

When EBITDA Lies:
Energy & Utilities – RAB, Hedging Gains and the Decommissioning Bill

Darren Sack ©Bloor Research November 2026

ARTICLE REPRINT

United Utilities for regulated networks and water, SSE for generation and renewables

A water company or electricity network is priced on its regulated asset base and the return the regulator allows on it — not on EBITDA. A generator's EBITDA is shaped by hedges, subsidy contracts and a decommissioning bill that sits below the line. This paper reads one UK regulated utility and one UK generator through their own accounts to show where the number lies.

The energy and utilities paper in the Bloor Finance series, in three parts. Part A reads United Utilities Group (LSE: UU.), the North West water and wastewater company, against Severn Trent, Pennon and National Grid on one basis: UK-adopted IFRS, sterling, years to 31 March 2026. Part B reads SSE plc (LSE: SSE), the networks, renewables and thermal group, through its own segment table on the same basis, with NextEnergy Solar Fund and Centrica as contrasts. A short Part C covers oil and gas, where the measure is EBITDAX and the windfall tax sits below it. It is written for boards and finance leaders who sell, buy, lend against or regulate energy businesses, and want to know which number the other side will use.

0 · Where the opening paper left off

The opening paper in this series gave energy and utilities one section — "the picks-and-shovels capex trap" — and one line in its closing table: where the metric lies, "20–30-yr capex underwritten on a data-centre load forecast"; the hidden debt, "Stranded-capex debt"; the honest gauge, "Rate-base risk; load-forecast sensitivity". Its argument, in its own words:

> ***"Start with the exposure. Twenty-to-thirty-year capital is being committed against a data-centre load forecast that depends entirely on hyperscaler capex holding — the same hyperscaler capex whose free-cash-flow crossover this paper has already flagged. If the AI build plateaus, or GPU useful lives reset and the fleet shrinks, the rate base carries stranded-cost and recovery risk that today's depreciation schedule assumes away, and that risk is not yet being asked about at board level."***
>
> ***"Utilities are cast as the picks-and-shovels of the AI build-out — and the casting hides the risk. Aggregate sector capital plans now run well over a trillion dollars this decade, underwritten on a forecast that data-centre electricity demand roughly doubles by 2030. That is the scale of the bet; the exposure above is what most rate-base planning has not yet stress-tested."***

Re-checking those lines confirmed the scale and changed one word. The trillion is American: the Edison Electric Institute projects more than $1.1 trillion of capital expenditure by US investor-owned electric companies between 2025 and 2029. The doubling is the International Energy Agency's: its Energy and AI report puts data-centre electricity use at 415 TWh in 2024 and around 945 TWh by 2030. The word is "rate base". That is US language, for an asset base set by a state commission. In Britain the equivalent is the regulated asset value (RAV) of an electricity network or the regulatory capital value (RCV) of a water company, set by Ofgem and Ofwat price controls. The British data-centre load is arriving through the networks: National Grid says its RIIO-T3 plan adds 19 GW of demand capacity, including 10 GW for more than 30 data-centre connections. Who carries the cost if that load does not come is decided in each price control, not in the depreciation schedule.

The paper follows Pallabi Mohanty's brief for the sector and splits the industry in three. For regulated networks and water, the lies sit in the gap between the regulatory asset base and the IFRS accounts: capitalisation policy, inflation and gearing. For generators, they sit in hedging gains, contract revenue, the decommissioning bill and the project debt held off the group balance sheet. For oil and gas, they sit in exploration costs and a levy that EBITDA never sees.



ARTICLE REPRINT

Part A · Regulated networks and water

A1 · What is the regulated asset base, and why do buyers value it instead of EBITDA?

The regulated asset base is the value on which a regulator allows a network or water company to earn a return. Each year it grows by the share of totex the price review adds to it and by an adjustment for inflation, and it is recovered through bills over time. Allowed revenue is set from it: a return on the base, a return of it, and the operating costs the regulator allows. That is why buyers and lenders start with the base and the allowed return, and why gearing is struck as net debt over the base, not over EBITDA. Under IFRS the base does not appear on the balance sheet at all.

