having performed this assessment it was concluded that the following components were considered to be the most significant and were subject to full scope audits:

- UK Home;
- UK Business;
- North America Home;
- North America Business;
- Energy Marketing & Trading; and
- Exploration & Production.

To enhance our understanding of the Group's operating segments, processes and balances in our first year as auditor, we also decided to perform full scope audits for all non-significant segments, being:

- Ireland;
- Connected Home;
- Distributed Energy & Power;
- Central Power Generation; and
- Centrica Storage.

This has resulted in coverage of 98% of Group revenue, 91% of Group profit before tax and 89% of Group net assets.

The materiality levels of the components ranged from £15 million to £40 million depending on the contribution of the component's operations to the Group and our assessment of risk relevant specific to each location. Given our judgement to perform full scope audits in the non-significant segments noted above, we determined that a component materiality of £15 million for these businesses was appropriate, which reflected the lower risk profile of these segments.

All components except for North America Home, North America Business and Ireland are audited from the United Kingdom and hence we oversee these component audits through regular meetings and direct supervision. For the overseas components, each was visited several times during both transition and throughout the year by the lead audit partner and other senior members of the engagement team. All teams were involved in our transition workshops and other transition activities, all of which was overseen and directed by the Group audit team. Throughout the year, the Group audit team has been directly involved in overseeing the component audit planning and execution, through frequent conversations, team briefings, debate, challenge and review of reporting and underlying work papers. In addition to our direct interactions, we sent detailed instructions to our component audit teams, attended audit closing meetings and reviewed their audit working papers. We are satisfied that the level of involvement of the Group audit partner and team in the component audits has been extensive and has enabled us to conclude that sufficient appropriate audit evidence has been obtained in support of our opinion on the Group Financial Statements as a whole.

Independent Auditor's Report (continued)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the Financial Statements and our auditor's report thereon.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- fair, balanced and understandable – the statement given by the Directors that they consider the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit Committee reporting – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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.

Auditor's 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 auditor's 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.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at: frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Use of our report

This report is made solely to the Company's shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion: • we have not received 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 • the Company Financial Statements are not in agreement with the accounting records and returns.	**We have nothing to report in respect of these matters.**

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.	**We have nothing to report in respect of these matters.**

Other matters

Auditor tenure

Following the recommendation of the Audit Committee, we were appointed at the Annual General Meeting on 5 May 2017 to audit the Financial Statements for the year ending 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement of the firm is therefore one year.

Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

James Leigh FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP

Statutory Auditor
London, United Kingdom
21 February 2018

Group Income Statement

Year ended 31 December	Notes	2017 Business performance £m	2017 Exceptional items and certain re-measurements £m	2017 Results for the year £m	2016 Business performance £m	2016 Exceptional items and certain re-measurements £m	2016 Results for the year £m
Group revenue	4(b)	**28,023**	**–**	**28,023**	27,102	–	27,102
Cost of sales before exceptional items and certain re-measurements	5	**(23,981)**	**–**	**(23,981)**	(22,711)	–	(22,711)
Re-measurement of certain energy contracts	7	**–**	**153**	**153**	–	1,058	1,058
Cost of sales	5	**(23,981)**	**153**	**(23,828)**	(22,711)	1,058	(21,653)
Gross profit		**4,042**	**153**	**4,195**	4,391	1,058	5,449
Operating costs before exceptional items	5	**(2,848)**	**–**	**(2,848)**	(3,054)	–	(3,054)
Exceptional items – net impairment of retained assets	7	**–**	**(678)**	**(678)**	–	(71)	(71)
Exceptional items – net (loss)/gain on disposal [(i)]	7	**–**	**(62)**	**(62)**	–	157	157
Exceptional items – restructuring and business change costs	7	**–**	**(144)**	**(144)**	–	(228)	(228)
Exceptional items – other	7	**–**	**–**	**–**	–	131	131
Operating costs	5	**(2,848)**	**(884)**	**(3,732)**	(3,054)	(11)	(3,065)
Share of profits/(losses) of joint ventures and associates, net of interest and taxation	6, 7	**51**	**(28)**	**23**	130	(28)	102
Group operating profit/(loss)	4(c)	**1,245**	**(759)**	**486**	1,467	1,019	2,486
Financing costs	8	**(364)**	**–**	**(364)**	(337)	–	(337)
Investment income	8	**20**	**–**	**20**	37	–	37
Net finance cost		**(344)**	**–**	**(344)**	(300)	–	(300)
Profit/(loss) before taxation		**901**	**(759)**	**142**	1,167	1,019	2,186
Taxation on profit/(loss)	7, 9	**(191)**	**352**	**161**	(282)	(242)	(524)
Profit/(loss) for the year		**710**	**(407)**	**303**	885	777	1,662
Attributable to:							
Owners of the parent		**698**	**(365)**	**333**	895	777	1,672
Non-controlling interests		**12**	**(42)**	**(30)**	(10)	–	(10)

Earnings per ordinary share		2017 Pence	2016 Pence
Basic	10	**6.0**	31.4
Diluted	10	**6.0**	31.2
Interim dividend paid per ordinary share	11	**3.60**	3.60
Final dividend proposed per ordinary share	11	**8.40**	8.40

(i) Gains and losses on disposal include any impairments and write-backs associated with the assets disposed of upon classification as held for sale.

The notes on pages 115 to 189 form part of these Financial Statements.

Group Statement of Comprehensive Income

Year ended 31 December	Notes	2017 £m	2016 (restated) (i) £m
Profit for the year		**303**	1,662
Other comprehensive income/(loss):			
Items that will be or have been reclassified to the Group Income Statement:			
Gains on revaluation of available-for-sale securities, net of taxation	S4	**5**	8
Transfer of available-for-sale reserve gains to Group Income Statement	S4	**–**	(5)
Net gains on cash flow hedges	S4	**24**	161
Transferred to income and expense on cash flow hedges (ii)	S4	**(34)**	(129)
Transferred to assets and liabilities on cash flow hedges	S4	**(7)**	(4)
Cash flow hedging reserve recycled to Group Income Statement on disposal	S4	**10**	5
Taxation on cash flow hedges	S4	**1**	(3)
		(6)	30
Exchange differences on translation of foreign operations (iii)	S4	**(128)**	549
Exchange gains/(losses) on translation of actuarial reserve	S4	**1**	(7)
Exchange differences recycled to Group Income Statement on disposal	S4	**8**	–
Share of other comprehensive loss of joint ventures and associates, net of taxation	S4	**–**	(9)
		(120)	566
Items that will not be reclassified to the Group Income Statement:			
Net actuarial gains/(losses) on defined benefit pension schemes	S4	**222**	(1,174)
Taxation on net actuarial gains/(losses) on defined benefit pension schemes	S4	**(38)**	194
		184	(980)
Share of other comprehensive income of joint ventures and associates, net of taxation	S4	**43**	65
Other comprehensive income/(loss), net of taxation		**107**	(349)
Total comprehensive income for the year		**410**	1,313
Attributable to:			
Owners of the parent		**437**	1,287
Non-controlling interests	S10	**(27)**	26

(i) Prior year comparatives have been re-presented to show exchange differences on translation of actuarial reserve as an item that will be reclassified to the Group Income Statement, and cash flow hedging reserve recycled to Group Income Statement on disposal separately from share of other comprehensive loss of joint ventures and associates.
(ii) Cash flow hedging gains have been transferred to the following lines of the Group Income Statement: financing costs of £29 million (2016: £124 million), operating costs before exceptional items £5 million (2016: nil) and cost of sales before exceptional items and certain re-measurements nil (2016: £5 million).
(iii) Includes £3 million gain (2016: £36 million gain) of exchange differences on translation of foreign operations attributable to non-controlling interests.

The notes on pages 115 to 189 form part of these Financial Statements.

Group Statement of Changes in Equity

	Share capital (note 25) £m	Share premium £m	Retained earnings £m	Other equity (note S4) £m	**Total £m**	Non-controlling interests (note S10) £m	**Total equity £m**
1 January 2016	317	1,135	482	(756)	1,178	164	1,342
Profit/(loss) for the year	–	–	1,672	–	1,672	(10)	1,662
Other comprehensive (loss)/income	–	–	–	(385)	(385)	36	(349)
Employee share schemes	–	–	1	32	33	–	33
Scrip dividend	4	121	–	–	125	–	125
Dividends paid to equity holders (note 11)	–	–	(651)	–	(651)	–	(651)
Distributions to non-controlling interests	–	–	–	–	–	(12)	(12)
Issue of share capital	21	673	–	–	694	–	694
31 December 2016	342	1,929	1,504	(1,109)	2,666	178	2,844
Profit/(loss) for the year	–	–	333	–	**333**	(30)	**303**
Other comprehensive income	–	–	–	104	**104**	3	**107**
Employee share schemes	–	–	4	31	**35**	–	**35**
Scrip dividend	6	192	–	–	**198**	–	**198**
Dividends paid to equity holders (note 11)	–	–	(661)	–	**(661)**	–	**(661)**
Distributions to non-controlling interests	–	–	–	–	**–**	(3)	**(3)**
Acquisition of business (note 12)	–	–	–	24	**24**	721	**745**
Disposal of business (note 12)	–	–	–	–	**–**	(152)	**(152)**
Investment by non-controlling interests	–	–	–	–	**–**	12	**12**
31 December 2017	**348**	**2,121**	**1,180**	**(950)**	**2,699**	**729**	**3,428**

The notes on pages 115 to 189 form part of these Financial Statements.

