Guidance

RIIO-GD/T3 BPFM Guidance v7

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This document is a user guide for the RIIO-GD/T3 Business Plan Financial Model. This document is aimed at people using the financial model, both in the run-up to submission of Final Business Plans and beyond. It explains how to use and update the model, which data sources feed the model, and describes some of the key model assumptions and dependencies.

Contents

1. Quick user guide

1A. Structure of the model and key terms

1.1   The model is structured as a set of distinct functional blocks, each performing different tasks. The diagram on the next page gives an overview of the structure. Boxes outlined in green indicate tabs containing key inputs; red outlines indicate tabs containing key outputs.

1.2   A few key definitions that are illustrated on the diagram are used throughout this user guide.

- Price control revenue refers to the tabs that take main inputs and use them to calculate the notional price control revenue. This occurs on the tabs Totex through to Revenue.

- Financeability refers to the subsequent section of the model that determines the likely implications of price control revenue for company financeability. Financeability covers both notional company and actual company.

- LicenseeInputs refers collectively to all tabs in which individual Licensee inputs to the model are stored.

Annual Inflation
Monthly Inflation

Input: stores inflation data

Licensee Inputs tabs

Input: stores Licensee-specific inputs

Scenarios

Input: stores common inputs
Scenario selection functionality

InputSummary

Aggregates live-case model inputs

MainInputs

Converts inputs into common price base

Totex
TIM
Depn
FuelPoor
Return&RAV
TaxPools
NonCore
SystemOperator
Finance&Tax
Revenue

Referred to as the '**price control revenue**' section.

Calculates revenue components on a notional company basis. Boxes with grey text indicate sector specific tabs

Actual debt tabs, mirroring the BPDT but with live-updated interest rates

F7 – Data Validation
F6 – Debt Dataset
F5 – Inflation Linked Debt
F4 – Floating Rate Debt
F3 – Fixed Rate Debt
F2b – Financial Summary (YE)
F2a – Financial Summary (TWA)
F1 – Debt for BPFM

Data aggregation & calcs required for financeability analysis

FinInput

RevenueSummary
Finance&Tax (actual)
FinancialStatements
FinancialRatios
FinRatios RoRE Decomp
RatingSimulator
Bills

Referred to as the '**financeability**' section. Calculates impact of the price control on notional and actual company finances, to determine likely implications for company financeability.

ScenarioRun_ AllOutput Data
OutputData
PowerQuery
FBPOutputs

Saves key outputs for all companies & scenarios

1B. Final business plan submission summary

1.3   This section summarises the minimum requirements for completion and submission of the financial model and associated analysis.

1.4   The table below provides an overview of the required steps, with more details underneath.

1.5   Please note that for draft model submissions in Summer 2024, only the steps described in topics A and B need be taken. The model and any additional commentary (optional) should be submitted in accordance with topic E (steps 1 and 2).

1.6

Topic	Reference
A. Model updates	
A1. Implement any BPDT changes from BPDT gitlab instructed after the models have been published.	All relevant changes are listed as gitlab issues (GD, GT, ET).
A2. Implement BPFM changes from PCFM gitlab / models updates log instructed after the models have been published. *If requested, Ofgem will check to verify that Licensee models are correctly updated*	All relevant changes are listed as gitlab issues.
B. Data input	
B1. Import BPDT mirror table to *Licensee Inputs* tab	Import process described in para 1.30. Min data requirements in data dictionary (section 2)
B2. Copy debt dataset inputs from BPDT into BPFM	Import process described in para 5.47
B3. Add in inputs for "RIIO3: other inputs"	Min data requirements in data dictionary (section 2)
B4. Update RIIO2 inputs where required	Details in para 1.12
↖For draft model submissions, only topics A, B, E1&E2 are required.	
C. Model set-up	
C1. Check and, if needed, amend actual financeability settings for stress tests scenarios *Settings for revenue and notional financeability settings should not be changed. Actual financeability settings for stress tests scenarios can be changed (see suggested settings in section 3).*	Pre-set scenarios (including suggested actual financeability settings) described in section 3.
C2. GD/T: add in *return of capital* dividend % input	Details in para 1.14
C2. Create additional scenarios in *Scenario* tab where required	Pre-set scenarios (including suggested actual financeability settings) described in section 3.
C3. Add in additional scenario input data profiles where required	Details in para 1.16
D. Run macros	
D1. Run the Actual Debt Alignment macro (optional, recommended)	See section from para 5.41
D2. Run the Save All Scenarios macro	Details in para 1.18

E. BPFM-specific information to share with Ofgem	
E1. Licensee's populated copy of the BPFM (one model per Licensee or one model per group) *Where Licensees have made bespoke edits to the model or wish to submit alternative scenarios and/or inputs, provide two copies – one with the bespoke edits, and one 'clean' version which conforms to Ofgem's latest model iterations. The same applies for BPDTs should Licensees wish to submit BPDTs reflecting alternative cases.*	Details in para 1.19
E2. Where Licensees have made bespoke edits to the model, provide specific details of the changes made. *Examples include edits to any formulas or inputs, or bespoke scenarios*	Details in para 1.20
E3. Within the model, complete *DBPOutputs* tab and paste tables into DBP Finance Annex as appendix tables	Details in para 1.21

1.7 A1. Implement BPDT changes from BPDT gitlab. Licensees should ensure that their copies of the BPDT are up to date with the latest versions of the template and/or with change instructions provided on the BPDT gitlab webpage (GD, GT, ET).

1.8 A2. Implement BPFM changes from PCFM gitlab / models updates log. Licensees should ensure that their copies of the BPFM are up to date with change instructions. The instructions are provided both on the PCFM gitlab issues page, and also in model change logs stored in the gitlab repository. Issues with change instructions will be marked with labels to indicate which reference copy of the BPFM reflects the change. Reference copies of the BPFM can be found in the gitlab repository.

1.9 B1. Import BPDT mirror table to the respective Licensee Inputs tab. See para 1.30 for details on copy/pasting the BPDT's mirror table. The data dictionary (section 2) provides details of which data items are essential for the model to function.

1.10 B2. Copy debt dataset inputs from BPDT into BPFM. See para 5.47 for details on copy/pasting the debt dataset.

1.11 B3. Add or modify inputs in the "RIIO3 inputs: other inputs" section of the inputs page. Not all of these inputs are required to run the pre-set scenarios. Details on the specific inputs for this dataset are provided in the data dictionary (section 2).

1.12 B4. Update RIIO-2 data in the bottom "RIIO2 Inputs" section of the inputs page. Licensees may overwrite any cells in this dataset to provide updated

figures/forecasts; changes should be in line with anticipated AIP changes/corrections. However we do not require that the figures align with any specific published AIP. Please indicate clearly where figures have been changed, adding contextual information where possible. Explanatory commentary on changes made can be provided either in the model itself, or in a separate commentary note (see para 1.20).

1.13   C1. We require that Licensees run and report on all of the pre-set scenarios. Each scenario is populated with settings for price control revenue, notional financeability and actual financeability. Settings for price control revenue and notional financeability should not be changed in any of the predefined scenarios. Settings for the actual company financeability scenarios may be changed with the exception of the "Base case" scenario which should be run on the pre-defined settings, as this ensures that the BPFM actual debt is aligned with the BPDT submission. Details of the pre-set scenarios, including examples of financeability settings for use in the stress tests, are provided in section 3.

1.14   C2. For GD and GT only. For Final Business Plans we have added an additional notional dividend assumption for "Assumed return of capital as % of equity". We expect Licensees to use this input to maintain a notional capital structure.

1.15   C3. Licensees may add additional scenarios for analysis purposes. Create additional scenarios in Scenario tab where required, by populating spare columns BJ-BS.

1.16   C4. Add in additional scenario input data profiles where required. The data dictionary (section 2) identifies model inputs that have Scenarios as the source tab, for which additional custom inputs can be entered.

1.17   D1. Run the Actual Debt Alignment macro. The Actual Debt Alignment macro will adjust the model's calculated new debt requirement so that it aligns with that implied by the BPDT's reported new debt emissions. It should be run with the model set in base case. See section from para 5.41 for details.

1.18   D2. Run the Save All Scenarios macro. When ready to save the model results, use the Save All Scenarios macro to save outputs.

1.19   E1. Licensee's populated copy of the BPFM (one model per Licensee or one model per group). Where Licensees have made bespoke edits to the model or wish to submit alternative scenarios and/or inputs, they may provide two copies –one 'clean' version which conforms to Ofgem's latest model iterations, and one with the bespoke edits. This will be helpful for validating that the underlying

models used by the Licensees match our models. The same applies for BPDTs should Licensees wish to submit BPDTs reflecting alternative cases. In general licensees should submit models to us which correspond to/can produce the main sets of figures reported in the finance annex of the Final Business Plan document. Where alternative figures are referred to which do not come from the submitted models, additional explanations should be provided to evidence those figures.

1.20   E2. Where Licensees have made bespoke edits to the model, provide specific details of the changes made. This should be provided in an optional "BPFM commentary" document. There is no set template for this document, licensees should provide these details in any suitable manner. Examples of details could include:

- Edits to any formulas. The exact formulas changed should be recorded, including the rationale for editing them and a brief description of the impact that this has, where relevant.

- Bespoke scenarios. The rationale for bespoke scenarios should be recorded, including whether the Licensee wishes Ofgem to take its rationale or results into consideration.

- Updates to RIIO-2 values. The values that have been changed should be recorded, including the rationale for the change.

1.21   [E3. Within the model, complete the FBPOutputs tab. FBPOutputs contains two tables that Licensees should complete when submitting the model.

- The "BP Working Assumptions" table (rows 9-21) should be used to record instances where Licensees believe that key inputs should differ from the SSMD working assumptions that are pre-set in the model. It may be the case that Licensees wish to propose different key inputs only for some specific scenarios, and hence we have left a number of [Spare] columns in the table to allow Licensees to specify which scenarios these are.

- The "Credit Ratio Summary" table (rows 25-35) should be used to paste figures from the live table, into the "Main BP", "Base (notional)", and "Base (actual)" tables. "Main BP" refers to the scenario most commonly referred to in the Finance annex of the Business Plan, if this isn't the Base Case.

1C. Setting up the model

1.22   Running the model relies on a number of key inputs and settings:

- Pre-set scenarios for stress testing

- Key input values common to all Licensees

- Data inputs for RIIO-2 and RIIO-3

Pre-set scenarios for stress testing

1.23   For final business plan submissions the model is issued to Licensees with all of the pre-set scenarios already entered in the Scenarios tab. The scenarios are provided in detail in section 3 of this guide.

1.24   There are 15 pre-set scenarios for GD and GT and 16 for ET. Each scenario also includes settings for actual debt and financeability modelling. The RunAllScenarios macro (found on UserInterface and ScenarioRun_AllOutputData tabs) will save the outputs of all selected scenarios, which includes notional and actual company financeability results for each scenario. It is not a requirement to run this macro.

1.25   Users may add in additional scenarios. This can be done in the spare scenario slots in columns BI-BS (GD/T) and BJ-BS (ET).

Pre-set key input values common to all Licensees

1.26   Pre-set key input values refers to input values in the *Scenarios* and *Annual Inflation* tabs which have been pre-populated and which should not be changed by Licensees unless clearly stated.

1.27   In the *Scenarios* tab these are stored at the bottom of the sheet in a section called "Scenario options section". This section allows for multiple different versions of key inputs to be selected using the scenario selection boxes at the top of the sheet (GD row 104 onwards; GT row 104 onwards; ET row 101 onwards).

1.28   Where there are spare slots (yellow shaded cells) in any of these input areas, users may add in additional options. These can then be selected for the desired scenario using the drop-down boxes in the "Scenario definition" section.

1.29   The *Annual Inflation* and *Monthly Inflation* tabs store key inflation and interest rate inputs. These are pre-populated and updated by Ofgem.

Data inputs for RIIO-2 and RIIO-3

1.30   All Licensee-specific inputs are located either in the LicenseeInputs tabs or in the F6 - Debt Dataset tab. The LicenseeInputs tabs are split into three overall sections:

- **RIIO3 inputs: BPDT mirror table (£m23/24 price base)** (GD rows 7-783; GT rows 6-812 (TO) 7-316 (SO); ET rows 7-1013). Most RIIO-3 inputs come from the BPDT. Each *LicenseeInputs* tab contains an empty copy of the BPDT's mirror table for Licensees to paste BPDT data into. To copy the BPDT mirror table: in the BPDT's *BPFM Inputs* tab, first select the named range "Mirror_labels" and paste it into a spare BPDT dataset slot on the LicenseeInputs tab. The first cell of the mirror table should be placed in column E. Next, select the named range "Mirror_values" and paste it as values into the Licensee Inputs tab, with the first cell in column AP of the same row that the labels were pasted into.

- **RIIO3 inputs: other inputs (£m23/24 price base)** (GD rows 784-976; GT rows 812-991 (TO) 317-444 (SO); ET rows 1014-1256). These inputs do not come from the BPDTs, and instead are inputted directly (or pre-populated by us).

- **RIIO2 inputs (£m18/19 price base)** (GD rows 977-1455; GT rows 992-1496 (TO) 445-631 (SO); ET rows 1257-1937). These inputs are used to drive the RIIO-2 periods of the model. The model produces RIIO2 figures mainly in order to provide contextualisation of the RIIO3 figures. However there are also a few key values that need to be brought over from the end of RIIO2 into RIIO3, such as RAV, tax pool balances and tax losses carried forwards. The layout of this section mimics the latest published RIIO-2 model. We will provide pre-populated values in this section based on the latest published RIIO-2 model, but Licensees may update values in this section if they wish (see para 1.12).

1.31   For modelling actual debt and financeability, the F6 – Debt Dataset tab needs to be populated with the same data as is in the BPDT's Debt Dataset tab. This is the only additional input needed for the actual debt tabs, as other relevant inputs, such as annual new debt emissions profile, dividends, equity issuance and gearing are already included in the BPDT mirror table. For more detail on the actual debt aspects of the model, see section 5.

Model outputs

1.32   Depending on the information which the model user is interested in there are a number of possible places to look for model outputs.