United Utilities does not use EBITDA as a key performance indicator in its 2026 annual report. The term appears there only among the ratios that rating agencies apply. What it leads with instead is the base: net debt of £9,943m against an adjusted RCV of £16.5bn, or gearing of 60% within a target range of 55–65%, RCV growth of 7.5%, and a regulatory return on equity of 13.0%. Bloor's arithmetic gives an EBITDA of £1,599.9m — operating profit of £1,099.4m plus depreciation and amortisation of £500.5m — but no one in the market prices United Utilities on it.

The peers lead the same way. Severn Trent reports an RCV of £15,367m, regulated gearing of 63.6% and a return on regulated equity of 13.7%, and it also publishes EBITDA as an alternative performance measure: £1,369m. Pennon publishes underlying EBITDA of £519.2m, up 55%, beside a Water Group RCV of £6,505.2m. National Grid reports no group EBITDA in its results statement; it reports a UK RAV of £36,986m and group regulatory gearing of 61%.

> ***In a regulated business, EBITDA is a by-product of the asset base, not the measure of it. Start with the base, the allowed return and the gearing.***

This is also where the accounting rules are about to move. On 27 May 2026 the International Accounting Standards Board issued IFRS 20, Regulatory Assets and Regulatory Liabilities, effective for periods beginning on or after 1 January 2029. It requires rate-regulated companies to recognise the regulatory assets and liabilities that exist at the reporting date, together with the related regulatory income and expense. UK endorsement has not been checked for this paper. Until it applies, the gap between the regulatory base and the IFRS accounts stays off the balance sheet.

A2 · How does totex change reported EBITDA without changing value?

Ofwat and Ofgem set an allowance for total expenditure — totex — without distinguishing operating from capital spending. A share of it, the pay-as-you-go (PAYG) rate, is recovered in the year through bills: "fast money". The rest is added to the regulatory base and recovered over decades: "slow money". The regulatory split is set by the regulator. The IFRS split between expense and capital is the company's accounting policy. Change the policy and EBITDA moves; the regulatory base and the allowed revenue do not.

United Utilities did exactly that. From 1 April 2025 it adopted, prospectively, "a more granular approach to the capitalisation" of infrastructure renewals expenditure (IRE). It estimates that the change would have added £152m to operating profit had it been applied in 2024/25, and its pro forma comparatives add £151.9m on that basis. Severn Trent, on the same totex framework, expensed £136m of IRE through operating costs in 2025/26 (2024/25: £149m).

> ***The same regulatory totex can produce two different EBITDAs. The difference is a policy choice, not a cash difference.***

The scale of the money is set by the regulator, not the accounts. Ofwat's final determinations for 2025–30 allowed £104bn of totex across the sector, with an allowed return of 4.03% in real terms against CPIH, the consumer price index including owner-occupiers' housing costs. For United Utilities, revenue rose by £471m to £2,616m in 2025/26, of which £447m were regulatory adjustments, reflecting a real increase of about 23% in allowed wholesale revenue and a 3.5% CPIH increase. That uplift reached EBITDA in a single year. It is the price control's first-year step, not an operating improvement.

A3 · What does RAB indexation do that the income statement can't see?

The regulatory base grows with inflation each year. The IFRS accounts do not record that indexation as income. The debt that funds the base is often index-linked, though, and the inflation uplift on that debt is charged to finance costs. Under IFRS the accounts take the inflation cost on the liabilities, while the inflation gain on the regulatory asset never appears.



United Utilities' finance expense was £415.7m in 2025/26 (2024/25: £371.9m). Inside it, the non-cash inflation uplift on index-linked debt was £133.7m (£142.2m), and a further £20.5m (£19.6m) arose on index-linked derivatives — together £154.2m, about 37% of the total (Bloor arithmetic). Including swaps, its RPI exposure was £3.2bn at a real rate of 1.5% and its CPI/CPIH exposure £1.4bn at minus 0.6%. Its regulatory return of 13.0% includes 3.8 percentage points of inflation — the indexation of the base that the income statement leaves out. Severn Trent's inflation uplift on index-linked debt was £93m (£70m). Pennon reports an indexation charge of £44.9m (£33.4m), which it calls "non-cash interest accrued". National Grid's results statement does not quantify the equivalent.

Measurement choices move this line too. United Utilities says a change in how it measures inflation-linked debt would have added £23m to 2024/25 net finance expense had it been applied then. An EBITDA-based reader sees none of this, because it sits below EBITDA. An earnings-based reader sees only half of it: the cost on the debt, without the matching growth in the base.

A4 · Gearing and covenants: what did Thames Water's EBITDA miss?