Group Balance Sheet

	Notes	31 December 2017 £m	31 December 2016 £m
Non-current assets			
Property, plant and equipment	13	**4,132**	5,298
Interests in joint ventures and associates	14	**1,699**	1,697
Other intangible assets	15	**1,676**	1,769
Goodwill	15	**2,650**	2,614
Deferred tax assets	16	**568**	356
Trade and other receivables	17	**87**	66
Derivative financial instruments	19	**463**	582
Securities	24	**231**	219
		11,506	12,601
Current assets			
Trade and other receivables	17	**4,668**	5,102
Inventories	18	**409**	372
Derivative financial instruments	19	**927**	1,291
Current tax assets		**289**	241
Securities	24	**5**	13
Cash and cash equivalents	24	**2,864**	2,036
		9,162	9,055
Assets of disposal groups classified as held for sale	12(c)	**–**	238
		9,162	9,293
Total assets		**20,668**	21,894
Current liabilities			
Derivative financial instruments	19	**(733)**	(1,100)
Trade and other payables	20	**(5,412)**	(5,525)
Current tax liabilities		**(336)**	(355)
Provisions for other liabilities and charges	21	**(264)**	(457)
Bank overdrafts, loans and other borrowings	24	**(707)**	(398)
		(7,452)	(7,835)
Liabilities of disposal groups classified as held for sale	12(c)	**–**	(42)
		(7,452)	(7,877)
Non-current liabilities			
Deferred tax liabilities	16	**(173)**	(245)
Derivative financial instruments	19	**(287)**	(493)
Trade and other payables	20	**(167)**	(69)
Provisions for other liabilities and charges	21	**(2,684)**	(3,099)
Retirement benefit obligations	22(d)	**(886)**	(1,137)
Bank loans and other borrowings	24	**(5,591)**	(6,130)
		(9,788)	(11,173)
Total liabilities		**(17,240)**	(19,050)
Net assets		**3,428**	2,844
Share capital	25	**348**	342
Share premium		**2,121**	1,929
Retained earnings		**1,180**	1,504
Other equity	S4	**(950)**	(1,109)
Total shareholders' equity		**2,699**	2,666
Non-controlling interests	S10	**729**	178
Total shareholders' equity and non-controlling interests		**3,428**	2,844

The Financial Statements on pages 110 to 189, of which the notes on pages 115 to 189 form part, were approved and authorised for issue by the Board of Directors on 21 February 2018 and were signed below on its behalf by:

Iain Conn
Group Chief Executive

Jeff Bell
Group Chief Financial Officer

Group Cash Flow Statement

Year ended 31 December	Notes	2017 £m	2016 £m
Group operating profit including share of results of joint ventures and associates		**486**	2,486
Less share of profits of joint ventures and associates, net of interest and taxation	6	**(23)**	(102)
Group operating profit before share of results of joint ventures and associates		**463**	2,384
Add back/(deduct):			
Depreciation, amortisation, write-downs, impairments and write-backs		**1,794**	1,068
Profit on disposals		**(41)**	(126)
Decrease in provisions		**(227)**	(32)
Defined benefit pension service cost and contributions		**(104)**	(179)
Employee share scheme costs		**47**	46
Unrealised gains arising from re-measurement of energy contracts		**(45)**	(737)
Operating cash flows before movements in working capital		**1,887**	2,424
(Increase)/decrease in inventories		**(56)**	90
Decrease in trade and other receivables		**258**	221
Increase in trade and other payables		**29**	140
Operating cash flows before payments relating to taxes and exceptional charges		**2,118**	2,875
Taxes paid	9(d)	**(102)**	(206)
Payments relating to exceptional charges		**(176)**	(273)
Net cash flow from operating activities		**1,840**	2,396
Purchase of businesses, net of cash acquired		**17**	(335)
Sale of businesses		**593**	35
Purchase of property, plant and equipment and intangible assets	4(e)	**(882)**	(829)
Sale of property, plant and equipment and intangible assets		**14**	13
Investments in joint ventures and associates		**(6)**	(17)
Dividends received from joint ventures and associates	14(a)	**58**	117
Disposal of interests in joint ventures and associates		**218**	94
Interest received		**22**	91
(Purchase)/sale of securities	24(c)	**(2)**	28
Net cash flow from investing activities		**32**	(803)
Issue of ordinary share capital		**–**	694
Payments for own shares	S4	**(11)**	(17)
Distribution to non-controlling interests		**(7)**	(10)
Financing interest paid		**(318)**	(204)
Repayment of borrowings and finance leases	24(c)	**(271)**	(477)
Equity dividends paid		**(463)**	(532)
Net cash flow from financing activities		**(1,070)**	(546)
Net increase in cash and cash equivalents		**802**	1,047
Cash and cash equivalents including overdrafts at 1 January		**1,960**	860
Effect of foreign exchange rate changes		**(25)**	53
Cash and cash equivalents including overdrafts at 31 December		**2,737**	1,960
Included in the following line of the Group Balance Sheet:			
Cash and cash equivalents	24(c)	**2,864**	2,036
Overdrafts included within current bank overdrafts, loans and other borrowings	24(c)	**(127)**	(76)

The notes on pages 115 to 189 form part of these Financial Statements.

Independent Auditors' Report
to the members of Centrica plc

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion:

- Centrica plc's Group Financial Statements and parent Company Financial Statements (the 'Financial Statements') give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2016 and of the Group's profit and cash flows for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union;
- the parent Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

What we have audited

The Financial Statements, included within the Annual Report and Accounts (the 'Annual Report'), comprise:

- the Group Balance Sheet as at 31 December 2016;
- the Company Balance Sheet as at 31 December 2016;
- the Group Income Statement and Group Statement of Comprehensive Income for the year then ended;
- the Group Cash Flow Statement for the year then ended;
- the Group Statement of Changes in Equity for the year then ended;
- the Company Statement of Changes in Equity for the year then ended; and
- the notes to the Financial Statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the Financial Statements. These are cross-referenced from the Financial Statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the Group financial statements is IFRSs as adopted by the European Union, and applicable law. The financial reporting framework that has been applied in the preparation of the parent Company Financial Statements is United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice), and applicable law.

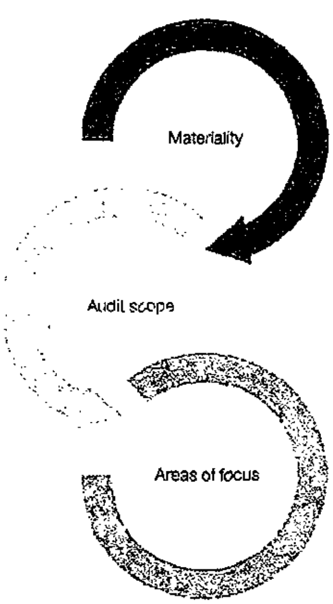
The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)').

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Our audit approach – overview



MATERIALITY

- Overall Group materiality is £59 million which represents 5% of 3 year average pre-tax profit adjusted for exceptional items and certain re-measurements as defined in the financial statements.

AUDIT SCOPE

- We conducted our audit work across the Group's locations including the UK, the Republic of Ireland, the Netherlands, Norway, the United States and Canada.
- Senior members of the Group audit team performed site visits across the Group's locations. This included North America Home in Houston, the Neas Energy business acquired in Denmark and the significant parts of the UK business including UK Home, UK Business and Energy Marketing & Trading.
- Taken together, the territories and functions where we performed our audit work accounted for 94% of Group revenues and 80% of Group profit before tax. The coverage levels have been calculated using absolute values (ie the sum of the numerical values without regard to whether they were profit or losses for the components). This coverage also includes business units where only specific audit procedures have been performed.

AREAS OF FOCUS

Our areas of focus comprised:

- Impairment assessment
- Valuation of derivative transactions in commodity trading
- Presentation of exceptional items and certain re-measurements
- Onerous contracts
- Downstream revenue recognition
- Pensions

Area of focus	How our audit addressed the area of focus

IMPAIRMENT ASSESSMENT

The Group has £5.3 billion of property, plant, and equipment, the majority of which relates to gas production, storage and power generation assets, £1.8 billion of intangible assets and £2.6 billion of goodwill.

Impairment assessments of these assets require significant judgement and there is the risk that valuation of the assets may be incorrect and any potential impairment charge or reversal miscalculated.

