

Article

# Economic statistics sector classification – classification update and forward work plan: August 2023

Classification of units, transactions and assets for the purposes of economic statistics

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# 1 . Introduction

Our economic statistics are produced in accordance with international rules and guidance. Central to this are the rules set out in the [United Nations System of National Accounts \(SNA\) 2008](#), the [European System of Accounts \(ESA\) 2010](#) and the accompanying [Manual on Government Deficit and Debt \(MGDD\) 2019](#). These include rules on classifying statistical units (organisations or bodies) and the transactions they engage in. A summary of these, and our approach to their application, can be found on our [Economic statistics classifications web page](#).

Our [Forward work plan dataset \(XLSX, 38.4 KB\)](#) sets out the organisations and transactions that we expect to assess and classify in the next 12 to 18 months. Please note that classification priorities can change quickly, and the expected dates of completion are only indicative at the time of publication.

There is high demand for classification assessments, and we progress many active cases at the same time, with new cases often arising. These include confidential assessments of government and devolved administration policy proposals, as explained in our [Classification process methodology](#).

We do not announce or discuss such policy proposal assessments to give policymakers the space to develop policy. As with other classification decisions, when a policy is implemented, it will be classified and included in the [Public sector classification guide dataset \(XLSX, 568.6 KB\)](#).

We now use the more transparent and accessible format of our [Public sector classification guide](#). If you have any comments on the new structure, please email us at [teconstats.classifications@ons.gov.uk](mailto:teconstats.classifications@ons.gov.uk).

The forward work plan does not cover all cases that will arise over the next 12 to 18 months. Cases that are likely to have a smaller statistical and policy impact will be assessed as resources allow. The cases scheduled in this article have been prioritised because of the impact they will have on important statistics, and their importance to public policy.

## 2 . Forward work plan

There is one addition to the forward work plan this month:

- Childcare Support Payments

There are four updates to the original "universities" entry:

- Universities (England)
- Universities (Northern Ireland)
- Universities (Scotland)
- Universities (Wales)

The review of universities entry has been separated as detailed above, beginning in Quarter 2 2024.

There are two deletions from the forward work plan this month:

- Green Gas Levy
- Transfer of Bulb Energy Limited

## 3 . Classification update

## **Digital Health and Care Wales**

Digital Health and Care Wales (DHCW) is the organisation building and designing digital services for health and care in Wales.

The Office for National Statistics (ONS) has assessed the classification status of DHCW and concluded that it is an institutional unit, which is subject to public sector control. Public sector control exists for reasons including that the Digital Health and Care Wales (Membership and Procedure) Regulations 2020 enable the Welsh Ministers to appoint the chair, vice-chair and up to five other non-officer members, and the non-officer members appoint the chief officer.

The assessment also concluded that DHCW is a non-market producer, being majority funded by the Welsh Government.

As such, DHCW has been classified to the central government subsector (S.1311). This decision is effective from 1 April 2021, the date on which the organisation became fully operational.

## **East West Railway Company**

East West Railway Company's (EWR Co) purpose is to enable growth and improve wellbeing for communities in the Oxford-Cambridge region by improving its transport connections. The ONS has assessed the classification status of EWR Co and concluded that it is an institutional unit, which is subject to public sector control.

Public sector control exists for reasons including that the EWR Co chair and board members are appointed for a period of up to three years by the responsible minister, and the Secretary of State for Transport is the sole shareholder of EWR Co.

The assessment also concluded that EWR Co is a non-market producer, being entirely funded by the Department for Transport.

As such, EWR Co has been classified to the central government subsector (S.1311). This decision is effective from 10 September 2018, the date on which the company became operational.

## **Green Gas Levy**

The ONS assessed the classification status of the Green Gas Levy, which places an obligation on all licensed fossil fuel gas suppliers in Great Britain to pay a levy, which is calculated based on the number of meter points they serve. The funds raised are used to make payments to Green Gas Support Scheme (GGSS) participants for the amount of eligible biomethane they inject into the gas grid. The levy also covers Ofgem's administrative costs for running the scheme.

The transaction is compulsory, being a requirement of the Green Gas Support Scheme Regulations 2021. The transaction is unrequited, as the government provides nothing comparable with the payment in exchange to the individual units making the payment.

The Green Gas Levy is classified as Other taxes on production (D.29). It is a compulsory, unrequited charge, which is not dependent on the quantity or value of the good or services produced by each scheme supplier. This classification is effective from 30 November 2021, the date on which the Green Gas Support Scheme Regulations 2021 came into force.

## **Bulb Energy Limited in Special Administration**

Bulb Energy Limited in Special Administration (Bulb SAR) remains in special administration. This will continue until Octopus Energy Operations Limited (HiveCo) has fully discharged its repayment obligations as per the funding agreement, and the remaining duties of the energy administrators have been fulfilled following the Energy Transfer Scheme (ETS). This includes settling outstanding pre-appointment costs and liabilities, administration, and operating expenses and discharging costs associated with winding down the special administration. However, the energy supply licence has been transferred from Bulb SAR to HiveCo as part of the ETS.

The assessment concluded that, in accordance with SNA 2008 4.2 and ESA 2010 2.12, Bulb SAR no longer has the necessary autonomy of decision to be an institutional unit following the ETS. It is classified as part of its controlling unit, the Department for Energy Security and Net Zero (DESNZ).

As such, Bulb SAR is reclassified from the public non-financial corporations subsector (S.11001) to the central government subsector (S.1311) with its controlling unit, DESNZ from the date of the ETS on 20 December 2022.