Thames Water is the case, not a peer: privately owned, with Class A and Class B creditors, and outside the listed peer set. For 2025/26 it reported underlying revenue of £3,616m, up 39%, and underlying operating profit of £1,282m. EBITDA is not stated in its results announcement. On an earnings view alone, the business is growing.

The debt says otherwise. Statutory net debt was £18,516m (£16,794m). Covenant net debt was £19,772m against an RCV of £22,725m. Senior gearing — covenant senior net debt over RCV — was 86.1% (84.4%), or 87.0% excluding cash held in the super senior issuer. Covenant net debt was about 15 times underlying operating profit (Bloor arithmetic). Operating cash flow covered senior debt cash interest 1.46 times (1.09). And the tests that would normally bite are switched off: "Testing of the gearing covenant and interest cover covenants are currently suspended." Moody's rates the Class A debt Ca, after a downgrade on 10 July 2026.

As at 17 November 2026 Thames Water has not been recapitalised. According to trade press reports, on 9 November it proposed a Stable Platform Period Extension Transaction, supported by creditors holding more than £12bn of secured debt, to move 2027 senior debt maturities to March 2028, with a court convening hearing on 27 November, creditor meetings on 17 December and a sanction hearing on 13 January 2027. A recapitalisation by the London & Valley Water consortium has not been agreed. The listed peers report gearing of 60–64% on their own definitions — United Utilities 60%, Severn Trent 63.6%, Pennon's Water Group 61.8%, National Grid 61%.

Thames' operating profit grew. Its gearing rose, its covenants were suspended and its rating fell to Ca. The base and the debt told the story; the profit line did not.

THE QUESTION CFOs AREN'T ASKING

If hyperscaler capital spending plateaus, or GPU useful lives reset and demand softens, what happens to the load forecast underpinning your rate base — and who absorbs the stranded cost, your customers or your equity?

Since the year-end. United Utilities' half-year statement to 30 September 2026, published on 12 November, reported underlying operating profit of £578.7m, up 6.9% on a pro forma £541.6m (read from a full-text copy of the announcement); its financial summary also lists EBITDA. National Grid's half-year statement of 5 November reported statutory operating profit of £2,359m and underlying operating profit of £2,591m, up 13%; its statutory profit before tax of £1,730m included favourable timing swings and exceptional revaluation gains. Severn Trent's trading update of 9 July 2026 reported about £440m of first-quarter capital investment, up 22%, and guided to £2.2–2.5bn for the year. SSE's trading update of 1 October 2026 expected half-year capital investment of around £2.5bn and adjusted net debt and hybrid capital of around £11.5bn. Both companies' half-year results are due on 18 November 2026, after this paper was finalised; Pennon reports on 1 December 2026. The tables use audited FY2026 figures.



Part B · Generation and renewables

B1 · How much revenue is contracted — power purchase agreement, CfD or merchant?

A generator sells power in one of three ways. Under a power purchase agreement (PPA) a buyer pays an agreed price. Under a Contract for Difference (CfD), the government-backed scheme for new low-carbon generation, the generator is paid the difference between an agreed strike price and the market reference price, and pays it back when the market is higher. Merchant output is sold at whatever the market pays. Older UK renewables also earn Renewables Obligation certificates (ROCs). The mix decides how much of EBITDA is a contract and how much is a commodity price.

SSE does not give its contracted share of EBITDA as a single percentage. It gives the parts. Its networks businesses accounted for 40% of adjusted operating profit in 2025/26, and it expects "around 80% of EBITDA being index linked in 2029/30", a forward-looking statement. For the merchant part it publishes the hedge book for GB wind and hydro output: 11.8 TWh hedged at £87/MWh for 2025/26, then 10.5 TWh at £76, 11.6 TWh at £70 and 2.4 TWh at £73 for the following three years. Its 2025/26 renewables hedge prices were around 20% lower than the year before. Today's EBITDA was struck at prices the next three years do not repeat.

A contract also carries risk of its own. SSE's £162.6m of exceptional items in 2025/26 comprised £84.7m of group restructuring costs and £77.9m of net asset impairments. The impairments related to two Scottish onshore wind projects holding CfDs from allocation round 5, hit by grid-connection delays. A fixed strike price protects revenue. It does not protect the cost of getting the project connected. NextEnergy Solar Fund, the London-listed specialist investor in solar energy and energy storage with a March year-end, shows the subsidy side: its ROC and feed-in tariff income moved from RPI to CPI indexation, and the fund marked down its net asset value for it.