The value of Centrica's assets is supported by either value in use calculations, which are based on future cash flow forecasts or fair value less costs of disposal.

There has been some improvement in forecast oil and gas prices in 2016. In addition, favourable oil and gas reserve revisions and cost reductions have resulted in pre-tax impairment reversals of £63 million in relation to the Norwegian gas and oil assets in the Exploration & Production business. A pre-tax impairment reversal of £56 million has been recognised in relation to certain gas assets in Trinidad and Tobago after considering the proceeds expected under the sale and purchase agreement. An amount of £16 million (pre-tax) was also reversed in relation to decommissioning on previously impaired assets.

An impairment assessment was performed on combined cycle gas turbine (CCGT) power stations with a pre-tax impairment reversal of £26 million recognised within exceptional items in relation to the King's Lynn power station following the award of a 15 year capacity market contract.

Impairment indicators were identified for the Storage facility following operational issues. This has resulted in a total pre-tax impairment charge of £176 million being recognised. The model remains highly sensitive to key assumptions including price, volume and well performance.

In 2015 the Group announced E&P Canada was no longer a core part of the Exploration & Production business and would be divested. The Directors have received a range of bids and have considered internal discounted cash flow analysis which evidence a wide range of possible outcomes in relation to the valuation of the business. Considerable judgement has therefore been applied in determining the recoverable amount of the assets. As significant uncertainty remains in the disposal process for E&P Canada, the Directors were unable to conclude that completion of the sale is highly probable within 12 months from balance sheet date. Therefore it has not been classified as held for sale at year end.

Refer to pages 76 and 77 for details on the Audit Committee reviews and conclusions and notes 3, 7, 13, 15 and S2 in the Financial Statements.

We assessed and challenged the impairment analysis prepared by the Directors as outlined below.

With regard to the overall impairment assessments performed by the Directors, we evaluated the design of internal controls in place to check that the Group's assets are valued appropriately including those controls in place to determine any asset impairments or impairment reversals. We also reviewed the assets that Directors assessed for indicators of impairment and no indicators were identified.

We evaluated the Directors' assumptions and estimates used to determine the recoverable value of the gas and oil production and storage assets, power generation assets, intangible assets, and goodwill. This included reviewing fundamental curves, benchmarking their oil and gas price assumptions, reviewing operating cost forecasts and expected production profiles. We tested these assumptions by reference to third party documentation where available, such as commodity price forecasts, and consultation with operational management. With regard to Trinidad and Tobago, we reviewed the Directors' assessment of the recoverable amount of the assets with consideration to the sale and purchase agreement.

We used PwC valuation specialists to help us assess the commodity prices and discount rates used by the Directors. We benchmarked these to external data and challenged the assumptions based on our knowledge of the Group and its industry. In addition we tested the Directors' sensitivity and stress test scenarios to ensure appropriate judgement had been applied.

We challenged the key assumptions used in each impairment model and performed sensitivity analysis around key drivers of cash flow forecasts, including output volumes, commodity prices, operating costs and expected life of assets.

With regard to E&P Canada, we have challenged the Directors' assessment that the business should not be classified as held for sale at the balance sheet date. This included meeting with operational and group management to assess the status of the disposal process as at the balance sheet date, understanding the status of bids, negotiations and assessment of the options being considered by the Directors. In relation to assessing the recoverable amount of the E&P Canadian assets, we have considered the Directors' internal discounted cash flow analysis, performed a range of sensitivity analyses on the discounted cash flow and understood the third party bids received.

Based on our analysis and the analysis performed by our valuations team, we did not identify any material issues with the impairment conclusions and valuation of exploration and production, storage and power generation assets and goodwill. We did not identify any material issues with the accuracy of the impairment charges and reversals and the associated disclosures including the classification of assets.

VALUATION OF DERIVATIVE TRANSACTIONS IN COMMODITY TRADING

The Group enters into a number of forward energy trades to help protect and optimise the value of its underlying production and storage assets, power generation assets, and transportation assets, as well as to meet the future energy and supply needs of customers.

Certain of these arrangements are accounted for as derivative financial instruments and are recorded at fair value.

Judgement is required in valuing these derivative contracts, particularly where the life of the contract is beyond the liquid market period. The fair value calculation requires bespoke models to be used that are specific to the derivative and, as such, we gave particular focus to the valuation of derivative contracts at the balance sheet date.

Refer to pages 76 and 77 for details on the Audit Committee reviews and conclusions and notes 2 and 7 in the Financial Statements.

We assessed the overall commodity trading process including internal risk management procedures and the system and controls on the origination and maintenance of complete and accurate information relating to derivative contracts. We found the controls in place over this process to be operating effectively and therefore placed reliance on these controls in our testing.

We tested the valuation of derivative contracts at the year end date which requires the use of the Directors' valuation models. Our audit procedures focused on the integrity of these valuation models and the incorporation of the contract terms and the key assumptions, including future prices and discount rates. We verified input prices into the system and recalculated valuations for a sample of derivatives, as well as performing sensitivity analyses for more complex derivatives. Our testing focused on ensuring appropriate judgement had been applied in the valuation of the contracts and we did not identify any material errors.

Independent Auditors' Report
continued

Area of focus	How our audit addressed the area of focus

PRESENTATION OF EXCEPTIONAL ITEMS AND CERTAIN RE-MEASUREMENTS

Area of focus

The middle column of the Income Statement represents exceptional items and certain re-measurements. In the current year, there is a total pre-tax exceptional charge of £11 million and a £1,030 million pre-tax net gain relating to re-measurements, included within operating profit.

Exceptional items
The current year exceptional items pre-tax charge comprises of restructuring costs of £228 million and an impairment charge on the UK gas storage assets of £176 million. Impairment reversals were recognised on certain exploration and production assets of £135 million and combined cycle gas turbine (CCGTs) power stations of £26 million. A net gain on disposal of businesses and assets of £101 million, a one-off past service credit as a result of the implementation of a reduced salary cap on pensionable pay of £78 million, and a net release of onerous power procurement contracts of £53 million were also included within exceptional items in the current year.

The appropriate classification of exceptional items involves subjective judgement by the Directors including whether the item is truly exceptional by virtue of its nature, size or incidence. Our focus was on testing that the presentation and disclosure of these items is materially correct.

Certain re-measurements (as defined in the Financial Statements)
Certain re-measurements which resulted in a pre-tax net gain of £1,030 million, relates to the fair valuing of forward energy trades. There are two main types of trades the Group participates in:

- optimisation trades – it is the Directors' view that movements in the fair value of optimisation trades do not reflect the underlying performance of the business because they are economically related to parts of the business which are not fair valued, for example exploration and production assets or downstream demand. As such, these trades are only reflected in business performance when the underlying transaction or asset impacts the profit or loss; and
- speculative trading – it is entered into for the purpose of making profit. Therefore all fair value movements associated with it are disclosed as part of underlying business performance.

Our focus was on testing the correct classification of optimisation and speculative trades.

Refer to pages 76 and 77 for details on the Audit Committee reviews and conclusions and notes 2 and 7 in the Financial Statements.

How our audit addressed the area of focus

For each of the material exceptional items, we considered Directors' analyses of why they were determined to be exceptional and performed our own, independent assessment by looking, primarily, at the nature of the items. The detailed work we performed on the exceptional items relating to the impairment charges and reversals, which is one of the most significant items, is described on pages 126, 127 and 128.

We have performed audit testing over the restructuring costs recorded during the year including assessing whether any related provisions meet the requirements under IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Our testing did not identify any material issues and we have ensured appropriate judgement has been applied in classifying restructuring costs as an exceptional item.

For certain re-measurements we audited the principles management use to determine whether a trade should be recognised as part of business performance or presented separately. We evaluated whether the agreed principles had been applied consistently by testing that a sample of the trades had been presented correctly as optimisation or speculative trading. Based on the work performed we did not identify any material issues with the presentation, classification or disclosure of exceptional items and certain re-measurements.

ONEROUS CONTRACTS

Area of focus

The Group enters into a number of significant and complex contracts, for example, power procurement and tolling contracts. Macro-economic factors, such as forecast commodity prices, can have a significant impact on the profitability of these contracts, and therefore the Directors make an assessment as to whether the impact of such factors has resulted in contracts becoming onerous.

The onerous contract provision of £64 million in relation to the Spalding power station tolling agreement has been released following the renegotiation of the contract and further improvements in elements of the cash flow forecasts underpinning the provision. The Group has also negotiated an exit from the Rijnmond tolling contract which resulted in an additional onerous contract provision of £26 million being recognised. The onerous contract provision for the North America wind farm power purchase agreement was updated to take into account changes to forecast US power prices resulting in a £15 million release to the provision being recorded at year end.

The Directors' existing assessment of expected costs in relation to the European gas transportation contract remains materially unchanged.

Our focus on onerous contracts was assessing whether material onerous contracts have been identified and that the valuation of any provision is materially correct.