1.33   The *Revenue* tab displays the buildup of notional company revenue allowances.

1.34   The FinancialStatements, FinancialRatios and RatingSimulator tabs all show live outputs of key financeability analysis outputs, for both the notional and the actual company modelling. FinRatiosRoRE Decomp and Bills tabs show outputs for the notional company only.

1D. Running scenarios

1.35   There are 15 pre-set scenarios for GD and GT and 16 for ET. Each scenario also includes settings for actual debt and financeability modelling.

1.36   There are three suggested combinations of settings for actual company financeability: "BPDT" for use in the base case scenario, and "% dividends" and "cash flow dividends" for the stress test scenarios depending on the preferred approach to modelling actual dividends and equity issuance. A fourth combination of settings, named "User defined", can be used to further customise the options for actual company modelling. These suggested combinations are pre-entered in scenario slots 16-19 for GD/T and slots 17-20 for ET.

1.37   Details of the pre-set scenarios are provided in section 3.

Price control revenue inputs

1.38   The inputs required for price control revenue modelling are drawn from the three datasets on the Licensee Input tabs - RIIO3 inputs: mirror table, RIIO3 inputs: other inputs, and RIIO2 inputs.

1.39   The data dictionary in section 2 provides details of which inputs are required and where they should be sourced from.

Financeability scenario functionality

1.40   On top of the notional revenue data inputs, additional settings and inputs are required to model notional and actual company financeability for all pre-set scenarios.

1.41   Notional company financeability does not require additional inputs, as it is largely based on those from price control revenue modelling, but it does make use of a number of switches to define options around revenue and cost assumptions for financeability assessment.

1.42   Actual company financeability also uses similar option switches, as well as additional switches to define inputs and assumptions for modelling actual debt in the Finance&Tax (actual) tab.

1.43   To help clarify which inputs go with which switches, the list of inputs below is ordered around the notional and actual financeability switches. The underlined option indicates the default switch setting for the "Base case" scenario. For more detail on the actual debt aspects of the model, see section 5.

1.44   Key notional financeability settings options:

Financeability functionality: totex option (<u>fast/slow</u> vs opex/capex)

- This switch has no associated inputs. It switches between two methods of calculating the difference between notional fast and slow money, and actual capex and opex. Under fast/slow, actual capex and opex is calculated by applying capitalisation rate to pre-TIM allowances. Under opex/capex, the totex categories are used to identify actual capex and opex. For notional financeability this switch is set to fast/slow in all scenarios.

Financeability functionality: apply RIIO-2 lagged revenue adjustment? (Apply lag vs <u>Lag not applied</u>)

- This functionality does not require additional actual inputs. If "Apply lag" is selected, it delays outperformance and incentives and other revenues by two years compared with the price control revenue modelling. For notional financeability "Lag not applied" is used by default.

Financeability functionality: include excluded services net revenue? (include vs <u>exclude</u>)

- This functionality does not require additional inputs. It allows DRS net position to be included or excluded from financeability analysis.

Financeability functionality: depreciation option (<u>regulatory</u> vs statutory)

- The regulatory option uses model-calculated depreciation.

1.45   Key actual financeability settings options:

Financeability functionality: totex option (fast/slow vs <u>opex/capex</u>)

- Actual financeability uses the "opex/capex" setting.

Financeability functionality: rating simulator apply excess fast money adjustment (<u>True</u> vs False)

- The rating simulator tab nets excess fast money from FFO, with excess fast money calculated as the difference between the notional fast money component of revenue and opex (as determined by the opex-related totex subcategories). This adjustment is defined in Moody's credit rating methodology. By default the adjustment is switched on.

Financeability functionality: apply RIIO-2 lagged revenue adjustment? (Apply lag vs <u>Lag not applied</u>)

- For actual company financeability "Lag not applied" is used by default.

Financeability functionality: include excluded services net revenue? (non-functional)

- Actual company financeability automatically uses the same setting as notional financeability.

Financeability functionality: depreciation option (regulatory vs <u>statutory</u>)

- Actual financeability should always use statutory depreciation inputs (£m real) brought in from the *Licensee Inputs* tab, from the BPDT mirror table.

1.46   Options selection for <u>actual debt modelling inputs</u> in *Finance&Tax (actual)* sheet:

Financeability functionality: RIIO-2 closing gearing (BPDT input vs user defined)

- Actual scenarios require a gearing target that may differ from the notional case. This can either be drawn from the BPDT (forecast actual gearing), or custom user defined.

- If the BPDT option is selected, either the BPDT mirror table's fixed value is used, or the dynamic gearing output from the debt sheets is used. Note that the dynamic gearing from the debt sheets should be similar to the BPDT fixed value when the Base case is selected. The Base case uses "Debt sheets", so that this can be verified by comparing rows 95 and 97 in Fininput tab. The sensitivities use "Mirror table" to ensure gearing target is held constant at the Base case value (by using the hardcoded input from the BPDT mirror table).

1.47   If the user defined option is selected, custom inputs in the Scenarios tab can be selected (GD rows 261-263; GT rows 261-263; ET rows 246-248).

Financeability functionality: equity issuance (BPDT vs model calculation)

- Actual scenarios require equity issuance inputs that differ from the notional case, either fixed actual inputs from the BPDT (actual equity issuance volume (£m nominal) and equity issuance cost (£m nominal)), or live model calculations in Finance&Tax (actual). The Base case uses equity issuance amounts and transaction costs sourced directly from the BPDT mirror table.

1.48   If the model calculation option is selected, equity issuance can be calculated either on the basis of the previous year's closing gearing alongside a minimum issuance threshold (Scenarios custom inputs GD rows 273-275; GT rows 273-275; ET rows 245-247), or by user definition of issuance % target (GD rows 266-270; GT rows 265-269; ET rows 258-260) and issuance cost (GD row 92; GT row 92; ET row 89).

Financeability functionality: dividends (BPDT vs model calculation)

- Actual scenarios require dividend inputs that differ from the notional case, either fixed actual inputs from the BPDT (£m nominal), or live model calculations in Finance&Tax (actual). The Base case uses fixed amounts as reported in the submitted BPDT and imported from there into the mirror table.

1.49   If the model calculation option is selected, dividends can either be calculated based on cashflow (where a % cap to annual dividends can be defined), or based on a custom defined dividend as % of equity. These can be found in GD rows 96-97; GT rows 96-97; ET rows 93-94.

1E. Cost of debt and equity, and CAPM calculator

1.50   There are two different options for providing cost of debt and equity inputs to the model. These are:

1.51   'Headline level' annual real % cost of debt / equity, input as single-line profiles (*Scenarios* GD rows 133-144; GT rows 133-144; ET rows 130-141)

1.52   CAPM calculator using inputs from *LicenseeInputs* RIIO-3 Other Inputs section (*LicenseeInputs* GD rows 856-864, GT rows 877-88 (TO) 365-373 (SO), ET rows 1093-1103)

1.53   Users can switch between these two options on the *Scenarios* tab with "Scenario Input" as the default option for all pre-set scenarios.

1.54   The key allowed return on debt and equity inputs that are used in the model are in rows 368-369 (GD), 340-341 (GT), 427-428 (ET) of *MainInputs*. The figures that populate these cells are drawn from different places depending on the option chosen.

2. Data Dictionary

2.1   There are a number of different data sources that provide inputs to the model, and the list of data sources will grow and change over the course of the RIIO-GD/T3 price control.

2.2   The data dictionary in this section provides detailed information on the data required for the model, the source of the data, and the location where it is input into the model.

2.3   The data dictionary is arranged by general categories, so may not exactly match the ordering of items in the input sheets.

2.4   We have provided copies of the data dictionary for each sector.

2A. GD data dictionary

GD3	Units	RIIO-3					Price control revenue & notional financeability requirement	Actual financeability requirement	RIIO-2	
		Source tab	Rows	Source dataset	Provided by	Comments (source link, update procedures, etc)			Source tab	Source dataset
Expenditure inputs										
Totex expenditure										
Non-variant allowances	£m real	LicenseeInputs	13-17	BPDT	Licensee		✔	✔	LicenseeInputs	RIIO-2 PCFM
Variant allowances	£m real	LicenseeInputs	22-111	BPDT	Licensee	Costs and attributes need to be entered for each item in two separate tables of the BPDT	✔	✔	LicenseeInputs	RIIO-2 PCFM
Variant allowances: attributes	mixed	LicenseeInputs	159-208	BPDT	Licensee		✔	✔	LicenseeInputs	RIIO-2 PCFM
Variant allowances: totex allocations	%	LicenseeInputs	246-695	BPDT	Licensee		✔	✔	LicenseeInputs	RIIO-2 PCFM
Actual totex	£m real	LicenseeInputs	789-800	-	Licensee	Split into actuals for capitalisation rate allocations 1 & 2. Not required for submission	✘	✘	LicenseeInputs	RIIO-2 PCFM
Non-totex expenditure										
Pass-through costs aka non-controllable opex	£m real & £m nominal	LicenseeInputs	215-225	BPDT	Licensee		✔	✔	LicenseeInputs	RIIO-2 PCFM
Directly remunerated services	£m real	LicenseeInputs	229-232	BPDT	Licensee		✔	✔	LicenseeInputs	RIIO-2 PCFM
Disposals net proceeds	£m real	LicenseeInputs	242	BPDT	Licensee		✔	✔	LicenseeInputs	RIIO-2 PCFM
BPI reward/penalty	£m real	LicenseeInputs	804	-	Ofgem	Not required for submissions	✘	✘	LicenseeInputs	RIIO-2 PCFM
ODIs	£m real	LicenseeInputs	806-811	-	Ofgem	Not required for submissions	✘	✘	LicenseeInputs	RIIO-2 PCFM
Other revenue allowances' costs	£m real	LicenseeInputs	815-820	-	Licensee		✔	✔	LicenseeInputs	RIIO-2 PCFM
Other revenue allowances' cost multipliers	%	LicenseeInputs	825-830	-	Licensee	Current model structure assumes same cost multipliers as in RIIO-2	✘	✘	LicenseeInputs	RIIO-2 PCFM
SIU cross-subsidy adjustment	£m real	LicenseeInputs	968	-	Licensee		✔	✔	LicenseeInputs	RIIO-2 PCFM
Finance inputs										
CAPM calculator										
iBoxx trailing average	annual real %	LicenseeInputs	856	WACC model	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
Uplift on iBoxx trailing average	annual real %	LicenseeInputs	857	WACC model	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
Risk-free rate	%	LicenseeInputs	859	WACC model	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
Equity Beta	%	LicenseeInputs	860	SSMD	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM

GD3	Units	RIIO-3					Price control revenue & notional financeability requirement	Actual financeability requirement	RIIO-2	
		Source tab	Rows	Source dataset	Provided by	Comments (source link, update procedures, etc)			Source tab	Source dataset
Total Market Return	%	LicenseeInputs	861	SSMD	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
Benchmark gearing (60%)	%	LicenseeInputs	862	SSMD	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
Other finance inputs										
'Headline' cost of equity and debt profiles	%	Scenarios	133-144	SSMD	Ofgem		✔	✔	-	-
Notional gearing	%	Scenarios	44	SSMD	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
Splice index	%	Annual Inflation	40	OBR	Ofgem		✔	✔	-	-
Near-term RPI&CPIH inflation forecast	%	Scenarios	148-161	OBR	Ofgem	Alternate scenario profiles can be used	✔	✔	LicenseeInputs	RIIO-2 PCFM
Long-term CPIH inflation forecast	%	Annual Inflation	42	SSMD	Ofgem	Not to be changed	✔	✔	-	-
Minimum equity issuance threshold, issuance cost, dividends as % of equity, return of capital as % of equity, gearing target	%	Scenarios	49-53	SSMD	Ofgem	Alternate scenario profiles can be used	✔	✔	LicenseeInputs	RIIO-2 PCFM
Assumed return of capital as % of equity	%	Scenarios	174-175	-	Licensee	Licensees should insert values if they wish	✔	✔	-	-
CPIH index linked debt as % of net debt	%	Scenarios	54	SSMD	Ofgem	Alternate scenario profiles can be used	✔	✔	LicenseeInputs	RIIO-2 PCFM
RPE annual growth	%	LicenseeInputs	880	Ofgem modelling	Ofgem	Index hard coded to 1 for FBPs	✘	✘	LicenseeInputs	RIIO-2 PCFM
TIM & capitalisation										
Capitalisation rate	%	LicenseeInputs	236-238	BPDT	Licensee	Cap rates for variant & non-variant collected in separate tables within BPDT	✔	✔	LicenseeInputs	RIIO-2 PCFM
TIM incentive strength	%	Scenarios	20	-	Ofgem	50% assumed at business plan stages	✔	✔	LicenseeInputs	RIIO-2 PCFM
RAV & Assets										
Pre-vesting assets										
Pre-vesting RAV disposals	£m real	LicenseeInputs	938	-	Licensee	RAV adjustments in the event of any forecast disposals of pre-vesting RAV assets	✔	✔	LicenseeInputs	RIIO-2 PCFM
Years of pre-vesting depreciation remaining	years	LicenseeInputs	939	-	Ofgem	Overridden in *Scenarios* if Termination option is selected	✔	✔	LicenseeInputs	RIIO-2 PCFM
Post-vesting assets										
Post-vesting asset life (pre-RIIO-3)	years	Scenarios	34	-	Licensee	This input acts as an override for the RIIO-2 PCFM's asset life input, in the event that depreciation accelerate or terminate options are selected	✔	✔	LicenseeInputs	RIIO-2 PCFM
GD smoothing profile for recovery of backlog depreciation	years	LicenseeInputs	945	-	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM

GD3	Units	RIIO-3					Price control revenue & notional financeability requirement	Actual financeability requirement	RIIO-2	
		Source tab	Rows	Source dataset	Provided by	Comments (source link, update procedures, etc)			Source tab	Source dataset
RIIO post-vesting RAV additions	£m real	LicenseeInputs	949	-	Licensee	RAV adjustments in the event of any forecast additions of post-vesting assets	✔	✔	LicenseeInputs	RIIO-2 PCFM
RIIO post-vesting RAV disposals	£m real	LicenseeInputs	950	-	Licensee	RAV adjustments in the event of any forecast disposals of post-vesting assets	✔	✔	LicenseeInputs	RIIO-2 PCFM
Fuel Poor										
NPV of future transportation revenue	£m real	LicenseeInputs	961	-	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
Community based schemes actual capex spend	£m real	LicenseeInputs	962	-	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
One off schemes actual capex spend	£m real	LicenseeInputs	964	-	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
Tax										
Notional tax										
Corporation tax rate	%	Scenarios	59	-	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
General & General FYA, Special Rates & Special Rates FYA, Structures & Buildings, Deferred Revenue capital allowance rates	%	LicenseeInputs	901-907	-	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
Capital allowance pools balances brought forwards & legacy adjustments	£m nominal	-	893-898	-	-	Not used, since the model calculates RIIO-2 in full and flows pool balances on to RIIO-3	✘	✘	LicenseeInputs	RIIO-2 PCFM
General & Special Rates pool opening balance revisions	£m nominal	LicenseeInputs	887-888	-	Licensees		✔	✔	LicenseeInputs	RIIO-2 PCFM
Tax pool allocations	%	LicenseeInputs	699-708	BPDT	Licensee		✔	✔	LicenseeInputs	RIIO-2 PCFM
Deductions allowance	£m nominal	LicenseeInputs	909	-	Ofgem	Limit on tax relief carried forwards	✔	✔	LicenseeInputs	RIIO-2 PCFM
Tax trigger and clawback										
Projected/actual adjusted debt & net interest cost	£m real	LicenseeInputs	882-883	-	Licensee	Licensee may insert forecast values	✘	✘	LicenseeInputs	RIIO-2 PCFM
Tax allowance adjustment & tax trigger events	£m real	LicenseeInputs	884-885	-	-	Not used for BPFM	✘	✘	LicenseeInputs	RIIO-2 PCFM
Notional gearing for tax clawback gearing test	%	LicenseeInputs	890	-	Ofgem		✘	✘	LicenseeInputs	RIIO-2 PCFM
Tax trigger deadbands	£m real	LicenseeInputs	891	-	-	Not used for BPFM	✘	✘	LicenseeInputs	RIIO-2 PCFM
Domestic charges inputs										
Domestic customers, historic domestic bills, non-	Mixed	LicenseeInputs	972-975	-	Licensee		✔	✔	LicenseeInputs	-

GD3	Units	RIIO-3					Price control revenue & notional financeability requirement	Actual financeability requirement	RIIO-2	
		Source tab	Rows	Source dataset	Provided by	Comments (source link, update procedures, etc)			Source tab	Source dataset
enduring bill impact, non-enduring revenue impact										
Financeability										
Actuals										
Statutory depreciation	£m real	LicenseeInputs	714	BPDT	Licensee		✘	✔	LicenseeInputs	BPDT
BPDT capex input	£m real	LicenseeInputs	715	BPDT	Licensee		✘	✔	LicenseeInputs	BPDT
Additional borrowing cost assumption (for actual company debt)	£m real	LicenseeInputs	716	BPDT	Licensee		✘	✔	LicenseeInputs	BPDT
Summary inputs	mixed	LicenseeInputs	721-727	BPDT	Licensee		✘	✔	LicenseeInputs	BPDT
Debt sheets yellow inputs: New debt issuance profile	mixed	LicenseeInputs	730-740	BPDT	Licensee		✘	✔	LicenseeInputs	BPDT
Debt sheets yellow inputs: Adjustments for conversion to Regulatory (RIIO-2) Definition of Net Debt (Time Weighted Average)	£m nominal	LicenseeInputs	743-749	BPDT	Licensee		✘	✔	LicenseeInputs	BPDT
Debt sheets yellow inputs: Adjustments for conversion to Regulatory (RIIO-2) Definition of Net Interest	£m nominal	LicenseeInputs	752-761	BPDT	Licensee		✘	✔	LicenseeInputs	BPDT
Debt sheets yellow inputs: Costs excluded from Regulatory (RIIO-2) Definition of Net Interest	£m nominal	LicenseeInputs	764-773	BPDT	Licensee		✘	✔	LicenseeInputs	BPDT
Debt sheets yellow inputs: Conversion to Regulatory (RIIO-2) Definition of Net Debt (Financial Year End)	£m nominal	LicenseeInputs	776-782	BPDT	Licensee		✘	✔	LicenseeInputs	BPDT

2B. GT data dictionary

GT3 TO	Units	RIIO-3					Price control revenue & notional financeability requirement	Actual financeability requirement	RIIO-2	
		Source tab	Rows	Source dataset	Provided by	Comments (source link, update procedures, etc)			Source tab	Source dataset
Expenditure inputs										
Totex expenditure										
Non-variant allowances	£m real	LicenseeInputs	13-18	BPDT	Licensee		✔	✔	LicenseeInputs	RIIO-2 PCFM
Variant allowances	£m real	LicenseeInputs	22-108	BPDT	Licensee	Costs and attributes need to be entered for each item in two separate tables of the BPDT	✔	✔	LicenseeInputs	RIIO-2 PCFM
Variant allowances: attributes	mixed	LicenseeInputs	113-195	BPDT	Licensee		✔	✔	LicenseeInputs	RIIO-2 PCFM
Variant allowances: totex allocations	%	LicenseeInputs	227-724	BPDT	Licensee		✔	✔	LicenseeInputs	RIIO-2 PCFM
Actual totex	£m real	LicenseeInputs	817-830	No source	Licensee	Split into actuals for capitalisation rate allocations 1 & 2. Not required for submission	✖	✖	LicenseeInputs	RIIO-2 PCFM
Non-totex expenditure										
Pass-through costs aka non-controllable opex	£m real & £m nominal	LicenseeInputs	202-209	BPDT	Licensee		✔	✔	LicenseeInputs	RIIO-2 PCFM
Directly remunerated services	£m real	LicenseeInputs	213-214	BPDT	Licensee		✔	✔	LicenseeInputs	RIIO-2 PCFM
Disposals net proceeds	£m real	LicenseeInputs	223	BPDT	Licensee		✔	✔	LicenseeInputs	RIIO-2 PCFM
BPI reward/penalty	£m real	LicenseeInputs	834	-	Ofgem	Not required for submissions	✖	✖	LicenseeInputs	RIIO-2 PCFM
ODIs	£m real	LicenseeInputs	836-837	-	Ofgem	Not required for submissions	✖	✖	LicenseeInputs	RIIO-2 PCFM
Other revenue allowances' costs	£m real	LicenseeInputs	841-846	BPDT	Licensee		✔	✔	LicenseeInputs	RIIO-2 PCFM
Other revenue allowances' cost multipliers	%	LicenseeInputs	851-856	BPDT	Licensee	Current model structure assumes same cost multipliers as in RIIO-2	✖	✖	LicenseeInputs	RIIO-2 PCFM
Finance inputs										
CAPM calculator										
iBoxx trailing average	annual real %	LicenseeInputs	897	WACC model	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
Uplift on iBoxx trailing average	annual real %	LicenseeInputs	877	WACC model	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
Risk-free rate	%	LicenseeInputs	880	WACC model	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
Equity Beta	%	LicenseeInputs	881	SSMD	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
Total Market Return	%	LicenseeInputs	882	SSMD	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
Benchmark gearing (60%)	%	LicenseeInputs	883	SSMD	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
Other finance inputs										

GT3 TO	Units	RIIO-3					Price control revenue & notional financeability requirement	Actual financeability requirement	RIIO-2	
		Source tab	Rows	Source dataset	Provided by	Comments (source link, update procedures, etc)			Source tab	Source dataset
'Headline' cost of equity and debt profiles	%	Scenarios	132-144	SSMD	Ofgem		✔	✔	-	-
Notional gearing	%	Scenarios	44	SSMD	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
Splice index	%	Annual Inflation	38	OBR	Ofgem		✔	✔	-	-
Near-term RPI&CPIH inflation forecast	%	Scenarios	147-161	OBR	Ofgem	Alternate scenario profiles can be used	✔	✔	LicenseeInputs	RIIO-2 PCFM
Long-term CPIH inflation forecast	%	Annual Inflation	42	SSMD	Ofgem	Not to be changed	✔	✔	-	-
Minimum equity issuance threshold, issuance cost, dividends as % of equity, return of capital as % of equity, gearing target	%	Scenarios	49-53	SSMD	Ofgem	Alternate scenario profiles can be used	✔	✔	LicenseeInputs	RIIO-2 PCFM
Assumed return of capital as % of equity	%	Scenarios	174-175	-	Licensee	Licensees should insert values if they wish	✔	✔	-	-
CPIH index linked debt as % of net debt	%	Scenarios	54	SSMD	Ofgem	Alternate scenario profiles can be used	✔	✔	LicenseeInputs	RIIO-2 PCFM
RPE annual growth	%	LicenseeInputs	901	Ofgem modelling	Ofgem	Index hard coded to 1 for FBPs	✘	✘	LicenseeInputs	RIIO-2 PCFM
TIM & capitalisation										
Capitalisation rate	%	LicenseeInputs	218-219	BPDT	Licensee	Cap rates for variant & non-variant collected in separate tables within BPDT	✔	✔	LicenseeInputs	RIIO-2 PCFM
TIM incentive strength	%	Scenarios	20	-	Ofgem	50% assumed at business plan stages	✔	✔	LicenseeInputs	RIIO-2 PCFM
RAV & Assets										
Pre-vesting assets										
Pre-vesting RAV disposals	£m real	LicenseeInputs	959	-	Licensee	RAV adjustments in the event of any forecast disposals of pre-vesting RAV assets	✔	✔	LicenseeInputs	RIIO-2 PCFM
Years of pre-vesting depreciation remaining	years	LicenseeInputs	960	-	Ofgem	Overridden in *Scenarios* if Termination option is selected	✔	✔	LicenseeInputs	RIIO-2 PCFM
Post-vesting assets										
Post-vesting asset life, straight line (non-core)	years	LicenseeInputs	965	-	Licensee		✔	✔	LicenseeInputs	RIIO-2 PCFM
RIIO post-vesting RAV additions	£m real	LicenseeInputs	975	-	Licensee	RAV adjustments in the event of any forecast additions of post-vesting assets	✔	✔	LicenseeInputs	RIIO-2 PCFM
Tax										
Notional tax										
Corporation tax rate	%	Scenarios	59	-	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
General & General FYA, Special Rates & Special Rates FYA, Structures &	%	LicenseeInputs	924-930	-	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM

GT3 TO	Units	RIIO-3					Price control revenue & notional financeability requirement	Actual financeability requirement	RIIO-2	
		Source tab	Rows	Source dataset	Provided by	Comments (source link, update procedures, etc)			Source tab	Source dataset
Buildings, Deferred Revenue capital allowance rates										
Capital allowance pools balances brought forwards & legacy adjustments	£m nominal	-	913-918	-	-	Not used, since the model calculates RIIO-2 in full and flows pool balances on to RIIO-3	✘	✘	LicenseeInputs	RIIO-2 PCFM
General & Special Rates pool opening balance revisions	£m nominal	LicenseeInputs	908-909	-	Licensees		✔	✔	LicenseeInputs	RIIO-2 PCFM
Tax pool allocations	%	LicenseeInputs	727-736	BPDT	Licensee		✔	✔	LicenseeInputs	RIIO-2 PCFM
Deductions allowance	£m nominal	LicenseeInputs	921	-	Ofgem	Limit on tax relief carried forwards	✔	✔	LicenseeInputs	RIIO-2 PCFM
Tax trigger and clawback										
Projected/actual adjusted debt & net interest cost	£m real	LicenseeInputs	903-904	-	Licensee	Licensee may insert forecast values	✘	✘	LicenseeInputs	RIIO-2 PCFM
Tax allowance adjustment & tax trigger events	£m real	-	905-906	-	-	Not used for BPFM	✘	✘	LicenseeInputs	RIIO-2 PCFM
Notional gearing for tax clawback gearing test	%	LicenseeInputs	911	-	Ofgem		✘	✘	LicenseeInputs	RIIO-2 PCFM
Tax trigger deadbands	£m real	-	912	-	-	Not used for BPFM	✘	✘	LicenseeInputs	RIIO-2 PCFM
Domestic charges inputs										
Domestic customers, historic domestic bills, non-enduring bill impact, non-enduring revenue impact	Mixed	LicenseeInputs	986-990	-	Licensee		✔	✔	LicenseeInputs	-
Financeability										
Actuals										
Statutory depreciation	£m real	LicenseeInputs	742	BPDT	Licensee		✘	✔	LicenseeInputs	BPDT
BPDT capex input	£m real	LicenseeInputs	743	BPDT	Licensee		✘	✔	LicenseeInputs	BPDT
Additional borrowing cost assumption (for actual company debt)	£m real	LicenseeInputs	744	BPDT	Licensee		✘	✔	LicenseeInputs	BPDT
Summary inputs	mixed	LicenseeInputs	749-755	BPDT	Licensee		✘	✔	LicenseeInputs	BPDT
Debt sheets yellow inputs: New debt issuance profile	mixed	LicenseeInputs	758-768	BPDT	Licensee		✘	✔	LicenseeInputs	BPDT
Debt sheets yellow inputs: Adjustments for conversion to Regulatory (RIIO-2) Definition of Net Debt (Time Weighted Average)	£m nominal	LicenseeInputs	771-777	BPDT	Licensee		✘	✔	LicenseeInputs	BPDT

GT3 TO

GT3 TO	Units	RIIO-3					Price control revenue & notional financeability requirement	Actual financeability requirement	RIIO-2	
		Source tab	Rows	Source dataset	Provided by	Comments (source link, update procedures, etc)			Source tab	Source dataset
Debt sheets yellow inputs: Adjustments for conversion to Regulatory (RIIO-2) Definition of Net Interest	£m nominal	LicenseeInputs	780-789	BPDT	Licensee		✘	✔	LicenseeInputs	BPDT
Debt sheets yellow inputs: Costs excluded from Regulatory (RIIO-2) Definition of Net Interest	£m nominal	LicenseeInputs	792-801	BPDT	Licensee		✘	✔	LicenseeInputs	BPDT
Debt sheets yellow inputs: Conversion to Regulatory (RIIO-2) Definition of Net Debt (Financial Year End)	£m nominal	LicenseeInputs	804-810	BPDT	Licensee		✘	✔	LicenseeInputs	BPDT