B2 · Are mark-to-market hedging gains sitting in EBITDA?

Most of a generator's hedges are contracts to buy or sell power, gas or carbon. IFRS 9 brings them into the accounts as derivatives, measured at fair value through profit or loss, unless they are for the company's own use. In the standard's words, the exception covers "contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements." Contracts that fall outside it are marked to market each period, and the swings run through operating profit — and through EBITDA — before the power is delivered.

SSE strips these swings out of its adjusted measures and says so. Its 2025/26 re-measurements of operating derivatives, including its share of joint ventures net of tax, were a £168.1m charge: £152.0m consolidated, including affiliate and commercial CfDs, and £16.1m in joint ventures. It explains that the mark-to-market result "does not reflect the realised operating performance", and that most of the position open at 31 March 2026 will be delivered within the next 18 months. It also notes that "the reported result does not include re-measurement of 'own use' hedging agreements which do not meet the definition of a derivative financial instrument under IFRS 9". In other words, part of the hedge book is marked to market and part is not, and only the marked part is removed from the adjusted number.

The reconciliation shows the size. SSE's adjusted EBITDA was £3,207.9m (2024/25: £3,349.3m); its reported EBITDA was £2,768.2m (£2,738.3m). The gap was £439.7m (£611.0m) (Bloor arithmetic). At operating-profit level the bridge from reported £1,888.9m to adjusted £2,236.6m adds back £157.7m for the consolidated movement on derivatives (the £168.1m above also includes the joint-venture share, net of tax) and £162.6m of exceptional items. It removes £12.6m of Gas Production decommissioning adjustments, adds £206.9m of joint-venture interest and tax, adds £20.3m of depreciation on fair-value uplifts, and takes out £187.2m for non-controlling interests. In the Energy Markets segment, adjusted operating profit was £43.2m against a reported loss of £145.8m.

> ***Adjusted EBITDA removes the mark-to-market noise. It also removes the evidence that the hedge book can lose money.***

Centrica, the British Gas owner with a December year-end, shows the same construction. For 2025 it reported adjusted EBITDA of £1,417m (2024: £2,305m) against statutory operating profit of £106m (£1,703m), after a £708m net charge for "exceptional items and certain re-measurements". It has also moved its primary earnings measure from adjusted operating profit to adjusted EBITDA.

ARTICLE REPRINT



B3 · Is the decommissioning bill counted?

A wind farm, a power station or an oil field must be taken down at the end of its life. IAS 37 requires a provision when there is a present obligation from a past event, an outflow is probable and the amount can be estimated reliably, measured at "the present value of the expenditures expected to be required to settle the obligation". Americans call the same liability an asset retirement obligation. The accounting keeps most of it away from EBITDA in two ways. Under IFRIC 1, changes in the estimate are generally "added to, or deducted from, the cost of the related asset", and so come back as depreciation. Each year the discount unwinds — "the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as borrowing cost." Both land below EBITDA.

SSE's decommissioning provision was £735.1m at 31 March 2026 (£717.0m). The unwind of the discount in 2025/26 was £34.3m, charged to finance costs. The provision is discounted at risk-free rates of 4.9%–5.5% (4.7%–5.2%), from UK gilts matched to expected settlement dates. SSE's own sensitivities show how much the estimate can move: a 10% rise in costs would take it to £808.5m, a one-point rise in inflation to £817.2m, and a half-point fall in the discount rate to £772.5m.

Part of the bill is a legacy. SSE retains 60% of the decommissioning liabilities of the Gas Production business it sold in October 2021. Revaluations of that liability run through the income statement, and SSE removes them from its adjusted measures — a £12.6m adjustment in 2025/26 — as "not considered to be part of the Group's core continuing operations". Removing the item may be the right presentation. The liability stays all the same: the obligation is still SSE's, and so is the cash.

Decommissioning sits below EBITDA twice — through depreciation and through the unwind. A buyer puts it back as debt.

B4 · How do lenders test a renewable project — DSCR?

Renewable projects are usually financed project by project, with debt that has recourse only to the project's own cash. The lender's test is the debt service coverage ratio (DSCR): cash flow available for debt service divided by the interest and principal due in the period. If the ratio falls below a lock-up level, the project cannot distribute cash to its owners; below a default level, the lenders can step in. Corporate EBITDA is the wrong number for this test. It includes cash the project lender cannot touch and omits the debt service the lender is owed.