Refer to pages 76 and 77 for details on the Audit Committee reviews and conclusions and notes 3, 7 and 21 in the Financial Statements.

How our audit addressed the area of focus

We tested the identification and completeness of onerous contracts through discussions with management, examination of board minutes, obtaining and reading the new significant contracts entered into during the year and testing Directors' assumptions for a sample of contracts.

We tested the valuation of the onerous contract provisions by evaluating whether appropriate judgements and assumptions had been applied in determining the unavoidable costs of meeting the obligation and the estimate of the expected benefits to be received under the contract.

For the Spalding onerous contract provision release, we examined the revised contract and tested the updated cash flow forecasts. In relation to the Rijnmond tolling contract settlement, we have reviewed the settlement agreement and verified the cash payment made. We have also reviewed management's updated model for the North America wind farm power purchase agreement to ensure the appropriate judgement had been applied.

Area of focus	How our audit addressed the area of focus

DOWNSTREAM REVENUE RECOGNITION

The accuracy of the recorded energy services revenue within the Group and its presentation in the income statement is dependent on complex estimation methodologies and algorithms used to assess the amount of energy supplied to customers between the date of the last meter reading and the year end (known as unread revenue). Unread gas and electricity revenue comprises both billed and unbilled revenue. The specific risk over unread revenue is the accuracy of the estimation. Where an unread estimate is billed this gives the customer an opportunity to challenge the estimate which can lead to the subsequent refinement of unread estimates.

Where unread estimates are unbilled, there continues to be a risk over accuracy, recoverability and therefore correct recognition in the income statement and balance sheet.

Furthermore, following the implementation of a new billing system in UK Business in 2014, Directors' have performed additional levels of review over the revenue and receivables cycle including making judgements over the level of accounts receivable provisioning.

Refer to pages 76 and 77 for details on the Audit Committee reviews and conclusions and notes 3, 4 and 17 in the Financial Statements.

In order to test the accuracy of the unread billed and unbilled revenue in UK Home, UK Business and UK Home Services, we assessed the IT general controls, system application configuration, and business process controls in relation to the revenue estimation and billing systems. Our testing in these areas was sufficient to enable us to place reliance on the system generated revenue estimation for the year end audit. In North America Home and North America Business, we performed detailed testing to support the accuracy of the unread billed and unbilled revenue.

Given the relatively short time period between the end of the financial year and the audit, the majority of unbilled revenue as at 31 December remained unbilled and uncollected at the date of this report. We therefore focused our substantive testing on the manual adjustments to estimated unbilled revenue, assessing the appropriateness of the estimation methodologies and the reconciliation of unbilled reports to the general ledger at the year end. Where manual adjustments were made to the unbilled revenue estimate, we challenged the basis of the adjustments made, the source of the data used and the consistency of the adjustments with prior years to confirm we were comfortable with the adjustments.

In assessing the methodology used to derive the unbilled revenue estimate at the balance sheet date, and testing the performance of historical billing and collections, we did not identify any material issues with the recognition of unbilled revenue.

With regard to the new billing system in UK Business, we increased our scope of work in order to assess any continued impact of the implementation, specifically on accounts receivable and associated provisioning. This included assessing the recoverability of debt and additional procedures over the calculation of the debt provision at year end.

Based on our work we did not identify any material misstatements with downstream revenue recognition.

PENSIONS

The Group has a net defined benefit pension deficit of £1,137 million, consisting of a £7,938 million asset, offset by a £9,075 million liability.

The assumptions used in valuing the pension liability are both judgemental and sensitive to change and thus there is a risk that a small change in the judgements used will have a significant impact on the valuation of the pension deficit.

The continued fall in gilt rates and the low yield environment has reduced the discount rate on which the Group's pension deficit is calculated to 2.7% (2015: 3.9%), while the remaining assumptions are reasonably consistent with the prior year.

As such our area of focus was on the assumptions used in calculating the liability, particularly the discount rate.

Refer to pages 76 and 77 for details on the Audit Committee reviews and conclusions and notes 3 and 22 in the Financial Statements.

We used PwC pension specialists to help us assess the assumptions used by the Directors in the valuation of the pension deficit. We compared the discount and inflation rates used in the valuation to our internally developed benchmarks. We have an internally developed range of acceptable discount rates for valuing pension liabilities, which is based on our view of various economic indicators. While our range is, itself, subjective, the discount rate used by the Group is in the middle of our expected range, however the inflation RPI is at the more optimistic end of the range.

Based on the work performed, we did not identify any material issues over the assumptions used in valuing the pension deficit.

Independent Auditors' Report
continued

How we tailored the audit scope
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group is made up of the following business lines: UK Home, UK Business, Ireland, North America Home, North America Business, Connected Home, Distributed Energy & Power, Energy Marketing & Trading, Exploration & Production, Central Power Generation and Centrica Storage. The Group Financial Statements are a consolidation of these business lines and comprise the Group's operating businesses and centralised functions.

Accordingly, based on size and risk characteristics, we performed a full scope audit of the financial information for the following business units: UK Home, UK Business, North America Home, North America Business, Exploration & Production, Energy Marketing & Trading and elements of Central Power Generation.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those business units to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group Financial Statements as a whole.

Across the Group, the Group team involvement comprised of site visits, conference calls, review of component auditor work papers, attendance at component audit clearance meetings and other forms of communication as considered necessary. Members of the Group team are also directly involved in the component audits of UK Home, UK Business, Energy Marketing & Trading and Central Power Generation. In addition, senior members of the Group audit team performed a number of site visits throughout the year including to North America Home in Houston and the Neas Energy business in Denmark.

Taken together, the business units where we performed our audit work accounted for 94% of Group revenues and 80% of Group profit before tax. The coverage levels have been calculated using absolute values (ie the sum of the numerical values without regard to whether they were profit or losses for the components). This coverage also includes business units where only specific audit procedures have been performed.

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the Financial Statements as a whole.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

OVERALL GROUP MATERIALITY

£59 million (2015: £78 million).

HOW WE DETERMINED IT

5% of 3 year average pre-tax profit adjusted for exceptional items and certain re-measurements (rounded down) as defined in the Financial Statements.

RATIONALE FOR BENCHMARK APPLIED

The Group materiality benchmark has been calculated as 5% of profit from continuing operations, adjusted to exclude the effect of volatility on underlying performance from disclosed exceptional items and certain re-measurements. These items have impacted the income statement to a quantitatively material degree and are not considered to form part of the underlying results of the Group. To eliminate further volatility in trading performance, a 3 year average on the same benchmark was used in calculating the overall materiality.

COMPONENT MATERIALITY

For each component in our audit scope, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £10 million and £50 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £5 million (2015: £10 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern
Under the Listing Rules we are required to review the Directors' Statement, set out on page 82, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' Statement about whether they considered it appropriate to adopt the going concern basis in preparing the Financial Statements. We have nothing material to add or to draw attention to.

As noted in the Directors' Statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the Financial Statements. The going concern basis presumes that the Group and parent company have adequate resources to remain in operation, and that the Directors intend them to do so, for at least one year from the date the Financial Statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and parent Company's ability to continue as a going concern.

OTHER REQUIRED REPORTING

Consistency of other information and compliance with applicable requirements

Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' and Corporate Governance Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Directors' and Corporate Governance Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' and Corporate Governance Report. We have nothing to report in this respect.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:	
• information in the Annual Report is: – materially inconsistent with the information in the audited Financial Statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and parent Company acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report.
• the statement given by the Directors on page 62, in accordance with provision C.1.1 of the UK Corporate Governance Code (the 'Code'), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and parent Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and parent Company acquired in the course of performing our audit.	We have no exceptions to report.
• the section of the Annual Report on page 74, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:	
• the Directors' confirmation on page 64 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
• the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
• the Directors' explanation on page 64 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' Statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Independent Auditors' Report
continued

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' Remuneration Report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate Governance Statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the Directors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent 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.