GT3 SO

GT3 SO	Units	RIIO-3					Price control revenue & notional financeability requirement	Actual financeability requirement	RIIO-2	
		Source tab	Rows	Source dataset	Provided by	Comments (source link, update procedures, etc)			Source tab	Source dataset
Expenditure inputs										
Totex expenditure										
Non-variant allowances	£m real	LicenseeInputs	13-14	BPDT	Licensee		✔	✔	LicenseeInputs	RIIO-2 PCFM
Variant allowances	£m real	LicenseeInputs	19-82	BPDT	Licensee	Costs and attributes need to be entered for each item in two separate tables of the BPDT	✔	✔	LicenseeInputs	RIIO-2 PCFM
Variant allowances: attributes	mixed	LicenseeInputs	89-152	BPDT	Licensee		✔	✔	LicenseeInputs	RIIO-2 PCFM
Variant allowances: totex allocations	%	LicenseeInputs	175-302	BPDT	Licensee		✔	✔	LicenseeInputs	RIIO-2 PCFM
Actual totex	£m real	LicenseeInputs	321-322	No source	Licensee	Split into actuals for capitalisation rate allocations 1 & 2. Not required for submission	✘	✘	LicenseeInputs	RIIO-2 PCFM
Non-totex expenditure										
Pass-through costs aka non-controllable opex	£m real & £m nominal	LicenseeInputs	159-161	BPDT	Licensee		✔	✔	LicenseeInputs	RIIO-2 PCFM
Directly remunerated services										

GT3 SO	Units	RIIO-3					Price control revenue & notional financeability requirement	Actual financeability requirement	RIIO-2	
		Source tab	Rows	Source dataset	Provided by	Comments (source link, update procedures, etc)			Source tab	Source dataset
Disposals net proceeds										
BPI reward/penalty										
ODIs										
Other revenue allowances' costs	£m real	LicenseeInputs	326-336	BPDT	Licensee		✔	✔	LicenseeInputs	RIIO-2 PCFM
Other revenue allowances' cost multipliers	%	LicenseeInputs	343-345	BPDT	Licensee	Current model structure assumes same cost multipliers as in RIIO-2	✘	✘	LicenseeInputs	RIIO-2 PCFM
Finance inputs										
CAPM calculator										
iBoxx trailing average	annual real %	LicenseeInputs	365	WACC model	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
Uplift on iBoxx trailing average	annual real %	LicenseeInputs	366	WACC model	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
Risk-free rate	%	LicenseeInputs	368	WACC model	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
Equity Beta	%	LicenseeInputs	369	SSMD	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
Total Market Return	%	LicenseeInputs	370	SSMD	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
Benchmark gearing (60%)	%	LicenseeInputs	371	SSMD	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
Other finance inputs										
'Headline' cost of equity and debt profiles	%	Scenarios	131-144	SSMD	Ofgem		✔	✔	-	-
Notional gearing	%	Scenarios	44	SSMD	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
Splice index	%	Annual Inflation	40	OBR	Ofgem		✔	✔	-	-
Near-term RPI&CPIH inflation forecast	%	Scenarios	147-161	OBR	Ofgem	Alternate scenario profiles can be used	✔	✔	LicenseeInputs	RIIO-2 PCFM
Long-term CPIH inflation forecast	%	Annual Inflation	42	SSMD	Ofgem	Not to be changed	✔	✔	-	-
Minimum equity issuance threshold, issuance cost, dividends as % of equity, gearing target	%	Scenarios	49-53	SSMD	Ofgem	Alternate scenario profiles can be used	✔	✔	LicenseeInputs	RIIO-2 PCFM
CPIH index linked debt as % of net debt	%	Scenarios	54	SSMD	Ofgem	Alternate scenario profiles can be used	✔	✔	LicenseeInputs	RIIO-2 PCFM
RPE annual growth	%	LicenseeInputs	391	Ofgem modelling	Ofgem		✘	✘	LicenseeInputs	RIIO-2 RPCFM
TIM & capitalisation										
Capitalisation rate	%	LicenseeInputs	171	BPDT	Licensee	Cap rates for variant & non-variant collected in separate tables within BPDT	✔	✔	LicenseeInputs	RIIO-2 PCFM
TIM incentive strength	%	Scenarios	20	-	Ofgem	50% assumed at business plan stages	✔	✔	LicenseeInputs	RIIO-2 PCFM
RAV & Assets										

GT3 SO	Units	RIIO-3					Price control revenue & notional financeability requirement	Actual financeability requirement	RIIO-2	
		Source tab	Rows	Source dataset	Provided by	Comments (source link, update procedures, etc)			Source tab	Source dataset
Pre-vesting assets										
Pre-vesting RAV disposals	£m real	LicenseeInputs	436	-	Licensee	RAV adjustments in the event of any forecast disposals of pre-vesting RAV assets	✔	✔	LicenseeInputs	RIIO-2 PCFM
Years of pre-vesting depreciation remaining	years	LicenseeInputs	437	-	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
Post-vesting assets										
Post-vesting asset life, straight line (non-core)										
RIIO post-vesting RAV additions										
Tax										
Notional tax										
Corporation tax rate	%	Scenarios	59	SSMD	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
General & General FYA, Special Rates & Special Rates FYA, Structures & Buildings, Deferred Revenue capital allowance rates	%	LicenseeInputs	412-415	-	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
Capital allowance pools balances brought forwards & legacy adjustments	£m nominal	-	404-409	-	-	Not used, since the model calculates RIIO-2 in full and flows pool balances on to RIIO-3	✖	✖	LicenseeInputs	RIIO-2 PCFM
General & Special Rates pool opening balance revisions	£m nominal	LicenseeInputs	398-399	-	Licensee		✔	✔	LicenseeInputs	RIIO-2 PCFM
Tax pool allocations	%	LicenseeInputs	306-315	BPDT	Licensee		✔	✔	LicenseeInputs	RIIO-2 PCFM
Tax trigger and clawback										
Projected/actual adjusted debt & net interest cost	£m real	LicenseeInputs	393-394	-	Licensee	Licensee may insert forecast values	✖	✖	LicenseeInputs	RIIO-2 PCFM
Tax allowance adjustment & tax trigger events	£m real	-	395-396	-	-	Not used for BPFM	✖	✖	LicenseeInputs	RIIO-2 PCFM
Notional gearing for tax clawback gearing test	%	LicenseeInputs	401	-	Ofgem		✖	✖	LicenseeInputs	RIIO-2 PCFM
Tax trigger deadbands	£m real	-	402	-	-	Not used for BPFM	✖	✖	LicenseeInputs	RIIO-2 PCFM
Financeability										
Actuals										
Statutory depreciation										
BPDT capex input										

GT3 SO	Units	RIIO-3					Price control revenue & notional financeability requirement	Actual financeability requirement	RIIO-2	
		Source tab	Rows	Source dataset	Provided by	Comments (source link, update procedures, etc)			Source tab	Source dataset
Additional borrowing cost assumption (for actual company debt)										
Summary inputs										
Debt sheets yellow inputs: New debt issuance profile										
Debt sheets yellow inputs: Adjustments for conversion to Regulatory (RIIO-1) Definition of Net Debt (Time Weighted Average)										
Debt sheets yellow inputs: Adjustments for conversion to Regulatory (RIIO-1) Definition of Net Interest										
Debt sheets yellow inputs: Costs excluded from Regulatory (RIIO-1) Definition of Net Interest										
Debt sheets yellow inputs: Conversion to Regulatory (RIIO-1) Definition of Net Debt (Financial Year End)										

2C. ET data dictionary

ET3	Units	RIIO-3					Price control revenue & notional financeability requirement	Actual financeability requirement	RIIO-2	
		Source tab	Rows	Source dataset	Provided by	Comments (source link, update procedures, etc)			Source tab	Source dataset
Expenditure inputs										
Totex expenditure										
Non-variant allowances	£m real	LicenseeInputs	13-18	BPDT	Licensee		✔	✔	LicenseeInputs	RIIO-2 PCFM
Variant allowances	£m real	LicenseeInputs	23-130	BPDT	Licensee	Costs and attributes need to be entered for each item in two separate tables of the BPDT	✔	✔	LicenseeInputs	RIIO-2 PCFM
Variant allowances: attributes	mixed	LicenseeInputs	138-245	BPDT	Licensee		✔	✔	LicenseeInputs	RIIO-2 PCFM
Variant allowances: totex allocations	%	LicenseeInputs	276-923	BPDT	Licensee		✔	✔	LicenseeInputs	RIIO-2 PCFM
Actual totex	£m real	LicenseeInputs	1019-1032	No source	Licensee	Split into actuals for capitalisation rate allocations 1 & 2. Not required for submission	✖	✖	LicenseeInputs	RIIO-2 PCFM
Non-totex expenditure										
Pass-through costs aka non-controllable opex	£m real & £m nominal	LicenseeInputs	252-256	BPDT	Licensee		✔	✔	LicenseeInputs	RIIO-2 PCFM
Directly remunerated services	£m real	LicenseeInputs	260-263	BPDT	Licensee		✔	✔	LicenseeInputs	RIIO-2 PCFM
Disposals net proceeds	£m real	LicenseeInputs	272	BPDT	Licensee		✔	✔	LicenseeInputs	RIIO-2 PCFM
BPI reward/penalty	£m real	LicenseeInputs	1036	-	Ofgem	Not required for submissions	✖	✖	LicenseeInputs	RIIO-2 PCFM
ODIs	£m real	LicenseeInputs	1038-1043	-	Ofgem	Not required for submissions	✖	✖	LicenseeInputs	RIIO-2 PCFM
Other revenue allowances' costs	£m real	LicenseeInputs	1047-1055	BPDT	Licensee		✔	✔	LicenseeInputs	RIIO-2 PCFM
Other revenue allowances' cost multipliers	%	LicenseeInputs	1061-1070	BPDT	Licensee	Current model structure assumes same cost multipliers as in RIIO-2	✖	✖	LicenseeInputs	RIIO-2 PCFM
Finance inputs										
CAPM calculator										
iBoxx trailing average	annual real %	LicenseeInputs	1093	WACC model	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
Uplift on iBoxx trailing average	annual real %	LicenseeInputs	1096	WACC model	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
Risk-free rate	%	LicenseeInputs	1098	WACC model	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
Equity Beta	%	LicenseeInputs	1099	SSMD	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
Total Market Return	%	LicenseeInputs	1100	SSMD	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
Benchmark gearing (60%)	%	LicenseeInputs	1101	SSMD	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
Other finance inputs										

ET3	Units	RIIO-3					Price control revenue & notional financeability requirement	Actual financeability requirement	RIIO-2	
		Source tab	Rows	Source dataset	Provided by	Comments (source link, update procedures, etc)			Source tab	Source dataset
'Headline' cost of equity and debt profiles	%	Scenarios	130-141	SSMD	Ofgem		✔	✔	-	-
Notional gearing	%	Scenarios	42	SSMD	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
Splice index	%	Annual Inflation	40	OBR	Ofgem		✔	✔	-	-
Near-term RPI&CPIH inflation forecast	%	Scenarios	145-158	OBR	Ofgem	Alternate scenario profiles can be used	✔	✔	LicenseeInputs	RIIO-2 PCFM
Long-term CPIH inflation forecast	%	Annual Inflation	42	SSMD	Ofgem	Not to be changed	✔	✔	-	-
Minimum equity issuance threshold, issuance cost, dividends as % of equity, gearing target	%	Scenarios	47-50	SSMD	Ofgem	Alternate scenario profiles can be used	✔	✔	LicenseeInputs	RIIO-2 PCFM
CPIH index linked debt as % of net debt	%	Scenarios	51	SSMD	Ofgem	Alternate scenario profiles can be used	✔	✔	LicenseeInputs	RIIO-2 PCFM
RPE annual growth	%	LicenseeInputs	1119	Ofgem modelling	Ofgem	Set to 1 for business plan stages	✘	✘	LicenseeInputs	RIIO-2 PCFM
TIM & capitalisation										
Capitalisation rate	%	LicenseeInputs	267-268	BPDT	Licensee	Cap rates for variant & non-variant collected in separate tables within BPDT	✔	✔	LicenseeInputs	RIIO-2 PCFM
TIM incentive strength	%	Scenarios	20	-	Ofgem	50% assumed at business plan stages	✔	✔	LicenseeInputs	RIIO-2 PCFM
RAV & Assets										
Pre-vesting assets										
Pre-vesting RAV disposals										
Years of pre-vesting depreciation remaining	years	LicenseeInputs	1175	-	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
Post-vesting assets										
Post-vesting asset life (pre-RIIO-3)	years	LicenseeInputs	1180	-	Licensee		✔	✔	LicenseeInputs	RIIO-2 PCFM
Accelerated post-vesting asset life	years	LicenseeInputs	1181	-	Licensee		✔	✔	LicenseeInputs	RIIO-2 PCFM
Project assets (except TIRG)										
PLUGS asset life	years	LicenseeInputs	1193	-	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
England-Scotland interconnector asset life applied	years	LicenseeInputs	1200	-	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
TIRG										
TIRG allocation to "General" pool	%	LicenseeInputs	1219	-	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM

ET3	Units	RIIO-3					Price control revenue & notional financeability requirement	Actual financeability requirement	RIIO-2	
		Source tab	Rows	Source dataset	Provided by	Comments (source link, update procedures, etc)			Source tab	Source dataset
TIRG allocation to "Special Rate" pool	%	LicenseeInputs	1220	-	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
Tax										
Notional tax										
Corporation tax rate	%	Scenarios	56	SSMD	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
General & General FYA, Special Rates & Special Rates FYA, Structures & Buildings, Deferred Revenue capital allowance rates	%	LicenseeInputs	1142-1148	-	Ofgem		✔	✔	LicenseeInputs	RIIO-2 PCFM
Capital allowance pools balances brought forwards & legacy adjustments	£m nominal	-	1137-1142	-	-	Not used, since the model calculates RIIO-2 in full and flows pool balances on to RIIO-3	✘	✘	LicenseeInputs	RIIO-2 PCFM
General & Special Rates pool opening balance revisions	£m nominal	LicenseeInputs	1132-1133	-	Licensees		✔	✔	LicenseeInputs	RIIO-2 PCFM
Tax pool allocations	%	LicenseeInputs	927-936	BPDT	Licensee		✔	✔	LicenseeInputs	RIIO-2 PCFM
Deductions allowance	£m nominal	LicenseeInputs	1142	-	Ofgem	Limit on tax relief carried forwards	✔	✔	LicenseeInputs	RIIO-2 PCFM
Tax trigger and clawback										
Projected/actual adjusted debt & net interest cost	£m real	LicenseeInputs	1121-1122	-	-	Licensee may insert forecast values	✘	✘	LicenseeInputs	RIIO-2 PCFM
Tax allowance adjustment & tax trigger events	£m real	-	1123-1124	-	-	Not used for BPFM	✘	✘	LicenseeInputs	RIIO-2 PCFM
Notional gearing for tax clawback gearing test	%	LicenseeInputs	1129	-	Ofgem		✘	✘	LicenseeInputs	RIIO-2 PCFM
Tax trigger deadbands	£m real	-	1130	-	-	Not used for BPFM	✘	✘	LicenseeInputs	RIIO-2 PCFM
Domestic charges inputs										
Domestic customers, historic domestic bills, non-enduring bill impact, non-enduring revenue impact	Mixed	LicenseeInputs	1251-1255	-	Licensee		✔	✔	LicenseeInputs	-
Financeability										
Actuals										
Statutory depreciation	£m real	LicenseeInputs	942	BPDT	Licensee		✘	✔	LicenseeInputs	BPDT
BPDT capex input	£m real	LicenseeInputs	943	BPDT	Licensee		✘	✔	LicenseeInputs	BPDT
Additional borrowing cost assumption (for actual company debt)	£m real	LicenseeInputs	944	BPDT	Licensee		✘	✔	LicenseeInputs	BPDT

ET3	Units	RIIO-3					Price control revenue & notional financeability requirement	Actual financeability requirement	RIIO-2	
		Source tab	Rows	Source dataset	Provided by	Comments (source link, update procedures, etc)			Source tab	Source dataset
Summary inputs	mixed	LicenseeInputs	949-955	BPDT	Licensee		✘	✔	LicenseeInputs	BPDT
Debt sheets yellow inputs: New debt issuance profile	mixed	LicenseeInputs	958-968	BPDT	Licensee		✘	✔	LicenseeInputs	BPDT
Debt sheets yellow inputs: Adjustments for conversion to Regulatory (RIIO-2) Definition of Net Debt (Time Weighted Average)	£m nominal	LicenseeInputs	971-977	BPDT	Licensee		✘	✔	LicenseeInputs	BPDT
Debt sheets yellow inputs: Adjustments for conversion to Regulatory (RIIO-2) Definition of Net Interest	£m nominal	LicenseeInputs	980-990	BPDT	Licensee		✘	✔	LicenseeInputs	BPDT
Debt sheets yellow inputs: Costs excluded from Regulatory (RIIO-2) Definition of Net Interest	£m nominal	LicenseeInputs	993-1002	BPDT	Licensee		✘	✔	LicenseeInputs	BPDT
Debt sheets yellow inputs: Conversion to Regulatory (RIIO-1) Definition of Net Debt (Financial Year End)	£m nominal	LicenseeInputs	1005-1011	BPDT	Licensee		✘	✔	LicenseeInputs	BPDT

3. Details of pre-set scenarios

3.1   In the table below, for the Base case scenario each scenario setting is described. For subsequent scenarios only the items which differ from the base case are described.

Scenario name	Description	Notional modelling settings	Financeability settings

1. Base case	Ofgem base case.	**Input data selection**
		• RIIO-3 inputs: Inputs 1 [not functional currently]
		• Price base year (2024 for RIIO3, 2019 for RIIO2): 2024
		Totex, TIM and capitalisation
		• User multiplier for allowed totex: 100%
		• User multiplier for actual totex: 100%
		• TIM incentive rate: 50%
		• RIIO-3 cap rates from *Scenarios*, *Licensee Inputs* or Natural?: Natural
		  ○ If *Scenarios*, Bucket 1 cap rate: 50%
		  ○ If *Scenarios*, Bucket 2 cap rate: 70%
		  ○ If *Scenarios*, Bucket 3 cap rate: 100% (GD only)
		Depreciation – GD and GT only
		• Pre- and post-vesting acceleration factor option: Base case
		• RIIO-3 treatment: asset life input or custom profile?: Asset life input
		  ○ If asset life input: Sum of Digits or Straight Line?: Sum of Digits
		  ○ If asset life input: base case or terminate?: Terminate
		    ○ If base case, RIIO-3 additions asset life: 45
		    ○ If terminate, input year of final depreciation: 2050
		• Post-vesting treatment: status quo, accelerate or terminate?: Terminate
		  ○ If accelerate, pre-RIIO3 additions accelerated asset life: 45
		  ○ If terminate, input year of final depreciation: 2050
		• Post-vesting treatment: status quo or terminate?: Terminate
		  ○ If terminate, input year of final depreciation: 2050
		Allowed cost of capital
		• Allowed cost of Debt input: scenario input or Licensee input?: Scenario input
		  ○ If scenario input, CoD figures to use: Base
		• Allowed cost of equity input: scenario input or Licensee input?: Scenario input
		  ○ If scenario input, CoE figures to use: Base
		• Notional gearing: 60% (GD); 60% (GT); 55% (ET)
		Finance
			Notional company parameters
			• Totex option: Fast/Slow
			• Apply lagged revenue adjustment?: FALSE
			• Include RIIO-2 AIP revenue adjustments?: FALSE
			• Include DRS net revenue?: TRUE
			• Use regulatory or statutory depreciation in financial statements?: Regulatory
			Actual company parameters
			• Totex option: Capex/Opex
			• Rating simulator apply excess fast money adjustment: TRUE
			• Apply lagged revenue adjustment?: FALSE
			• Include RIIO-2 AIP revenue adjustments?: FALSE
			• Include DRS net revenue?: [uses the value selected for notional]
			• Use regulatory or statutory depreciation in financial statements?: Statutory
			• RIIO-2 closing gearing target: BPDT or user defined?: BPDT
			  ○ If BPDT, calculated from debt sheets or fixed from mirror table?: Debt sheets
			  ○ If user defined, select closing gearing target: User defined #1
			• Equity issuance: BPDT actual or model calculation?: BPDT actual
			  ○ If modelled, based on previous year closing gearing or user defined?: Closing gearing
			    ▪ If user defined, select equity issuance % target: Equal to notional gearing
			    ▪ If user defined, select equity issuance cost: 3.0%
			  ○ If modelled, select min. issuance threshold: Equity issuance base: 5%
			• Dividends: BPDT actual or model calculation: BPDT actual
			  ○ If modelled, based on cashflow or user defined?: User defined %
			    ▪ If based on cashflow, select dividend cap %: 5.0%
			    ▪ If user defined, select dividends as % of equity: 3.0%

Scenario name	Description	Notional modelling settings	Financeability settings
		• Forecast near-term RPI debt inflation: Jun'24 BPDT • Forecast near-term CPIH debt inflation: Jun'24 BPDT • Minimum equity issuance threshold: RIIO-2 • Equity issuance costs: 5.0% • Assumed dividends as % of equity: 3.0% • Assumed return of capital as % of equity: user defined (GD&GT only) • Equity issuance gearing target: 60% (GD); 60% (GT); 55% (ET) • CPIH index-linked debt as a percentage of net debt: 30% • Annual interest rate inputs for actual debt: Base case • SSMC cost of debt inflation approach: Option 1 Tax • Corporation tax rate: 25% • Include tax clawback revenue impact?: Include ODIs and incentives • Incentive reward/penalty as a % of RoRE: 0%	
2. High interest rate	Compared to the base case, assumed 2% increase in the interest rates, feeding through the CoD and Cost of Equity (CoE) forecast.	• Cost of debt: "CoD High Int. Rate" • Cost of equity: "CoE High Int. Rate" • Annual interest rate inputs for actual debt: High case (+2%)	• RIIO-2 closing gearing target: BPDT or user defined?: BPDT o If BPDT, calculated from debt sheets or fixed from mirror table?: Mirror table • Equity issuance: BPDT actual or model calculation?: Model calculation • Dividends: BPDT actual or model calculation: Model calculation
3. Low interest rate	Compared to the base case, assumed 2% decrease in the interest rates, feeding through the CoD and Cost of Equity (CoE) forecast.	• Cost of debt: "CoD Low Int. Rate" • Cost of equity: "CoE Low Int. Rate" • Annual interest rate inputs for actual debt: Low case (-2%)	Same as Scenario 2. High interest rate
4. High inflation	Compared to the base case, assumed 2% increase in both RPI and CPIH inflation rates.	• Forecast RPI: High • Forecast CPIH: High	Same as Scenario 2. High interest rate
5. Low inflation	Compared to the base case, assumed 2% decrease in both RPI and CPIH inflation rates.	• Forecast RPI: Low • Forecast CPIH: Low	Same as Scenario 2. High interest rate
6. High CPIH inflation divergence	Compared to the base case, assumed 0.5% increase in the differential between RPI and CPIH inflation rates. Assuming constant RPI, this corresponds to a 0.5% decrease in CPIH inflation rate.	• Forecast CPIH: "CPIH High Diverg."	Same as Scenario 2. High interest rate
7. Low CPIH inflation divergence	Compared to the base case, assumed 0.5% decrease in the differential between RPI and CPIH inflation rates. Assuming constant RPI, this corresponds to a 0.5% increase in CPIH inflation rate.	• Forecast CPIH: "CPIH Low Diverg."	Same as Scenario 2. High interest rate

Scenario name	Description	Notional modelling settings	Financeability settings
8. High RPI inflation divergence	Compared to the base case, assumed 0.5% increase in the differential between RPI and CPIH inflation rates. Assuming constant CPIH, this corresponds to a 0.5% increase in RPI inflation rate.	• Forecast RPI: "RPI High Diverg."	Same as Scenario 2. High interest rate
9. Low RPI inflation divergence	Compared to the base case, assumed 0.5% decrease in the differential between RPI and CPIH inflation rates. Assuming constant CPIH, this corresponds to a 0.5% decrease in RPI inflation rate.	• Forecast RPI: "RPI Low Diverg."	Same as Scenario 2. High interest rate
10. Totex outperformance	Assumed 10% totex underspend in each year.	• User multiplier for actual totex: 90%	Same as Scenario 2. High interest rate
11. Totex underperformance	Assumed 10% totex overspend in each year.	• User multiplier for actual totex: 110%	Same as Scenario 2. High interest rate
12. High RoRE	Compared to the base case, increase in outperformance revenue equal to 2% RoRE.	• Incentive reward/penalty as a % of RoRE: 2%	Same as Scenario 2. High interest rate
13. Low RoRE	Compared to the base case, decrease in outperformance revenue equal to 2% RoRE .	• Incentive reward/penalty as a % of RoRE: -2%	Same as Scenario 2. High interest rate
14. High index-linked debt	Compared to the base case, 10% increase in the proportion of inflation index linked debt (resulting in 35% CPIH ILD).	• Index-linked debt as a percentage of net debt: 40%	Same as Scenario 2. High interest rate
15. Low index-linked debt	Compared to the base case, 10% decrease in the proportion of inflation index linked debt (resulting in 15% CPIH ILD).	• Index-linked debt as a percentage of net debt: 20%	Same as Scenario 2. High interest rate
16. Distribution reduction (ET only)	Assumed dividends as a % of equity = 1.5%	• Assumed dividends as % of equity: 1.5%	Same as Scenario 2. High interest rate

3.2   Recommended scenario settings for actual company stress tests

Actual debt settings				
	BPDT (must be used for base case scenario)	% dividend	Cash flow dividend	User defined
RIIO-2 closing gearing target	BPDT	BPDT	BPDT	User defined
If BPDT, debt sheets calc or mirror table fixed input	Debt sheets	Mirror table	Mirror table	NA
If user defined, closing gearing target	NA	NA	NA	User defined #1
Equity issuance	BPDT	Model calculation	Model calculation	Model calculation
If modelled, based on previous yr closing gearing, or user defined	NA	Closing gearing	Closing gearing	User defined
If user defined, equity issuance % target	NA	NA	NA	User defined #1
If user defined, equity issuance cost	NA	NA	NA	User defined #1
If modelled, min. issuance threshold	NA	Base: 5%	Base: 5%	Base: 5%
Dividends	BPDT	Model calculation	Model calculation	Model calculation
If modelled, cashflow based or user defined %	NA	User defined %	Cash flow	User defined %
If cashflow, dividend cap %	NA	NA	Cap 1	NA
If user defined, dividends as % of equity	NA	User defined #1	NA	User defined #1

3.3   The cells shown as "NA" in the table above identify inputs that, although populated in the model, are not active in the actual debt calculations under the suggested settings.

3.4   These "NA" inputs should still be left populated in the model, to prevent #NA errors in the Scenarios tab and subsequent calculations.

4. Specific assumptions and unused model features

4.1   This section provides details on some of the specific assumptions and unused mode features that are baked-in to the model. It is important to keep these in mind when using the model.

4.2   We are happy to discuss any aspects of these limitations, and to consider revising the model structure where appropriate for future iterations.