SSE gives no group DSCR. That is not an omission: its project debt sits in joint ventures, and the coverage tests are project-level. What it does give is the scale. Its share of non-recourse project finance debt in joint ventures was around £3.8bn at 31 March 2026. For its own net debt to EBITDA ratio of 3.3x, it strips the joint-venture project-financed share out of the EBITDA: £157.4m for Beatrice, Seagreen and Dogger Bank A. That leaves £3,050.5m (2024/25: £3,196.0m) against adjusted net debt and hybrid capital of £10.1bn. Reported net debt and hybrid capital was £8.6bn. NextEnergy Solar Fund shows the fund version: financial debt gearing of 29%, total gearing of 51.2% including preference shares, and cash dividend cover of 1.2x.

B5 · Renewable energy valuation: what will a buyer do to your EBITDA?

Renewable energy valuation is a cash-flow exercise, not a multiple: contracted years are valued on their contracts, the merchant tail on a price forecast, and the result is discounted. In practice a buyer will test EBITDA five ways:

— **Contract or market?** Split EBITDA into contracted, regulated and merchant, on a stated definition. SSE: networks 40% of adjusted operating profit; renewables hedged at £87/MWh for 2025/26, falling to £70–76 in later years.

— **Realised or marked?** Remove mark-to-market movements both ways, and ask which hedges are own-use and never marked. SSE: £168.1m of operating derivative re-measurements excluded from adjusted results.

— **Decommissioning as debt.** Add the provision, at the buyer's discount rate, to net debt. SSE: £735.1m at 4.9–5.5%, plus the retained Gas Production share.

— **Whose debt?** Add project debt held in joint ventures and treat hybrid capital as debt. SSE: c.£3.8bn of joint-venture project debt (SSE's share); adjusted net debt and hybrid capital £10.1bn against £8.6bn reported.

— **Which discount rate?** NextEnergy Solar Fund raised its weighted average discount rate to 8.5% (8.0%). Its NAV per share fell from 95.1p to 76.1p, and its chair noted that sector shares trade at persistent discounts to reported NAV.

Bloor quotes no market multiple or premium to the regulated asset base in this paper. None found met the series' sourcing standard. Policy risk belongs in the same test: SSE's risk register cites an increase in the Electricity Generator Levy from 45% to 55%.

ARTICLE REPRINT



Part C · Oil and gas: EBITDAX and the levy below the line

OIL AND GAS — EBITDAX AND THE ENERGY PROFITS LEVY

EBITDAX adds back exploration costs as well as interest, tax, depreciation and amortisation, so that companies using different methods to account for exploration can be compared. It also leaves out the tax that matters most in the UK North Sea.

The Energy Profits Levy is charged at 38% on top of ring-fence corporation tax and the supplementary charge, giving a headline rate of 78% on upstream profits. It ends on 31 March 2030, or earlier if prices fall below the Energy Security Investment Mechanism thresholds, and is then replaced by a permanent Oil and Gas Price Mechanism: 35% on revenue above $90 a barrel and 90p a therm.

Harbour Energy (dollars, December year-end) reported adjusted EBITDAX of $7.2bn for 2025 and a loss after tax of $0.2bn, at an effective tax rate of 106%, including a $0.3bn deferred tax charge from changes to the UK fiscal regime. EnQuest reported adjusted EBITDA of $503.8m and a profit after tax of $1.6m, after a $123.9m non-cash deferred tax charge from the levy's extension. Ithaca Energy reported adjusted EBITDAX of $2,030.8m and a loss of $84.1m.

A North Sea EBITDAX is a pre-tax number in a 78% tax regime. Value the cash after the levy, and put the decommissioning bill — the asset retirement obligation — back as debt.

How do UK regulated utilities compare on the asset base, gearing and inflation?

Read on one basis — UK-listed, UK-adopted IFRS, sterling, years to 31 March 2026 — the regulated peer set shows one pattern: each company reports an asset base and a gearing ratio, each on its own definition. Inflation charges sit inside finance costs, and EBITDA is a secondary number where it appears at all. The table does not rank the companies; it shows which honest gauges each one discloses, and on what basis.