What an audit of Financial Statements involves

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the Financial Statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the Financial Statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' and Corporate Governance Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Charles Bowman
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

23 February 2017

2016 Audited Financial Statments

Financial Statements

Group Income Statement

Year ended 31 December	Notes	2016 Business performance £m	2016 Exceptional items and certain re-measurements £m	2016 Results for the year £m	2015 Business performance £m	2015 Exceptional items and certain re-measurements £m	2015 Results for the year £m
Group revenue	4(b)	27,102	–	27,102	27,971	–	27,971
Cost of sales before exceptional items and certain re-measurements	5	(22,711)	–	(22,711)	(23,734)	–	(23,734)
Re-measurement of energy contracts	7	–	1,058	1,058	–	116	116
Cost of sales	5	(22,711)	1,058	(21,653)	(23,734)	116	(23,618)
Gross profit		4,391	1,058	5,449	4,237	116	4,353
Operating costs before exceptional items	5	(3,054)	–	(3,054)	(3,039)	–	(3,039)
Exceptional items – restructuring costs	7	–	(228)	(228)	–	–	–
Exceptional items – impairments	7	–	(176)	(176)	–	(2,284)	(2,284)
Exceptional items – impairment write-backs	7	–	161	161	–	16	16
Exceptional items – net gain on disposal	7	–	101	101	–	–	–
Exceptional items – other	7	–	131	131	–	(90)	(90)
Operating costs	5	(3,054)	(11)	(3,065)	(3,039)	(2,358)	(5,397)
Share of profits/(losses) of joint ventures and associates, net of interest and taxation	6, 7	130	(28)	102	200	(13)	187
Group operating profit/(loss)	4(c)	1,467	1,019	2,486	1,398	(2,255)	(857)
Financing costs	8	(337)	–	(337)	(334)	–	(334)
Investment income	8	37	–	37	55	–	55
Net finance cost		(300)	–	(300)	(279)	–	(279)
Profit/(loss) before taxation		1,167	1,019	2,186	1,119	(2,255)	(1,136)
Taxation on profit/(loss)	7, 9	(282)	(242)	(524)	(286)	538	252
Profit/(loss) for the year		885	777	1,662	833	(1,717)	(884)
Attributable to:							
Owners of the parent		895	777	1,672	863	(1,610)	(747)
Non-controlling interests		(10)	–	(10)	(30)	(107)	(137)
Earnings per ordinary share				Pence			Pence
Basic	10			31.4			(14.9)
Diluted	10			31.2			(14.9)
Interim dividend paid per ordinary share	11			3.60			3.57
Final dividend proposed per ordinary share	11			8.40			8.43

The notes on pages 112 to 189 form part of these Financial Statements.

Group Statement of Comprehensive Income

Year ended 31 December	Notes	2016 £m	2015 £m
Profit/(loss) for the year		**1,662**	(884)
Other comprehensive income/(loss):			
Items that will be or have been recycled to the Group Income Statement:			
Gains on revaluation of available-for-sale securities, net of taxation	S4	**8**	5
Transfer of available-for-sale reserve gains to Income Statement	S4	**(5)**	–
Net gains on cash flow hedges	S4	**161**	20
Transferred to income and expense on cash flow hedges	S4	**(129)**	(12)
Transferred to assets and liabilities on cash flow hedges	S4	**(4)**	7
Taxation on cash flow hedges	S4	**(3)**	(6)
		25	9
Exchange differences on translation of foreign operations		**549**	(256)
Share of other comprehensive (loss)/income of joint ventures and associates, net of taxation	S4	**(4)**	3
		573	(239)
Items that will not be recycled to the Group Income Statement:			
Net actuarial losses on defined benefit pension schemes	S4	**(1,174)**	(321)
Exchange (loss)/gain on translation of actuarial reserve	S4	**(7)**	3
Taxation on net actuarial losses on defined benefit pension schemes	S4	**194**	50
		(987)	(268)
Share of other comprehensive income/(loss) of joint ventures and associates, net of taxation	S4	**65**	(8)
Other comprehensive loss net of taxation		**(349)**	(515)
Total comprehensive income/(loss) for the year		**1,313**	(1,399)
Attributable to:			
Owners of the parent		**1,287**	(1,227)
Non-controlling interests	S10	**26**	(172)

Group Statement of Changes in Equity

	Share capital (note 25) £m	Share premium £m	Retained earnings £m	Other equity (note S4) £m	Total £m	Non-controlling interests (note S10) £m	Total equity £m
1 January 2015	311	931	1,825	(332)	2,735	336	3,071
Total comprehensive loss	–	–	(747)	(480)	(1,227)	(172)	(1,399)
Employee share schemes	–	–	2	58	60	–	60
Scrip dividend	6	204	–	–	210	–	210
Dividends paid to equity holders (note 11)	–	–	(598)	–	(598)	–	(598)
Taxation on share-based payments	–	–	–	(2)	(2)	–	(2)
31 December 2015	317	1,135	482	(756)	1,178	164	1,342
Total comprehensive income	–	–	1,672	(385)	**1,287**	26	**1,313**
Employee share schemes	–	–	1	32	**33**	–	**33**
Scrip dividend	4	121	–	–	**125**	–	**125**
Dividends paid to equity holders (note 11)	–	–	(651)	–	**(651)**	–	**(651)**
Distributions to non-controlling interests	–	–	–	–	**–**	(12)	**(12)**
Issue of share capital	21	673	–	–	**694**	–	**694**
31 December 2016	**342**	**1,929**	**1,504**	**(1,109)**	**2,666**	**178**	**2,844**

The notes on pages 112 to 189 form part of these Financial Statements.

Group Balance Sheet

	Notes	31 December 2016 £m	31 December 2015 (restated) (i) £m	1 January 2015 (restated) (i) £m
Non-current assets				
Property, plant and equipment	13	**5,298**	4,629	6,377
Interests in joint ventures and associates	14	**1,697**	1,839	2,395
Other intangible assets	15	**1,769**	1,775	1,991
Goodwill	15	**2,614**	2,049	2,609
Deferred tax assets	16	**356**	497	354
Trade and other receivables	17	**66**	61	87
Derivative financial instruments	19	**582**	440	313
Retirement benefit assets	22(d)	**-**	91	185
Securities	24	**219**	233	263
		12,601	11,614	14,574
Current assets				
Trade and other receivables	17	**5,102**	4,905	6,226
Inventories	18	**372**	395	555
Derivative financial instruments	19	**1,291**	936	617
Current tax assets		**241**	126	88
Securities	24	**13**	11	11
Cash and cash equivalents (i)	24	**2,036**	1,158	775
		9,055	7,531	8,272
Assets of disposal groups classified as held for sale	12(c)	**238**	13	–
		9,293	7,544	8,272
Total assets		**21,894**	19,158	22,846
Current liabilities				
Derivative financial instruments	19	**(1,100)**	(1,460)	(1,565)
Trade and other payables	20	**(5,525)**	(5,034)	(5,667)
Current tax liabilities		**(355)**	(389)	(348)
Provisions for other liabilities and charges	21	**(457)**	(396)	(395)
Bank overdrafts, loans and other borrowings (i)	24	**(398)**	(773)	(1,789)
		(7,835)	(8,052)	(9,764)
Liabilities of disposal groups classified as held for sale	12(c)	**(42)**	(46)	–
		(7,877)	(8,098)	(9,764)
Non-current liabilities				
Deferred tax liabilities	16	**(245)**	(98)	(663)
Derivative financial instruments	19	**(493)**	(508)	(588)
Trade and other payables	20	**(69)**	(70)	(83)
Provisions for other liabilities and charges	21	**(3,099)**	(2,839)	(3,203)
Retirement benefit obligations	22(d)	**(1,137)**	(210)	(123)
Bank overdrafts, loans and other borrowings	24	**(6,130)**	(5,993)	(5,351)
		(11,173)	(9,718)	(10,011)
Total liabilities		**(19,050)**	(17,816)	(19,775)
Net assets		**2,844**	1,342	3,071
Share capital	25	**342**	317	311
Share premium		**1,929**	1,135	931
Retained earnings		**1,504**	482	1,825
Other equity	S4	**(1,109)**	(756)	(332)
Total shareholders' equity		**2,666**	1,178	2,735
Non-controlling interests	S10	**178**	164	336
Total shareholders' equity and non-controlling interests		**2,844**	1,342	3,071

(i) Cash and cash equivalents and current bank overdrafts, loans and other borrowings have been restated for 2015. An opening balance sheet for 2015 has been presented in accordance with the requirements of IAS 1: 'Presentation of financial statements'. See note 1 for further information.