Issue	Tab	Current status
Key fixed assumptions		
RIIO-3 fixed rate debt (notional)	*Finance&Tax*	We have tied the inflation of fixed rate debt to CPIH long-term forecast. There is no option to change this.
2-year revenue lag	*FinInput*	The model has a hard-coded assumption that for financeability assessment a lag of 2 years is applied to ODI and expected outperformance revenue, on an NPV-neutral basis (*FinInput* cell I135).
Statutory depreciation asset life	*FinancialStatements*	The model links asset life for statutory depreciation calculations (*FinancialStatements* cell GD I292, GT I296, ET I293) to the default post-vesting asset life assumption. There may be cases where this is no longer appropriate; we will consider this after final business plans.
Not-connected features		
Legacy adjustments	*LicenseeInputs*	For business plan submissions, we do not intend to model legacy adjustments from RIIO2 which would affect years 1 and 2 of RIIO3. Hence these input sections in the RIIO3 inputs have been greyed out and are not linked up.
AR_t	*LicenseeInputs, AR, LiveResults, SavedResults*	For business plan submissions, we do not intend to model true-ups as part of the Annual Iteration Process. Hence these sections of the model have not been reviewed.
Extension macro	*Extension*	The model contains a macro which allows users to extend the model timelines past the end of RIIO-3. The macro functions, but we do not require Licensees to use or refer to the macro's outputs in the final business plans. Nor do we provide assurance for the calculations, assumptions or outputs of the extended model.

5. "Actual debt modelling" structure in the model

5A. Overview

5.1 The model can derive debt and financeability results for the base case and stress tests, for both the notional company and the actual company. This is achieved with the interaction of a number of worksheets, as exemplified in the diagram below. Some of these worksheets are solely used for this purpose and therefore can be considered as stand-alone with respect to other parts of the model (namely, the "main" BPFM sheets for notional revenue calculations). These are the "BPDT debt sheets", a copy of the BPDT finance sheets that are included and integrated with the rest of the BPFM, with the aim of replicating the actual base case financial submission as per BPDT, as well as for the dynamic modelling of actual stress test scenarios.

5.2 The modelling of actual debt and financeability in the BPFM can be summarised in the following steps in (Figure 1:):

a) Information from the embedded debt instruments dataset (F6) is exported into calculation sheets where annual embedded debt balances and interest payments are calculated for each of the instrument, categorised alternatively as "Fixed Rate Debt" (F3), "Floating Rate Debt" (F4) or "Inflation Linked Debt" (F5).

b) Embedded debt volumes and interest payments by instrument are summarised on a time-weighted average basis. Information on forecasted new debt issuance is added in to derive total historic and forecasted debt volumes and interest payments. Equity issuance and dividend payments are also included (F2a).

Embedded and new debt balances are also calculated for the start and end of each year (F2b).

c) Embedded and new debt volumes and interest payments are recalculated to derive average debt volumes and interest payments by debt type under the regulatory definition and consistent with the methodology used in the Finance&Tax (actual) sheet (where the dynamic actual debt derivation takes place). In particular, this requires calculating average debt volumes as the simple average of "Opening debt (after equity issuance)" and "Closing debt (before interest, tax and dividends)". This recalculation is also used to derive, on the same basis, the average cost of new debt by type and the assumed proportion of new debt issuance by type (F1).

d) All inputs for actual financeability modelling are collated so that the live financeability scenario can be built (FinInput). These inputs can be categorised as follows:

- BPDT dynamic inputs (scenario dependent): these are sourced from the "BPDT debt sheets", are derived from live calculations and therefore their values can change in different scenarios. These inputs are used in all scenarios.

- BPDT fixed inputs: these are sourced from the "BPDT mirror table" in the "Licensee input" tabs. These are hardcoded inputs as per submitted BPDT and as such represent inputs for use in the base case only, or inputs held constant across all scenarios at the value from the BPDT submission.

- User defined parameters: sourced from Scenarios tab, these are customised and additional to the BPDT inputs and can be used to define alternative settings for use in stress test scenarios.

  e) Actual debt is calculated in the Finance&Tax (actual) tab using the appropriate inputs from the FinInput tab. This actual debt calculation also sources information from the notional PCFM sheets (for example, for RAV, revenue and operational costs).

  f) Actual financial information from Finance&Tax (actual) is used to calculate financial statements, financial ratios and estimated credit rating for the actual company in the selected scenario (FinancialStatements, FinancialRatios and RatingSimulator).

Figure 1: Overview of debt sheets
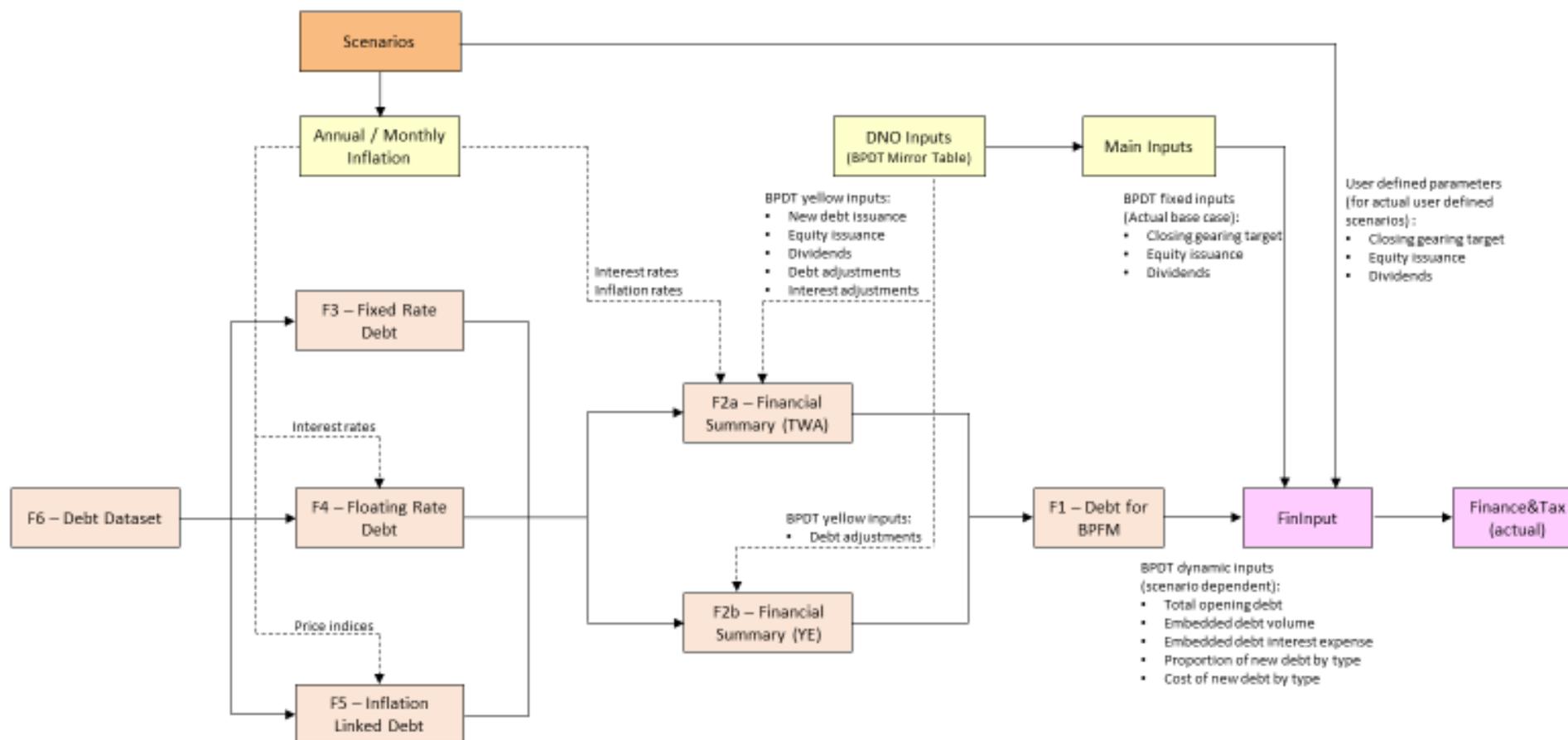
5.3   Note that:

- The interest rates and inflation inputs for the "BPDT debt sheets" are sourced from the Scenarios tab. This means that the actual company inputs for embedded and new debt (namely, embedded debt volumes and interest payments, cost of new debt and proportion of new debt issuance by type) are dynamically recalculated to reflect the interest rates and inflation assumptions in the selected scenario and are consistent with the assumptions used for the "notional" revenue calculation in the PCFM sheets.
- The BPDT "Financial Summary" tabs (F2a and F2b) are re-built in the model by sourcing the "yellow input" cells from the "BPDT mirror table" in the Licensee input tabs. These yellow inputs mainly relate to new debt issuance amounts and adjustments to derive debt and interest payments under the regulatory definitions.

5B. Pre-set actual debt setting

5.4   The objective of the Finance&Tax (actual) tab is the derivation of actual debt balances for the base case, as well as stress test scenarios. This can be achieved by choosing between the four "actual debt settings" outlined in section 3.2 above.

5.5   We suggest using the "BPDT" settings for the Base case and either "% dividend" or "cash flow dividend" for the stress test scenarios. The "user defined" scenario is another option available, allowing to customise most parameters from the Scenarios tab. These proposed settings do not prevent Licensees from defining alternative settings, as deemed appropriate to model their forecasted actual company financial structure, and use these for Base case and/or stress tests.

5.6   The proposed actual debt settings, their rationale and suggested use are briefly summarised below:

- "BPDT": the aim of this actual debt setting is to replicate in the BPFM the actual financial forecasts provided in the BPDT submission, so that the model can ascertain the associated financeability results. Most of the financial information is directly sourced from the BPDT mirror table in the Licensee input tabs. It is suggested to use this setting only in conjunction with the "Base case". However, the use of the "BPDT" settings is not sufficient to replicate the BPDT financial forecast if the new debt emissions in the submitted template are not consistent with the new debt requirement calculated endogenously in the BPFM. This mismatch can be mitigated by running the "AlignActualDebt" macro, a tool that derives an adjustment term to the BPFM actual debt requirement, thus aligning the BPFM actual company base case to the BPDT.

Further details and instructions are provided in the below section 5H. Alignment of BPFM actual debt with BPDT submission.

- "Cashflow dividend": is built for the purpose of modelling stress tests for the actual company. The difference with respect to "BPDT" is that dividends and equity issuance are not predetermined at the submitted BPDT values but are dynamically recalculated in the model. In particular, dividends are dependent on the annual cash flow and are subjected to achieving a pre-determined closing gearing target.

- "% dividend": can also be used for modelling stress tests for the actual company, as an alternative approach to the previous "Cashflow dividend". Similarly, dividends and equity issuance are dynamically recalculated, although dividends are calculated as a pre-determined percentage of equity RAV at the end of the year and do not depend on the closing gearing target. Equity (or debt) issuance can be triggered at the start of each year as a balancing amount (if any pre-determined issuance threshold is met), to ensure that, as a result, the previous year's closing gearing target is attained.

- "User defined": The purpose of this financeability scenario is to provide a further, more "customised" approach to actual debt modelling, as the user can pre-set all relevant parameters in the Scenarios tab. The methodology implemented in Finance&Tax (actual) is closer to the notional approach in the Finance&Tax sheet, as dividends are driven by a pre-defined percentage of closing equity RAV and equity issuance is determined using an "equity issuance gearing target", so that equity issuance is not directly linked to the previous year's dividends and closing gearing target. An "equity issuance threshold" can also apply.

5C. Actual debt determination in "Finance&Tax (actual)"

5.7   Flowchart 2 accompanies this section.

5.8   In the Finance&Tax (actual) tab, actual debt is modelled starting from year 2024/25 up until year 2030/31. The calculations in the tab are exemplified by the diagram below.

5.9   Total opening net debt in 2024/25 is sourced from the BPDT debt sheets.

5.10   The closing debt balance at the end of each year is therefore determined by the financial cash flows as sourced from the BPDT debt sheets and mirror table as applicable, together with the operational cash flows from the "notional" PCFM sheets (with the exception of actual price control revenue, sourced from the "pink" RevenueSummary tab).

5.11   The modelling of actual new debt starts in year 2024/25 and is also exemplified in the diagram above. "Opening net debt" in year 2024/25 is re-set at the value provided in the BPDT debt sheets and, at that point, only includes embedded debt.

5.12   "Equity (debt) issuance" is determined according to the selected financeability settings (discussed in the following sections). The sum of "Opening net debt" and "Equity (debt)" issuance gives the value of "Opening net debt (after equity issuance)".