The Office for National Statistics (ONS) also reviewed the transactions under the post-completion funding facility, governed by the amended and restated administration funding agreement (AFA) between Bulb SAR and DESNZ, to enable Bulb SAR to discharge its obligations in relation to its activities.

As Bulb SAR has been classified from 20 December 2022 to the central government subsector as part of its controlling unit, DESNZ, the funding between DESNZ and Bulb SAR will be internal flows within the central government subsector.

## **Octopus Energy Retail 2022 Limited (BidCo)**

Octopus Energy Retail 2022 Limited (BidCo) is the new parent of Octopus Energy Operations Limited (HiveCo) established for the Energy Transfer Scheme (ETS). It was set up for the Octopus Group to acquire shares in HiveCo from Bulb Energy Limited in Special Administration (Bulb SAR), as part of the Share Purchase Agreement by the wider Octopus Group to establish the ringfenced structure governed under the ETS agreement.

The assessment concluded that BidCo is operating as a holding company as its primary objective is to hold assets (such as owning controlling-levels of equity in HiveCo) and is responsible for moving funds to other parties (for example repayment to Bulb SAR for the post-completion funding facility). As per ESA 2010 2.14, holding companies are considered institutional units. The assessment also concluded that BidCo is under public sector control because of the restrictions placed on it as part of the ETS agreement. It cannot sell its shares, dissolve itself or change its business activity under the terms of the agreement (see ESA 2010 20.309 (i)).

As such, BidCo is operating as a public holding company. It has sufficient autonomy of decision to be an institutional unit classified to the public captive financial institutions and money lenders subsector (S.12701) (see MGDD 2019 1.6.3.2, 15) from the date of the ETS, on 20 December 2022.

## **Octopus Energy Retail 2022 Limited (HiveCo)**

Octopus Energy Operations Limited (HiveCo) is wholly owned by Octopus Energy Retail 2022 Limited (BidCo). HiveCo is a new ringfenced company, to which most of the assets, liabilities, functions and licences of Bulb Energy Limited in Special Administration (Bulb SAR) have been transferred. This includes the energy supply licence and Bulb SAR's approximately 1.5 million customers.

The assessment concluded that, in accordance with SNA 2008, 4.2 and ESA 2010 2.12, HiveCo has the requisite autonomy of decision to be an institutional unit and is subject to public sector control, as it is under the same restrictions in the Energy Transfer Scheme (ETS) agreement as BidCo. It cannot sell its shares, dissolve itself or change its business activity under the terms of the agreement (see ESA 2010 20.309 (i)).

The assessment also concluded that HiveCo is a market producer based on the qualitative assessment outlined in MGDD 2019, 1.2.4. HiveCo operates as a licensed energy supplier following the ETS and has taken over the previous functions of Bulb SAR. HiveCo's output is not sold to government, and their main source of income is through customer receipts from supplying energy. HiveCo competes with other energy suppliers across the UK. In addition, there are no restrictions that prevent HiveCo from taking on new customers, or transferring existing customers to other suppliers, and it must comply with the energy supply licensing obligations.

HiveCo has been classified to the public non-financial corporations subsector (S.11001) from the date of the ETS, on 20 December 2022.

## Funding from Bulb Energy Limited in Special Administration (Bulb SAR) to Octopus Energy Operations Limited (HiveCo)

The funding drawn down by Bulb SAR from the Department of Energy Security and Net Zero (DESNZ) via the post-completion funding facility, is transferred to Octopus Energy Operations Limited (HiveCo) and governed as part of the Energy Transfer Scheme (ETS) agreement. It includes the purchase of energy from the wholesale supplier, and an amount, which is funding equal to the receipts HiveCo would have received if the ETS had completed at the end of September 2022 (this payment was needed to maintain the economics of the ring-fenced structure).

The funding from Bulb SAR to HiveCo was initially provided without expectation of a sufficient rate of return on investment. However, it also met some of the characteristics of a loan as described in ESA 2010 5.113. There is an interest component associated with some of the funding received. There is also an expectation that this will be repaid by September 2024 (however, it can be deferred until September 2025 if certain conditions are met).

It was concluded that the transaction had parallels to that of the recording of student loans. Funding provided that would not generate interest and not expect a sufficient rate of return would be recorded as D.99, other capital transfers. However, the funding at a fixed point in time, which had interest payments associated with it, would be recorded as long-term loans (F.42 – see ESA 2010 5.112 to 5.114) with the accompanying interest payments recorded as D.41 (see ESA 2010 4.41 a). Both these transactions will be from the central government subsector (Bulb SAR – S.1311) to the public non-financial corporation subsector (HiveCo – S.11001).

In addition, as the price of energy has fallen considerably, HiveCo is now able to purchase wholesale energy at a price lower than the price cap, which may result in them generating a surplus. It is important to note that a surplus payment is in reference to the repayments that go beyond the total amount of the post-completion funding facility.

As such, any surplus payments received by Bulb SAR from BidCo/HiveCo that do not reduce the loan liability, will be recorded as D.99, other capital transfers. This is because they are periodic, irregular payments (see ESA 2010 4.164). Any surplus payments received by Bulb SAR from BidCo/HiveCo, that reduce the loan liability will be recorded as a long-term loan repayment (F.42). Both these transactions will be recorded from the public non-financial corporations subsector (S.11001) to the central government subsector (S.1311).

## 4 . Cite this article

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