The Financial Statements on pages 108 to 189, of which the notes on pages 112 to 189 form part, were approved and authorised for issue by the Board of Directors on 23 February 2017 and were signed below on its behalf by:

Iain Conn
Group Chief Executive

Jeff Bell
Group Chief Financial Officer

Group Cash Flow Statement

Year ended 31 December	Notes	2016 £m	2015 £m
Group operating profit/(loss) including share of results of joint ventures and associates		**2,486**	(857)
Less share of profit of joint ventures and associates, net of interest and taxation	6	**(102)**	(187)
Group operating profit/(loss) before share of results of joint ventures and associates		**2,384**	(1,044)
Add back/(deduct):			
Depreciation, amortisation, write-downs and impairments		**1,068**	3,482
Profit on disposals		**(126)**	(14)
Decrease in provisions		**(32)**	(2)
Defined benefit pension service cost and contributions		**(179)**	(131)
Employee share scheme costs		**46**	45
Unrealised gains arising from re-measurement of energy contracts		**(737)**	(12)
Operating cash flows before movements in working capital		**2,424**	2,324
Decrease in inventories		**90**	138
Decrease in trade and other receivables		**221**	769
Increase/(decrease) in trade and other payables		**140**	(604)
Operating cash flows before payments relating to taxes, interest and exceptional charges		**2,875**	2,627
Taxes paid	9(d)	**(206)**	(349)
Payments relating to exceptional charges		**(273)**	(81)
Net cash flow from operating activities		**2,396**	2,197
Purchase of businesses, net of cash acquired		**(335)**	(79)
Sale of businesses		**35**	8
Purchase of property, plant and equipment and intangible assets	4(e)	**(829)**	(970)
Sale of property, plant and equipment and intangible assets		**13**	9
Investments in joint ventures and associates		**(17)**	(13)
Dividends received from joint ventures and associates	14(a)	**117**	180
Repayments of loans to, and disposal of investments in, joint ventures and associates		**94**	190
Interest received		**91**	38
Sale of securities	24(c)	**28**	26
Net cash flow from investing activities		**(803)**	(611)
Issue and surrender of ordinary share capital, including issue for share awards		**694**	28
Payments for own shares	S4	**(17)**	(11)
Distribution to non-controlling interests		**(10)**	–
Financing interest paid		**(204)**	(311)
Repayment of borrowings and finance leases	24(c)	**(477)**	(1,650)
Cash received from borrowings, net of linked deposit	24(c)	**–**	1,000
Equity dividends paid		**(532)**	(387)
Net cash flow from financing activities		**(546)**	(1,331)
Net increase in cash and cash equivalents		**1,047**	255
Cash and cash equivalents including overdrafts at 1 January		**860**	621
Effect of foreign exchange rate changes		**53**	(16)
Cash and cash equivalents including overdrafts at 31 December		**1,960**	860
Included in the following line of the Group Balance Sheet:			
Cash and cash equivalents	24(c)	**2,036**	1,158
Overdrafts included within current bank overdrafts, loans and other borrowings	24(c)	**(76)**	(298)

The notes on pages 112 to 189 form part of these Financial Statements.

Exhibit C-4
Financial Arrangements

Redacted due to Confidential Nature

Exhibit C-5
Projected Financial Forecast – 2 Years
Direct Energy Business – Ohio Power

Redacted due to confidential nature

Direct Energy.

Exhibit C-6
Credit Rating

Direct Energy Business, LLC is a fully owned subsidiary of Centrica plc. As such, Direct Energy Business, LLC relies on the credit rating of our parent company,

As evidenced in Exhibit C-7 "Credit Report", which is also summarized in the table below, Centrica plc maintains a long-term credit rating of Baa1 with Moody's, and an A- with Fitch and is rated as having a "Stable" outlook by both Rating Agency.

Agency Credit Ratings:

Rating Agency	Long Term Rating	Outlook	Short Term Rating
Moody's	Baa1	Stable	P-2
S&P	BBB+	Negative	A-2
Fitch	A-	Stable	F2

Direct Energy.

Exhibit C-7
Credit Report

Please find attached the most recent credit reports for Direct Energy Business, LLC's ultimate parent company, Centrica plc. The credit ratings and reports from Centrica plc have remained stable and unchanged since 2017.

Centrica plc (/gws/en/esp/issr/83410063)

FitchRatings

Fitch Affirms Centrica at 'A-'; Stable Outlook

Fitch Ratings-London-09 August 2017: Fitch Ratings has affirmed Centrica plc's Long-Term Issuer Default Rating (IDR) and senior unsecured notes at 'A-' and Short-Term IDR at 'F2'. Fitch has also affirmed the ratings on Centrica's deeply subordinated EUR750 million and GBP450 million hybrid securities at 'BBB'. The Outlook on the Long-Term IDR is Stable.

The affirmation and Stable Outlook reflect our view that Centrica's commitment to, and execution of its deleveraging strategy through asset sales, new equity and cost-cutting throughout 2016 and 2017 has helped to offset the ongoing strategic redirection towards asset-light customer-facing businesses and the pressures in its UK supply segment. The business mix with lower debt capacity and the execution risk in Centrica's growth areas are reflected in our tighter leverage guidelines for the rating.

KEY RATING DRIVERS
Consumer Strategy Execution Risk: Fitch believes that Centrica faces execution risk and limited earnings visibility in its strategy to pursue growth in less established, asset-light new customer-facing businesses such as Connected Home. The company is diversifying its earnings away from businesses exposed to energy and gas prices, but we expect that earnings from this and the more established services segments will continue to be limited and may not immediately be sufficient to counter the negative trend within its UK supply business.

Continued Pressure in UK Supply: Centrica continued to feel the effects of greater competition as it suffered further customer losses in UK electricity and gas supply and in services with the total number of customer accounts falling by 3.1% in 2016. However, it has maintained its position as the largest player in the UK with around a 22% market share in electricity supply in Q117. We expect that Centrica's decision to raise electricity tariffs by 12.5% from September 2017 will quicken the pace of customer losses in the UK but for the segment to still contribute around 50% of Centrica's earnings. Further political intervention or increased competition could also weaken earnings and margins.

Merger Supports E&P Earnings: We consider that Centrica's agreement to place its European oil and gas exploration and production (E&P) in a joint venture with Bayerngas Norge AS is positive for the segment. The joint venture should strengthen earnings from E&P, which contributed around 24% to EBITDA in 2016, through greater economies of scale, asset diversity and longer asset life.

However, the joint venture will increase the distributions to the minority partners by around GBP40 million per year. We expect that the JV will maintain a prudent growth strategy that does not require external debt. We see Centrica's E&P earnings as providing it with good diversification and the potential for greater financial flexibility in the future.

Supportive Credit Metrics: Centrica has continued to improve its credit metrics and reduce leverage with the help of around GBP900 million of asset sales in 2016 and 2017 and around GBP630 million of cost-cutting. These actions build on the additional equity issuance of GBP700 million in 2016 and the GBP1,000 million hybrid bond issuance in 2015. Fitch's funds from operations (FFO) adjusted net leverage fell to 1.9x at the end of the financial year to December 2016 (FYE16) from 2.7x at FYE15. We expect that the company will reach its net debt target of between GBP2.5-GBP3 billion by the end of 2017 and return to a progressive dividend policy.

We expect that Centrica's FFO adjusted net leverage will remain between 1.5x to 2.0x during 2017-2020 which is commensurate with the rating, and that the group's significant cash balance will be used to repay debt over time. We expect Centrica's cash flows to provide it with sufficient headroom to allow for earnings volatility, small bolt-on acquisitions and to increase shareholder returns without drawing on further borrowings.

DERIVATION SUMMARY

Centrica has the largest proportion of unregulated earnings among its peer group, but it is similar to Fortum (BBB+/Stable) and Statkraft (BBB+/Stable), which also have limited regulated or quasi regulated earnings. This is unlike its UK peer SSE plc (BBB+/Stable) which has around 70% of earnings from more predictable regulated and quasi-regulated operations. Centrica's rating is supported by its significantly lower leverage compared than SSE and Statkraft and stronger geographical footprint than Fortum. We consider that Centrica benefits from its partially integrated business model, and significant scale and market share in the UK which supports its competitive position relative to smaller players in the UK supply segment such as Drax Group Holdings Limited (BB+/Stable).

KEY ASSUMPTIONS
Fitch's key assumptions within our rating case for the issuer include:
- UK customer accounts losses between 2%-3% between 2017 and 2020;
- UK power prices around GBP44/MWh;
- Improving NBP (National Balancing Point) price from 5.75USD/thousand cubic feet in 2016 to 6 from 2019 onwards (according to Fitch's price deck);
- cost savings of GBP250 million in 2017;
- income tax expense at 25% of pretax income
- capex at GBP1 billion for 2017, according to guidance and then around GBP1.1-1.2 billion;
-dividends increasing toward GBP700 million pa.

RATING SENSITIVITIES
Future Developments That May, Individually or Collectively, Lead to Positive Rating Action
-We view an upgrade as unlikely reflecting the sector risk profile of Centrica's core businesses of supply and customer services.

Future Developments That May, Individually or Collectively, Lead to Negative Rating Action
-FFO adjusted net leverage consistently higher than 2x and FFO fixed charge cover below 5.0x
-Further pressure in the key areas of operations, including adverse supply regulation in the UK, acceleration of customer losses or significant margin reduction

LIQUIDITY
As of end-June 2017, Centrica had unrestricted cash of GBP2,311 million and undrawn committed facilities totalling GBP4,359 million. This is more than adequate to meet operating needs and debt maturities totalling GBP970 million through 2020. We expect Centrica to be free cash-flow positive in 2017 before returning to a broadly neutral position during 2018-20.

FULL LIST OF RATING ACTIONS

Centrica PLC
--Long-Term IDR affirmed at 'A-', Stable Outlook
--Senior unsecured rating affirmed at 'A-'
--Short-Term IDR affirmed at 'F2'
--Subordinated notes rating affirmed at 'BBB'

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Summary of Financial Statement Adjustments - GBP155 million of cash was treated as restricted. GBP139 million of payments related to terminating energy contracts were considered exceptional.