Honest gauges — UK regulated networks and water (FY2026; UK IFRS; £m)

All figures are from each company's 2026 annual report (ESEF filing), except National Grid's, which are from its FY2025/26 full-year results statement; years to 31 March 2026, 2025 in brackets. RCV and RAV are regulatory measures, not IFRS balances, and each company defines gearing differently. United Utilities' EBITDA is Bloor arithmetic (operating profit plus depreciation and amortisation). National Grid's US rate base (£29,452m) is excluded: it is set under US regulation and is a contrast, not a peer figure. n/d means not disclosed in the documents read and is never zero. Thames Water is a case, not a peer: privately owned and outside the listed set.

Read together, the rows show the pattern. Every company reports a regulatory asset base, and a gearing ratio on its own definition. Inflation on index-linked debt sits inside finance costs, below EBITDA, wherever it is quantified. Two of the four publish an EBITDA in their FY2026 reports. In Bloor's reading, none of them leads with it as the measure of value.

Honest gauges — UK regulated networks and water (FY2026; UK IFRS; £m)

Company (operating profit, FY26)	EBITDA disclosed	Regulated asset base	Gearing (definition)	Inflation uplift in finance costs	Return on regulated equity	Adjusted measure / policy note
United Utilities (1,099.4 reported)	Not a KPI; 1,599.9 derived (OP + D&A 500.5)	Adjusted RCV 16.5bn; growth 7.5%	60%: net debt 9,943 (incl. 50 JV loan receivable) / adjusted RCV; target 55–65%	133.7 (142.2) debt + 20.5 (19.6) derivatives	13.0% incl. 3.8% inflation	Underlying 1,059.5; FY25 pro forma 785.7 incl. +151.9 IRE
Severn Trent (861 PBIT)	1,369 (1,058), APM	RCV 15,367	63.6% (62.7%), regulated gearing	93 (70) on index-linked debt	13.7%	IRE expensed 136 (149)
Pennon (304.8 statutory)	Underlying 519.2 (335.6); statutory 498.5 (298.0)	Water Group RCV 6,505.2	61.8% (61.8%); policy 55–65%	44.9 (33.4) indexation, non-cash	6.7% (5.1%), Water Group	Underlying OP 325.5 (148.5)
National Grid (5,431 statutory)	n/d	UK RAV 36,986 (32,779)	61% (61%), group regulatory	n/d	Group RoE 9.8%; UK ET 8.2%, UK ED 8.1%	Underlying 5,680 (5,357)



SSE plc — segments, adjusted and reported (FY2026; UK IFRS; £m)

Segment	Adjusted EBITDA	Share of group adjusted EBITDA (Bloor)	Adjusted operating profit	Reported operating profit	Adjusted minus reported (Bloor)	RAV (100%), 31 Mar 2026
Transmission	702.9	21.9%	562.6	750.1	(187.5)	£9.0bn
Distribution	562.1	17.5%	335.3	296.9	38.4	£6.6bn
Renewables	1,409.8	43.9%	1,076.4	725.3	351.1	n/a
Thermal	318.5	9.9%	195.4	243.0	(47.6)	n/a
Energy Customer Solutions	176.4	5.5%	not read	not read	—	n/a
Energy Markets	52.4	1.6%	43.2	(145.8)	189.0	n/a
Corporate	(14.2)	(0.4)%	not read	not read	—	n/a
Group	3,207.9	100.0%	2,236.6	1,888.9	347.7	£15.6bn; reported EBITDA 2,768.2

What does SSE's own segment table show about adjusted and reported results?

SSE is the only UK-listed sterling generator reporting under IFRS with a March year-end that Bloor found, so the Part B table reads SSE's own segments, on its own basis, rather than peers. It shows where the adjusting items fall, and that they run in both directions: adjusted operating profit is higher than reported in Renewables, Distribution and Energy Markets, and lower in Transmission and Thermal. At group level the bridge adds back derivative re-measurements and exceptional items, adds SSE's share of joint ventures and removes the minority owners' share.

Source: SSE plc Annual Report 2026 (ESEF filing), segment note 5 and the Chief Financial Officer's review; year to 31 March 2026. The share and gap columns are Bloor arithmetic (segment adjusted EBITDA ÷ group £3,207.9m; adjusted minus reported operating profit). Segment-level adjusted and reported operating profit for Energy Customer Solutions and Corporate were not extracted for this paper, and are marked 'not read', not zero. RAV is SSE's 100% figure for SSEN Transmission and SSEN Distribution. NextEnergy Solar Fund (March year-end, sterling) is not tabled: it is an investment entity that measures its portfolio at fair value and reports no EBITDA. Centrica and Drax (December year-end) and the oil and gas producers (US dollars) are contrasts outside the table.