Figure 2: Finance&Tax(actual) diagram
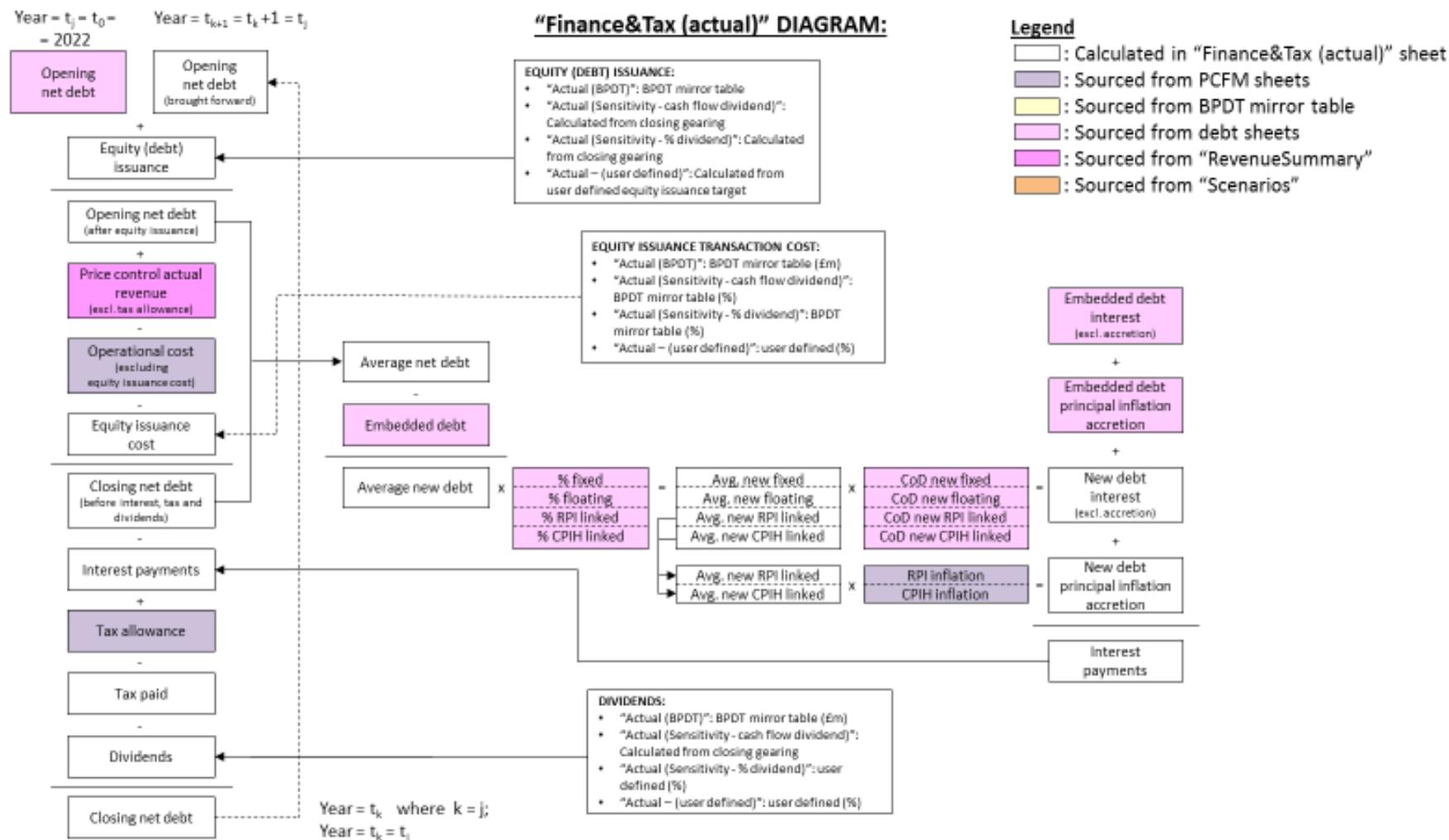
5.13   By adding the Price control actual revenue (excluding tax allowance) (from the RevenueSummary tab) and deducting operational costs (from the notional PCFM tabs) and equity issuance costs (also dependent on the selected financeability settings), the value of "Closing net debt (before interest, tax and dividends)" is determined.

5.14   At this point "Average net debt" can be calculated as the average of "Opening net debt after equity issuance" and "Closing net debt (before interest, tax and dividends)". This is used to determine interest payments on new debt as follows:

a) The "Average new debt" requirement is calculated by deducting from "Average net debt" the corresponding average "Embedded debt" value as sourced from the debt sheets.

b) The average new debt values for the four types of debt (fixed rate, floating rate, RPI linked and CPIH linked) are determined by multiplying the "Average new debt" requirement by the "proportion of new debt issuance by type" factors, sourced from the debt sheets.

c) Each new debt value is multiplied by the applicable cost of debt, thus providing the interest payments on types of new debt (excluding principal accretion).

d) Average RPI and CPIH linked debt values are multiplied by the applicable inflation rate, thus determining the principal inflation accretion on new debt.

5.15   "Interest payments" is therefore determined by aggregating total interest on new debt with total interest on embedded debt, as sourced from the debt sheets.

5.16   After "Interest payments" are calculated, tax and dividends are the only remaining components to obtain closing actual debt. The net tax impact on debt is "Tax allowance" minus "Tax paid". The former is sourced from the notional PCFM sheets, the latter is determined from the tax calculation included in this Finance&Tax (actual) sheet.

5.17   Finally, dividends are determined according to the methodology applied in the selected financeability setting (also detailed in the following sections).

5.18   The closing value of total actual debt is therefore "Closing net debt (before interest, tax and dividends)" minus "Interest payments", plus net taxes and minus

"Dividends". This value is carried forward to the start of the next year, as the debt calculation process is iterated until the end of RIIO-3.

5D. "BPDT" actual debt settings

5.19   Flowchart 3 accompanies this section

5.20   Under the " BPDT" settings, the derivation of actual debt in Finance&Tax (actual) proceeds as described in the previous section, with "Equity (debt) issuance", "Equity issuance cost" and "Dividends" amounts directly sourced from the "BPDT mirror table" in the LicenseeInputs.

5.21   Figure 3: BPDT actual debt financeability settings
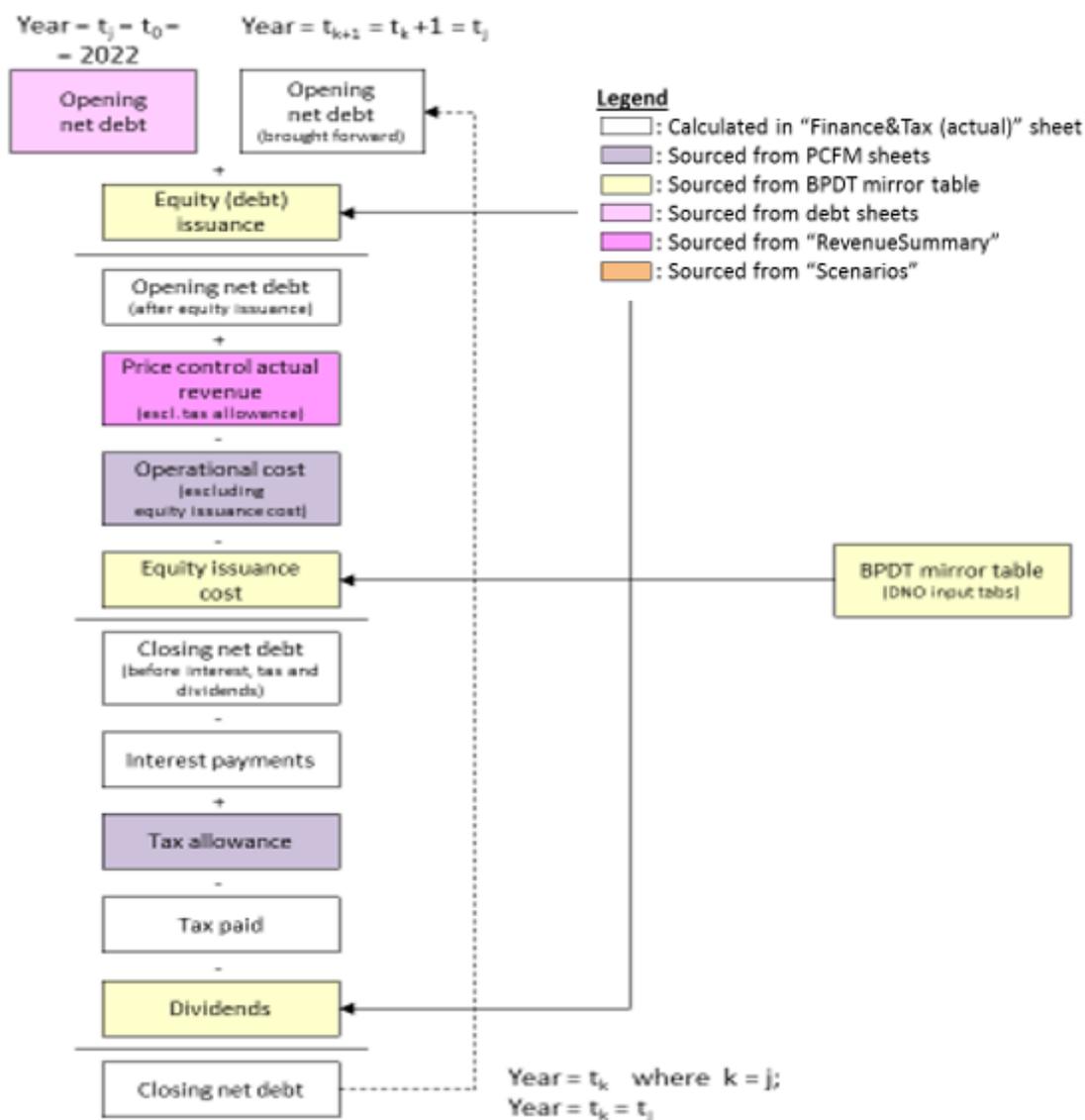
5E. "Cash flow dividend" actual debt settings

5.22   Flowchart 4 accompanies this section.

5.23   This financeability scenario differs from "BPDT" as equity issuance, the associated transaction cost and dividends are endogenously recalculated in the Finance&Tax (actual) tab, thus allowing to respond to changes in modelling assumptions in the stress tests. Note that there is no difference in how new debt requirement (or "Average new debt") and "Interest payments" are determined, as these are dynamically recalculated in all settings.

5.24   The key postulate of this methodology is that dividends at the end of each year and equity issuance at the start of the following year are determined to meet a "closing gearing target". This is sourced from the "BPDT mirror table", implying that equity issuance and dividends in the actual stress test will respond to changes in modelling assumptions, with the objective of keeping gearing at the same level of the base case.

Dividends

5.25   Dividends are determined by comparing "Closing net debt (before dividends)" with "Target closing debt", i.e. "Closing RAV" multiplied by "Closing gearing target". A dividend cap is also in place, so that in any year dividends cannot exceed a certain, pre-set percentage of equity RAV. The user can deactivate this cap by setting the percentage input to an arbitrarily high number.

5.26   Three cases (also highlighted in Flowchart 4) can occur:

- Case 1:

$Closing\ net\ debt\ (before\ dividends)_t \leq Target\ closing\ debt_t$
$\textbf{AND}$
$Target\ closing\ debt_t - Closing\ net\ debt\ (before\ dividends)_t \geq Dividend\ cap_t$

In this case, "Closing net debt (before dividends)" is lower than the target and therefore dividends can be distributed to shareholders. Furthermore, the available amount is greater than the maximum dividend allowed by the cap in the present year. As a result, dividends will be equal to the cap and closing gearing will be lower than the target.

$Dividends_t = Dividend\ cap_t$
$Closing\ gearing_t < Closing\ gearing\ target_t$

Figure 4: Finance&Tax (actual): sensitivity – cash flow dividend

- Case 2:

$$Closing\ net\ debt\ (before\ dividends)_t \leq Target\ closing\ debt_t$$
AND
$$Target\ closing\ debt_t - Closing\ net\ debt\ (before\ dividends)_t < \ Dividend\ cap_t$$

In this instance, the dividend cap is not triggered and the entire sum available at the end of the year is distributed to shareholders as dividends. Closing gearing equals the target.

$$Dividends_t = Target\ closing\ debt_t - Closing\ net\ debt\ (before\ dividends)_t$$
$$Closing\ gearing_t = Closing\ gearing\ target_t$$

- Case 3:

$$Closing\ net\ debt\ (before\ dividends)_t > Target\ closing\ debt_t$$

In this third case, "Closing net debt (before dividends)" is higher than the associated target and therefore, at the end of the year, there is no residual amount available for dividend payments. Closing gearing is lower than the target.

$$Dividends_t = 0$$
$$Closing\ gearing_t < Closing\ gearing\ target_t$$

Equity issuance

5.27   Equity (or debt) issuance at the start of each year is determined as the debt variation required to attain the previous year's closing gearing target. As a result, it is closely related to the previous year's dividends, as described below in relation to the three aforementioned dividends cases:

- Case 1:

$$\frac{Opening\ net\ debt_{t+1}}{Opening\ RAV_{t+1}} = Opening\ gearing_{t+1} < Closing\ gearing\ target_t$$

In the case where dividends were limited by the cap, closing gearing was lower than the gearing target, so that closing debt volume was also lower than the associated debt target. At the start of the following year, the gearing target (as per the end of the previous year) is achieved by increasing opening debt with a negative equity issuance, i.e. by issuing debt.

$$Equity\ (debt)\ issuance_{t+1} =$$
$$= (Opening\ gearing_{t+1} - Closing\ gearing\ target_t) \cdot Opening\ RAV_{t+1} < 0$$
$$Equity\ (debt)\ issuance_{t+1} < 0 \qquad \text{i.e. debt issuance}$$
$$Equity\ issuance\ transaction\ cost_{t+1} = 0$$

as that the transaction cost is not calculated on debt issuance.

- Case 2:

$$\frac{Opening\ net\ debt_{t+1}}{Opening\ RAV_{t+1}} = Opening\ gearing_{t+1} = Closing\ gearing\ target_t$$

At the end of the previous year, dividends were paid to shareholders until closing debt equated the target. At the start of the current year, equity issuance is not triggered.

$$Equity\ (debt)\ issuance_{t+1} =$$
$$= (Opening\ gearing_{t+1} - Closing\ gearing\ target_t) \cdot Opening\ RAV_{t+1} = 0$$

$$Equity\ (debt)\ issuance_{t+1} = 0$$
$$Equity\ issuance\ transaction\ cost_{t+1} = 0$$

- Case 3:

$$\frac{Opening\ net\ debt_{t+1}}{Opening\ RAV_{t+1}} = Opening\ gearing_{t+1} > Closing\ gearing\ target_t$$

At the end of the previous year, no dividends were distributed as closing debt (before dividends) was above the target. In this case, equity issuance is required to bring gearing in line with the previous year's closing target.

$$Equity\ (debt)\ issuance_{t+1} =$$
$$= (Opening\ gearing_{t+1} - Closing\ gearing\ target_t) \cdot Opening\ RAV_{t+1} > 0$$

$$Equity\ (debt)\ issuance_{t+1} > 0 \qquad \text{i.e. equity issuance}$$
$$Equity\ issuance\ transaction\ cost_{t+1} =$$
$$= Equity\ (debt)\ issuance_{t+1} \cdot Equity\ issuance\ cost(\%)_{t+1}$$

The equity issuance transaction cost percentage is sourced from the "BPDT mirror table" and therefore is held constant across the stress tests at the same base case assumption from the BPDT submission.

5F. "% dividend" actual debt settings

5.28   Flowchart 5 accompanies this section.

5.29   Under this approach, dividends are calculated at the end of each year as a fixed percentage of closing equity RAV. This dividend percentage input is sourced and can be defined by the user in the Scenarios tab.

5.30   This means that closing gearing in each year is not constrained to a pre-set target. Nonetheless, the closing gearing target (sourced from the "BPDT mirror table") is still in place and can be attained at the start of the following year, as a

result of the equity (or debt) issuance determination and subjected to any equity issuance threshold being met.