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Additional information is available on www.fitchratings.com. For regulatory purposes in various jurisdictions, the supervisory analyst named above is deemed to be the primary analyst for this issuer; the principal analyst is deemed to be the secondary.

Applicable Criteria
Corporate Rating Criteria (pub. 07 Aug 2017) (https://www.fitchratings.com/site/re/901296)
Non-Financial Corporates Hybrids Treatment and Notching Criteria (pub. 27 Apr 2017) (https://www.fitchratings.com/site/re/896881)

Additional Disclosures
Dodd-Frank Rating Information Disclosure Form (https://www.fitchratings.com/site/dodd-frank-disclosure/1027618)
Solicitation Status (https://www.fitchratings.com/site/pr/1027618#solicitation)
Endorsement Policy (https://www.fitchratings.com/regulatory)

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Unsolicited Issuers:

Entity/Security	ISIN/CUSIP/COUPON RATE	Rating Type	Solicitation Status
Centrica plc	-	Long Term Issuer Default Rating	Unsolicited
Centrica plc	-	Short Term Issuer Default Rating	Unsolicited
Centrica plc GBP 400 mln 7% Notes 19 Sep 2018	XS0388006552	Long Term Rating	Unsolicited
Centrica plc EUR 100 mln 3.2133% Notes 1 Feb 2019	XS0738593796	Long Term Rating	Unsolicited
Centrica plc USD 80 mln Floating Rate Notes 25 Sept 2020	XS0975608208	Long Term Rating	Unsolicited
Centrica plc HKD 450 mln 3.68% Notes 22 Feb 2022	XS0747399466	Long Term Rating	Unsolicited

Entity/Security	ISIN/CUSIP/COUPON RATE	Rating Type	Solicitation Status
Centrica plc GBP 500 mln 6.375% Notes 10 Mar 2022	XS0416397338	Long Term Rating	Unsolicited
Centrica plc USD 750 mln 4% Notes 16 Oct 2023 ser RegS	USG2071AAE04	Long Term Rating	Unsolicited
Centrica plc USD 750 mln 4% Notes 16 Oct 2023 ser 144A	US15639KAA07	Long Term Rating	Unsolicited
Centrica plc GBP 200 mln Floating Rate Notes 4 Sep 2026	XS0265184589	Long Term Rating	Unsolicited
Centrica plc USD 70 mln 5.9% Notes 16 Apr 2027	XS0502919797	Long Term Rating	Unsolicited
Centrica plc GBP 750 mln 4.375% Notes 13 Mar 2029	XS0753789980	Long Term Rating	Unsolicited
Centrica plc EUR 50 mln Zero Coupon Notes 5 Jan 2032	XS0721258860	Long Term Rating	Unsolicited
Centrica plc GBP 770 mln 7% Notes 19 Sep 2033	XS0388006123	Long Term Rating	Unsolicited
Centrica plc USD 600 mln 5.375% Notes 16 Oct 2043 ser 144A	US15639KAB89	Long Term Rating	Unsolicited
Centrica plc USD 600 mln 5.375% Notes 16 Oct 2043 ser RegS	USG2071AAF78	Long Term Rating	Unsolicited
Centrica plc GBP 500 mln 4.25% Notes 12 Sep 2044	XS0825385858	Long Term Rating	Unsolicited
Centrica plc GBP 450 mln Variable Rate Subordinated Notes 10 Apr 2075	XS1216019585	Long Term Rating	Unsolicited
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S&P Global Ratings

(/en_US/web/guest/home)

U.K.-Based Energy Company Centrica Ratings Affirmed Amid Difficult Market Conditions; Outlook Negative

19-Apr-2018 07:19 EDT

View Analyst Contact Information

Centrica management's commitment to lower overall debt levels through disposals, stabilized dividend payments, and reduction of other liabilities such as asset retirement obligations has allowed the company to improve its financial risk profile. Metrics were commensurate with our 'BBB+' rating at the end of 2017.

That said, strong competition in the supply markets in the U.K. and the U.S. continue to weigh on Centrica's core ratios, and thus on our assessment of Centrica's business risk.

We are affirming our 'BBB+/A-2' long- and short-term issuer credit ratings on Centrica.

The negative outlook signifies that, despite the company's reduced leverage, management still faces difficult market conditions in the U.K. and the U.S.

LONDON (S&P Global Ratings) April 19, 2018--S&P Global Ratings today affirmed its 'BBB+/A-2' long- and short-term issuer credit and issue ratings on U.K.-based energy utility Centrica PLC. The outlook remains negative.

At the same time, we affirmed our 'BBB+' issue rating on the senior unsecured notes and our 'BBB-' rating on the junior subordinated notes.

Management has significantly cut Centrica's reported net debt over the past four years, to £2.6 billion by the end of 2017. It achieved this through the company's intrinsic free operating cash flow (FOCF) generation capacity, cost-cutting measures, and through its disposal program. S&P Global Ratings-adjusted debt fell to about £5.1 billion in 2017 from £6.7 billion in 2016, as the sale of Canadian exploration and production (E&P) assets reduced asset retirement liabilities to £1.4 billion from £1.8 billion.

This said, competition in the supply markets in the U.K. and the U.S. remains very high. The U.S. operations are not growing as well as initially expected, which contributed to the profit warning Centrica announced in November 2017. Political risk remains high in the U.K., where a tariff cap could be implemented in the first half of 2019. In our view, Centrica's strategy of moving toward being a more asset-light company may structurally increase cash flow volatility. The company has announced its intention to divest its stake in British Energy and views its E&P business as nonstrategic. Although we don't expect any changes in the short term, a reduced cash flow diversity would weaken the company's business risk profile, in our view.

Nevertheless, Centrica's strong commitment to debt reduction and the company' strong market positions in the U.K. offset some of these risks. We also understand that Centrica has already locked in a recovery of profit from its U.S. activities for 2018 and 2019, supporting our assumption of a moderate increase in operating profit over the next few years. In addition, Centrica has announced a further £500 million of cost-cutting programs, which should support operating performance.

Our base case depends on Centrica maintaining its operating profit overall, despite some reduction in the U.K., while increasing U.S. market penetration. In the U.K., our base case is that Centrica will offset some of the reduction of its operating profit thanks to achieving improved customer margins, despite losing further market share in gas supply markets. Centrica's strategy of offering connected home products and selling additional services to its customers supports the company's margins. However, there is political tension in the U.K. regarding the standard variable tariff (SVT). SVT tariffs are the default tariff a consumer will be charged for their gas or electricity if they do not actively search for a new tariff. (For more details, please refer to: " U.K. Energy Suppliers Could Have The Flexibility To Withstand A Potential

Price Cap (/en_US/web/guest/article/-/view/sourceId/10280015)," published on Oct. 9, 2017.)

In our base case, we assume:

Market environment in Centrica's core businesses to remain tough.
Gradual reduction in market share and margins due to increasing competition in the U.K. and the potential impact of a retail tariff cap, but growth in the U.S. retail and business services, including a roll-out of connected homes products.
Subdued wholesale power prices and gas prices in the U.K., declining consumption, and continued low spark spreads in an oil price environment of about $50/barrel, providing some upside.
Operating profit to be supported by cumulative hefty cost efficiencies reaching £1.25 billion per year by 2020 (versus 2015), two-thirds of which have already been delivered.
Downsizing of E&P to an output of 50 million barrels of oil equivalent annually (from 79.5 million in 2014). Centrica has a 69% share in E&P via its Spirit Joint venture.
No dividend increase unless operating cash flow grows.
Capex of up to about £1 billion a year, including £400 million-£600 million in the E&P segment in the near term.

Based on these assumptions, we arrive at the following credit measures:

Adjusted EBITDA of £2.2 billion-£2.6 billion (from £2.1 billion in 2017, close to 2016 performance of £2.4 billion). There is uncertainty in the medium term due to the tariff cap discussions.
Ongoing FOCF of £750 million-£1 billion, before disposals.
Funds from operations (FFO) to debt remaining at or above 35%.

The negative outlook signifies that, despite the company's reduced leverage, management faces difficult market conditions in the U.K. and the U.S. Centrica could find it hard to maintain FFO to debt at 35%-40%.

We would consider a downgrade if Centrica's business environment declined such that it was unable to maintain its operating cash flow. This could occur if reforms significantly affected Centrica's profitability in the U.K. retail market or it saw a further increase in competitive pressures on retail markets. Alternatively, it could occur if there were no recovery in the U.S. operations.

We would also consider lowering the ratings if we considered that Centrica's business risk profile was weakening, for example, if the company's business diversification were to reduce; operating margins in the U.K. retail business weakened; customer retention became increasingly testing; the U.S. business underperformed our expectations; or political intervention in the U.K. materially affected Centrica's residential retail activities.

We would revise the outlook to stable if we saw reduced pressure in the U.K. retail market, sustainably improving operating performance in the U.S., and improved performance from the E&P operations, which would ultimately result in reduced uncertainty regarding the group's future performance and stronger credit metrics, comfortably in line with our expectations for the rating.