What should energy and utility CFOs track instead?

Two dashboards, because the industry has two economics. For a regulated network or water company:

— Regulated asset base and its growth, split into indexation and additions. United Utilities: RCV growth 7.5%; adjusted RCV £16.5bn.

— Gearing on the regulatory definition, with the definition stated. United Utilities 60%; Thames Water 86.1% senior gearing.

— Totex out-turn against allowance, with the IFRS capitalisation policy stated. United Utilities' IRE change: an estimated £152m.

— Inflation uplift on index-linked debt, beside the indexation of the base. United Utilities £154.2m in finance costs; 3.8 percentage points of return from inflation.

— Return on regulated equity, with its components. United Utilities 13.0%; Severn Trent 13.7%.

For a generator:

— EBITDA split into contracted, regulated and merchant. SSE: networks 40% of adjusted operating profit.

— Hedge volumes and prices for the next three years. SSE: £87/MWh falling to £70–76.

— Mark-to-market movements, and which hedges are own-use. SSE: £168.1m excluded.

— Decommissioning provision, discount rate and sensitivity. SSE: £735.1m; 4.9–5.5%; £808.5m on +10% cost.

— Project debt and DSCR headroom at each project, beside group leverage. SSE: c.£3.8bn of joint-venture project debt; group DSCR n/d.



THE QUESTION CFOs AREN'T ASKING

If your regulator, your lender and your buyer each rebuilt your EBITDA — the regulator from totex, the lender from project cash after debt service, the buyer from contracted cash less decommissioning — which of the three numbers would you recognise as yours?

The Bloor lens

For a regulated utility CFO the work is specific. Publish the regulatory asset base, its indexation and the gearing beside the IFRS accounts, every period, on a stated definition. When the capitalisation policy changes, show the effect on EBITDA and say that the regulatory allowance did not move. Put the inflation uplift on the debt next to the indexation of the base, so a reader can see both halves. For a generator CFO, publish the contracted, regulated and merchant split of EBITDA and the hedge book behind it. Say which hedges are own-use and never marked. Show the decommissioning provision as debt, with its discount rate. And disclose project-level coverage alongside group leverage.

Neither anchor is the weak case. United Utilities discloses its capitalisation change and its effect, and its inflation charges line by line. SSE discloses every line of its bridge from reported to adjusted results, and its hedge book, decommissioning sensitivities and project debt. That is the point. When the disclosures are this full and the gaps are still this wide — £152m from a capitalisation policy, £439.7m between two EBITDAs — the honest reading of energy and utility EBITDA is the one the reader rebuilds.

THE BLOOR TEST

Take out this year's mark-to-market gains and the capitalisation change, put the inflation on the debt beside the indexation of the base, and add the decommissioning bill and the project debt to net debt. If the business still earns its allowed return and covers its debt, the assets are earning it. If it does not, the hedge book, the accounting policy and the inflation rate are earning it for you — until the next price control, buyer or lender does the arithmetic.

Reform adjusts the past.
Reset designs the future.

Watch for the remaining When EBITDA Lies industry papers as they publish. For boards and owners who want an early diagnostic read of their honest gauges before a sale process, a refinancing, a price control or a results season, the Bloor Finance Desk is available for a confidential conversation.

Analysis only; not investment advice.

Frequently asked questions

What is the regulated asset base?

The value on which a regulator allows a network or water company to earn a return — called the RCV in water and the RAV in energy networks. It grows with inflation and with the share of spending added to it, and is recovered through bills over time. It is not an IFRS balance. United Utilities' adjusted RCV was £16.5bn at 31 March 2026; National Grid's UK RAV was £36,986m.

What is totex?

Total expenditure: the regulator's single allowance for operating and capital spending. A set share is recovered in the year (fast money) and the rest added to the asset base (slow money). Ofwat allowed £104bn of totex for 2025–30. How a company splits the same spending between expense and capital under IFRS changes EBITDA, but not the allowance.

What is the difference between a power purchase agreement and a CfD?