At this stage, we view upside as unlikely in the medium term. An upgrade would depend on good operating performance and market positions, in both the U.K. and the U.S., such that FFO to debt could be sustainably maintained above 45%.

RELATED CRITERIA

Criteria - Corporates - General: Reflecting Subordination Risk In
Corporate Issue Ratings (/en_US/web/guest/article/-/view/sourceId/10486915), March 28, 2018
General Criteria: Methodology And Assumptions: Assigning Equity Content
To Hybrid Capital Instruments Issued By Corporate Entities And Other
Issuers Not Subject To Prudential Regulation (/en_US/web/guest/article/-/view/sourceId/10379151), Jan. 16, 2018
General Criteria: Methodology For Linking Long-Term And Short-Term Ratings (/en_US/web/guest/article/-/view/sourceId/10011703)
, April 7, 2017
Criteria - Corporates - General: Methodology And Assumptions: Liquidity
Descriptors For Global Corporate Issuers (/en_US/web/guest/article/-/view/sourceId/8956570), Dec. 16, 2014
Criteria - Corporates - Industrials: Key Credit Factors For The
Unregulated Power And Gas Industry (/en_US/web/guest/article/-/view/sourceId/8531010), March 28, 2014
Criteria - Corporates - Industrials: Key Credit Factors For The Oil And
Gas Exploration And Production Industry (/en_US/web/guest/article/-/view/sourceId/8378755), Dec. 12, 2013
General Criteria: Group Rating Methodology (/en_US/web/guest/article/-/view/sourceId/8336067), Nov. 19, 2013
General Criteria: Methodology: Industry Risk (/en_US/web/guest/article/-/view/sourceId/8304862), Nov. 19, 2013
Criteria - Corporates - General: Corporate Methodology: Ratios And
Adjustments (/en_US/web/guest/article/-/view/sourceId/8330212), Nov. 19, 2013
General Criteria: Country Risk Assessment Methodology And Assumptions (/en_US/web/guest/article/-/view/sourceId/8313032),
Nov. 19, 2013
Criteria - Corporates - General: Corporate Methodology (/en_US/web/guest/article/-/view/sourceId/8314109), Nov. 19, 2013
General Criteria: Methodology: Management And Governance Credit Factors
For Corporate Entities And Insurers (/en_US/web/guest/article/-/view/sourceId/7629699), Nov. 13, 2012
General Criteria: Criteria Clarification On Hybrid Capital Step-Ups, Call
Options, And Replacement Provisions (/en_US/web/guest/article/-/view/sourceId/7598544), Oct. 22, 2012
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Issue Features: Update On Dividend Stoppers, Look-Backs, And Pushers (/en_US/web/guest/article/-/view/sourceId/5838577),
Feb. 10, 2010
General Criteria: Use Of CreditWatch And Outlooks (/en_US/web/guest/article/-/view/sourceId/5612636), Sept. 14, 2009
Criteria - Insurance - General: Hybrid Capital Handbook: September 2008
Edition (/en_US/web/guest/article/-/view/sourceId/5002701), Sept. 15, 2008

RELATED RESEARCH

U.K. Energy Suppliers Could Have The Flexibility To Withstand A Potential Price Cap (/en_US/web/guest/article/-/view/sourceId/10280015), Oct. 9, 2017

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

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Exhibit C-8
Bankruptcy Information

Over the past two years, Direct Energy Business, LLC has not sought financial reorganization, protection from creditors or had any other form of bankruptcy filing. The same is true of the Directors and Officers of Direct Energy Business, LLC that are referenced on Exhibit A-10 and Direct Energy Business, LLC's parent company Centrica plc.

Exhibit C-9
Merger Information

In March 2018 Direct Energy acquired NJR Retail Services Company, a retail provider of natural gas to large commercial and industrial customers in Pennsylvania, New Jersey, Delaware and Maryland. The company has since been renamed Direct Energy RS Gas Inc.

12 Greenway Plaza, Suite 250 • Houston, TX 77046 • Phone 1.713.877.3500 • Fax 713.904.7032
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Exhibit C-10
Corporate Structure

Redacted due to confidential nature

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Exhibit D-1
Operations

Direct Energy Business, LL is part of the Direct Energy family of companies, and as such has operational backing with DE's affiliates to maximize efficiency in providing high quality service to customers. Direct Energy maintains a 24-hour operation for buying and selling in both retail and wholesale markets. Direct Energy Business Marketing, LLC is the wholesale trading affiliate for US Trading and has the contractual relationships with outside parties and partners to provide energy supply for end use customers.

Direct Energy purchases and sells power from the wholesale market on an hourly, daily, weekly and monthly basis. After buying or selling the power, Direct Energy then schedules the energy with the Control Areas. This process entails buying and scheduling transmission and ancillary services and properly creating and submitting NERC tags (via OATI software) to the Control Areas. Our retail and wholesale schedules are confirmed with the Control Areas to ensure flow prior to start and end of the schedule for verification of flow.

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Exhibit D-2
Operations Expertise

John Schultz is currently the President, Centrica North America and Direct Energy Business. Direct Energy Business has responsibility for the supply and trading of natural gas and electricity for all Centrica North America affiliates. John's office is located in the Iselin, New Jersey. He has 20+ years of experience in the energy industry and has held various positions in the energy industry, including natural gas and electricity trading and operations, commercial and industrial sales and energy infrastructure development. John has a B.S in Agricultural Economics from Penn State University and has attended executive development programs at the Fuqua School of Business at Duke University and Harvard Business School. His team for natural gas is led by David Brast, SVP, North American Power &Gas, and Steve Dixon, Head of North American Sales.

David joined the company in August 2013. He is an experienced energy professional who previously held a role as Senior Vice President of Business Segments for Reliant/NRG Business Solutions. He has in excess of 20 years' experience specializing in risk management, power and gas trading and commercial operations. He has a bachelor's degree in Accounting and Finance from Texas A&M University.

Steve is currently Head of North American Sales for Direct Energy Business. He joined Direct Energy in 2013 as the Head of the East Region Gas Operations and prior to that, he served as Vice President of Natural Gas Operations for Hess Corporation's Energy Marketing business. He joined Hess Corporation in 1998 after serving in positions at Resource Energy, Aquilla Energy and Phillip's Petroleum Company (now Conoco Phillips). He has 30 years of experience in the energy industry in a variety of roles, including operations, sales, marketing and trading. In his current role at Direct Energy, he is responsible for leading all aspects in developing a best in class customer facing sales team. Mr. Dixon has a BS in Business Administration from Lyon College and an MBA from the Walton College at the University of Arkansas. He has also attended Executive Development Programs at both Harvard Business School and Harvard Law School.

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Exhibit D-3
Key Technical Personnel

John Schultz, President – Centrica North America & Direct Energy Business
John.schultz@directenergy.com
(732) 750-6197

Mr. Schultz has in excess of 20 years of experience in the energy industry and has held various positions in the field including natural gas and electricity trading and operations, commercial and industrial sales and energy infrastructure development. Mr. Schultz was previously the Senior Vice President of Hess Energy Marketing, LLC and was promoted to President of Direct Energy Business, LLC ("DEB") and is currently the President of Centrica North America as well.

Mr. Schultz is a graduate of Penn State University and has attended executive development programs at both the Fuqua School of Business at Duke University and Harvard Business School.

Steve Dixon, SVP, North American Sales – Direct Energy Business
Steve.dixon@directenergy.com
(732) 750-6240

Steve is currently SVP of North American Sales for Direct Energy Business. In this role, he is responsible for leading all aspects of developing a best in class customer-facing sales team.

Steve joined DEB as Head of the East Region Gas Operations in November 2013, and prior to that he was Vice President of Natural Gas Operations for Hess Corporation's Energy Marketing business. He joined Hess Corporation in 1998, after serving in positions at Resource Energy, Aquila Energy, and Phillips Petroleum Company (now ConocoPhillips). He has 30 years of experience in the energy industry in a variety of roles including operations, sales, marketing, and trading.

Steve is originally from Houston, TX and has a B.S. in Business Administration from Lyon College and a MBA from the Walton College at the University of Arkansas. He has also attended executive development programs at both Harvard Business School and Harvard Law School.

David Brast, SVP North American Power & Gas – Direct Energy Business
David.brast@directenergy.com
(713) 877-3642

David is the SVP of North American Power & Gas where his responsibility is overseeing retail supply, trading, asset optimization and power generation.

David joined the company in August 2013. He is an experienced energy professional who previously held a role as Senior Vice President of Business Segments for NRG Energy. He has more than 20 of years of experience specializing in risk management, power and gas trading and commercial operations. He has a Bachelor's degree in Accounting and Finance from Texas A&M University.

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Exhibit D-4
FERC Power Marketer License

Direct Energy Business, LLC maintains a current FERC Market Based Rate Tariff, which is under docket ER11-1850-000.