A power purchase agreement is a contract with a buyer at an agreed price. A Contract for Difference pays the generator the gap between an agreed strike price and the market reference price, and claws it back when the market is above the strike. Both fix revenue; neither fixes the cost of building or connecting the project.

What is DSCR?

The debt service coverage ratio: cash flow available for debt service divided by the interest and principal due. Project lenders use it to test each renewable project and to block distributions if it falls. SSE reports no group DSCR; its share of joint-venture non-recourse project debt was around £3.8bn.

What is an asset retirement obligation?

The US term for a decommissioning provision: the present value of the cost of dismantling an asset at the end of its life. Under IFRS its unwinding is a finance cost and changes in estimate mostly adjust the asset, so neither reaches EBITDA. SSE's decommissioning provision was £735.1m at 31 March 2026.

ARTICLE REPRINT



Sources & basis

Every figure in this paper comes from a named, dated document. The principal ones are listed below with links, and a full Source Note gives the origin, pinpoint and status of each number. Annual-report figures for United Utilities, Severn Trent, Pennon and SSE were read from each company's ESEF filing; National Grid's from its full-year results statement. Page references are to the printed report.

— United Utilities Group PLC — Integrated Annual Report 2026, ESEF filing: https://filings.xbrl.org/2138002IEYQAOC88ZJ59/2026-03-31/ESEF/GB/0/2138002IEYQAOC88ZJ59-2026-03-31-1/reports/

— SSE plc — Annual Report 2026, ESEF filing: https://filings.xbrl.org/549300KI75VYLLMSK856/2026-03-31/ESEF/GB/0/549300KI75VYLLMSK856-2026-03-31/reports/549300KI75VYLLMSK856-2026-03-31-T01.xhtml

— Severn Trent Plc — Annual Report and Accounts 2026, ESEF filing: https://filings.xbrl.org/213800RPBXRETY4A4C59/2026-03-31/ESEF/GB/0/213800RPBXRETY4A4C59-2026-03-31/reports/213800RPBXRETY4A4C59-2026-03-31-T01.xhtml

— Pennon Group plc — Annual Report and Accounts 2026, ESEF filing: https://filings.xbrl.org/213800V1CCTS41GWH423/2026-03-31/ESEF/GB/0/213800V1CCTS41GWH423-2026-03-31/reports/213800V1CCTS41GWH423-2026-03-31.xhtml

— National Grid plc — FY2025/26 Full Year Results Statement, 14 May 2026: https://www.nationalgrid.com/document/576631/download

— Thames Water Utilities Limited — Annual Results 2025/26 and Investor Report, 31 March 2026: https://www.thameswater.co.uk/news/2026/jul/thames-water-annual-results-2025-26

— NextEnergy Solar Fund — Final Results, year to 31 March 2026, 22 June 2026: https://www.lse.co.uk/rns/NESF/final-results-mwkfnsn1axm9peo.html

— Centrica plc — 2025 Preliminary Results, 19 February 2026: https://www.centrica.com/investors/results-reports-and-presentations/2025-preliminary-results/

— Harbour Energy plc — Full Year Results 2025, 5 March 2026: https://www.harbourenergy.com/media/ppzaeeqo/harbour-energy-2025-full-year-results.pdf

— HM Government — Energy Profits Levy and Oil and Gas Price Mechanism (UK fossil fuel incentives and subsidies inventory): https://www.gov.uk/government/publications/uk-fossil-fuel-incentives-and-subsidies-inventory/uk-fossil-fuel-incentives-and-subsidies-inventory

— IFRS 9 ¶2.4 (via AASB 9), IAS 37 ¶14, 45, 47, 60 (via AASB 137), IFRIC 1 ¶5, 8 (via AASB Interpretation 1); IFRS 20 — IFRS Foundation: https://www.ifrs.org/projects/work-plan/rate-regulated-activities/

— Ofwat — PR24 final determinations: https://www.ofwat.gov.uk/publication/pr24-final-determinations-our-approach/

— International Energy Agency — Energy and AI, executive summary: https://www.iea.org/reports/energy-and-ai/executive-summary

— Edison Electric Institute — 2024 Financial Review: https://www.eei.org/News/news/All/eei-releases-2024-financial-review

ARTICLE REPRINT

BLOOR RESEARCH

+44 (0)1494 311 460
info@Bloorresearch.com
www.Bloorresearch.com