[Note: the following description assumes no equity issuance threshold in place. However, the current pre-defined settings for "% dividend" include a 5% equity issuance threshold".]

$$Dividends_t = Closing\ equity_t \cdot Dividends(\%)_t$$

5.31   1.89 For equity issuance, the same three cases of the "Actual (Sensitivity – cash flow dividend)" can occur:

- Case 1:

$$Opening\ gearing_{t+1} < Closing\ gearing\ target_t$$

$Equity\ (debt)\ issuance_{t+1} < 0$ i.e. debt issuance
$Equity\ issuance\ transaction\ cost_{t+1} = 0$

- Case 2:

$$Opening\ gearing_{t+1} = Closing\ gearing\ target_t$$

$Equity\ (debt)\ issuance_{t+1} = 0$
$Equity\ issuance\ transaction\ cost_{t+1} = 0$

- Case 3:

$$Opening\ gearing_{t+1} > Closing\ gearing\ target_t$$

$Equity\ (debt)\ issuance_{t+1} > 0$ i.e. equity issuance
$Equity\ issuance\ transaction\ cost_{t+1} =$
$\quad\quad\quad = Equity\ (debt)\ issuance_{t+1} \cdot Equity\ issuance\ cost(\%)_{t+1}$

Figure 5: Finance&Tax (actual): sensitivity – % dividend
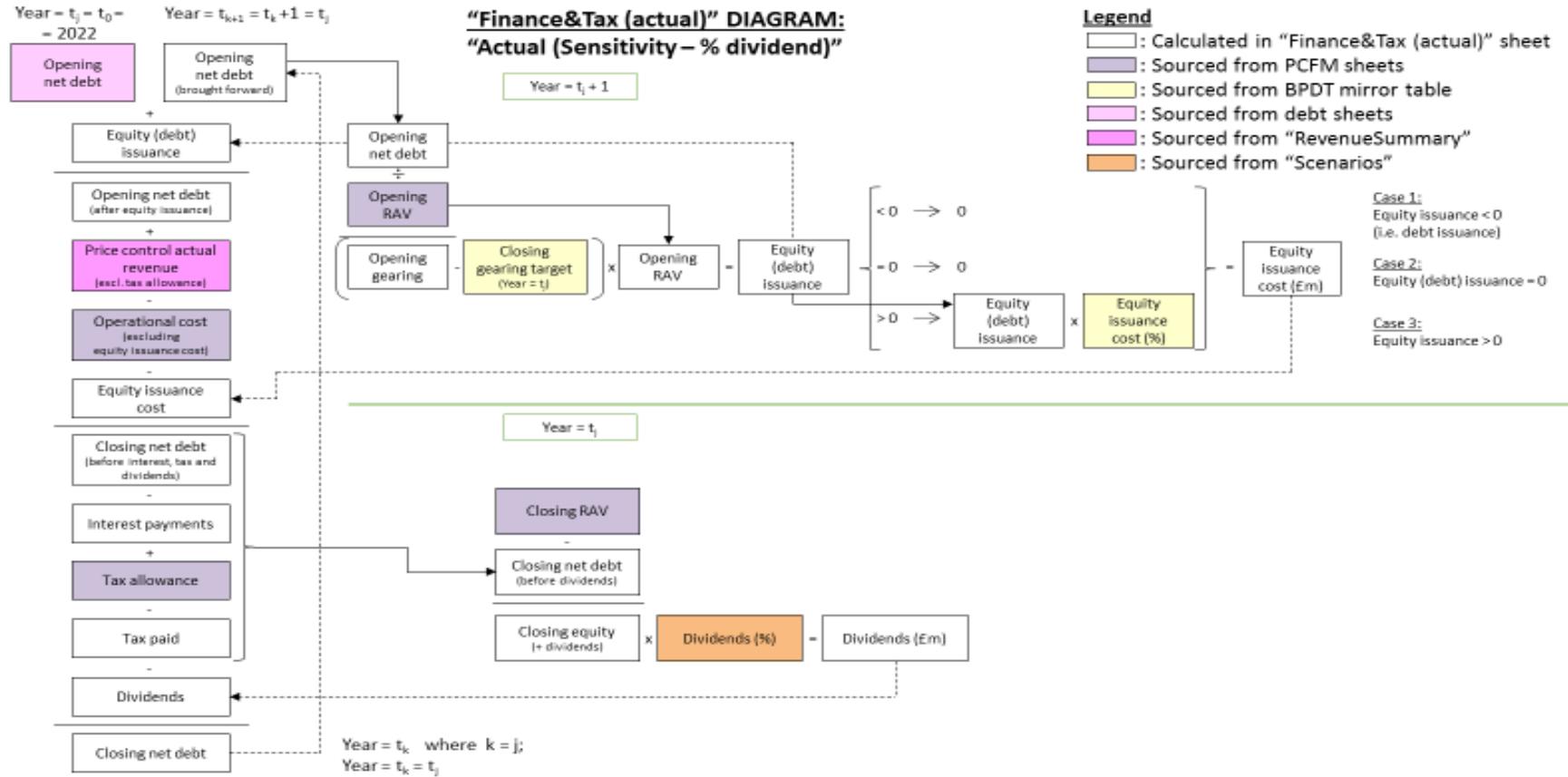
5G. "User defined" actual debt settings

5.32   Flowchart 6 accompanies this section.

5.33   This setting allows the user to create actual company forecasts alternative to the BPDT submission. All relevant parameters are pre-set in the Scenarios tab.

5.34   The user can also input a threshold value to trigger equity or debt issuance1. If the threshold value is greater than zero, the gearing target may not be met in all years.

5.35   Again, the specific features of this "user defined" scenario can be described in relation to dividends and equity issuance.

Dividends

5.36   The dividends calculation is the same as in " % dividend". Dividends are calculated as a pre-set percentage of closing equity RAV. The user can input this percentage in the Scenarios tab.

$$Dividends_t = Closing\ equity_t \cdot Dividends(\%)_t$$

Equity issuance

5.37   As in the notional Finance&Tax calculation, it is tested whether the deviation of "Opening gearing" from the "Equity issuance gearing target" exceeds, in absolute value, a pre-defined "Equity issuance threshold". In other words, the test is passed if the gearing deviation from the target is beyond the threshold, both on the upside as well as on the downside.

5.38   Note that:

- the "Equity issuance gearing target" is input by the user in the Scenarios tab and therefore can be different from the "BPDT mirror table" gearing target. It applies only to equity issuance at the start of the year, i.e. it is unrelated to the previous year's dividends;
- the "Equity issuance threshold" is also input by the user in the Scenarios tab.

Figure 6: Finance&Tax(actual): sensitivity – user defined
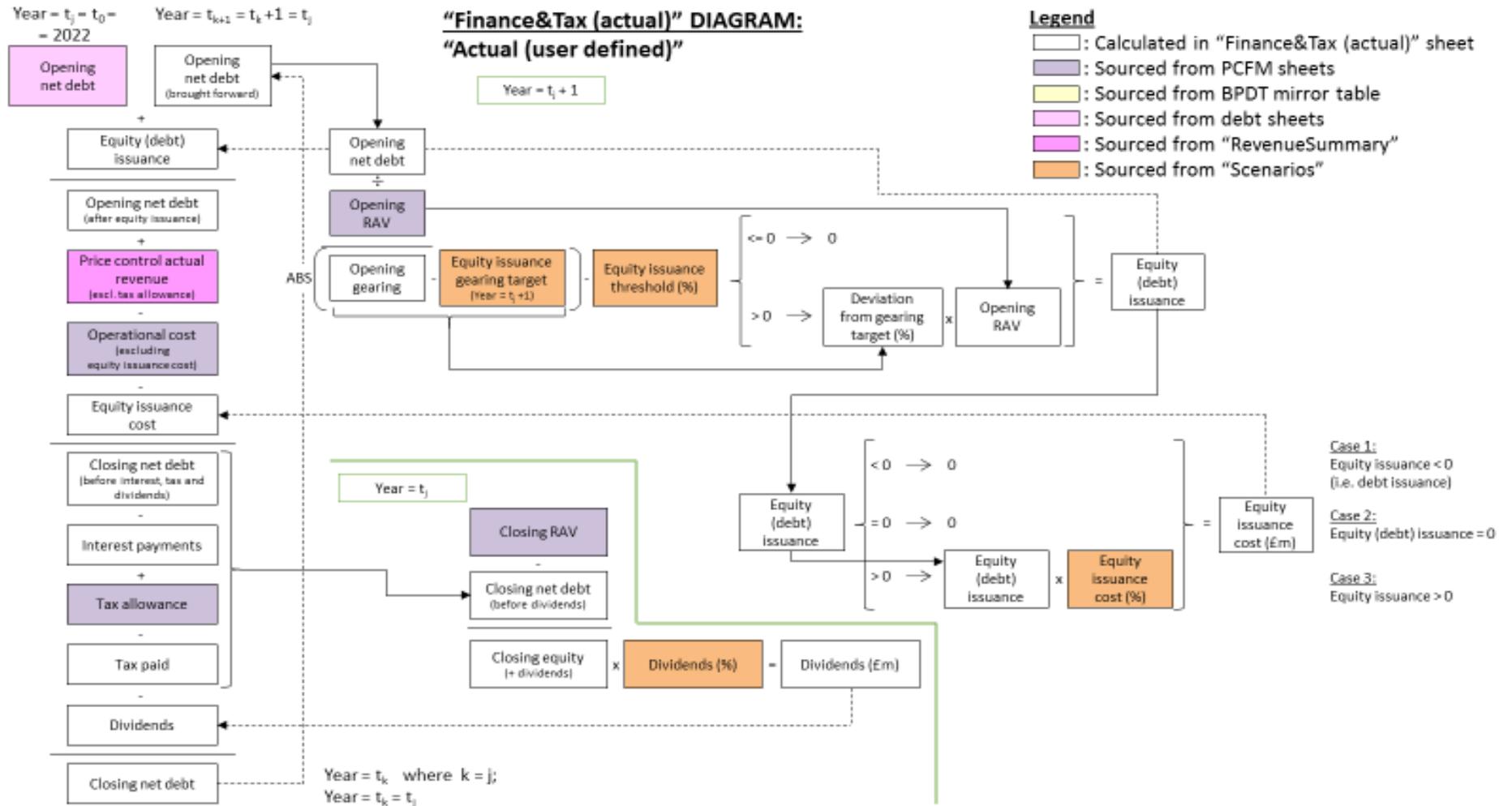
5.39   If the test is passed, equity is issued to meet the gearing target. For avoidance of doubt, the equity or debt issuance covers the deviation from the target in full. Note that, contrarily to the notional methodology in Finance&Tax, here negative equity issuance (i.e. debt issuance) is allowed.

5.40   Again, three cases can occur:

- Case 1:

$$ABS(Opening\ gearing\ _t - Equity\ issuance\ gearing\ target_t)$$
$$- Equity\ issuance\ threshold(\%)_t > 0$$
$$\boldsymbol{AND}$$
$$\boldsymbol{Opening}\ gearing_t < Equity\ issuance\ gearing\ target_t$$

In this instance, opening gearing is lower than the target and this deviation exceeds the threshold. Negative equity, or debt, is issued to increase gearing up to the target:

$$Equity\ (debt)\ issuance_t =$$
$$= (Opening\ gearing_t - Equity\ issuance\ gearging\ target_t) \cdot Opening\ RAV_t < 0$$

$$Equity\ (debt)\ issuance_t < 0 \qquad \text{i.e. debt issuance}$$
$$Equity\ issuance\ transaction\ cost_t = 0$$

- Case 2:

$$ABS(Opening\ gearing\ _t - Equity\ issuance\ gearing\ target_t)$$
$$- Equity\ issuance\ threshold(\%)_t \leq 0$$

In this instance the test is not passed, as the difference between opening gearing and the target is less (in absolute value) than the pre-defined threshold.

$$Equity\ (debt)\ issuance_t = 0$$
$$Equity\ issuance\ transaction\ cost_t = 0$$

Note that in this case the gearing level will typically differ from the equity issuance gearing target.

- Case 3:

$$ABS(Opening\ gearing\ _t - Equity\ issuance\ gearing\ target_t)$$
$$- Equity\ issuance\ threshold(\%)_t > 0$$
$$\boldsymbol{AND}$$
$$Opening\ \boldsymbol{gearing}_t > Equity\ issuance\ gearing\ target_t$$

Opening gearing is higher than the target in excess of the threshold. Equity is issued to de-gear up to the target:

$$Equity\ (debt)\ issuance_t =$$
$$= (Opening\ gearing_t - Equity\ issuance\ gearging\ target_t) \cdot Opening\ RAV_t > 0$$

$$Equity\ (debt)\ issuance_t > 0 \qquad\qquad \text{i.e. equity issuance}$$
$$Equity\ issuance\ transaction\ cost_t =$$
$$= Equity\ (debt)\ issuance_t \cdot Equity\ issuance\ cost(\%)_t$$

The equity issuance cost percentage input is sourced from the Scenarios tab and can be pre-set by the user to a different level from the "BPDT mirror table" fixed input.

5H. Alignment of BPFM actual debt with BPDT submission

5.41   Using the "BPDT" settings for the Base case may not be sufficient to adequately reflect the BPDT actual debt submission in the BPFM Finance&Tax (actual) tab. This is mainly due to differences in the actual new debt emission profile between submitted BPDT and BPFM's Base case.

5.42   In the BPDT, new debt emissions are directly inputted in sheet F2, under the "New Debt Composition & Expense" section. On the other hand, the BPFM calculates new debt emissions as the amount in addition to embedded debt (from BPDT sheets) to meet the total debt requirement calculated endogenously in the Finance&Tax (actual) tab. This new debt requirement is driven by the balance of price control revenue and operational costs and typically does not match the profile of new debt emissions from the BPDT, for example because, whilst the BPDT could be populated with "lumpy" tranches of debt amounts issued in the financial markets, the BPFM calculates a "theoretical", exact requirement for any given year.

5.43   To avoid potential distortion to modelled actual debt and related financeability results, and therefore ensure that the BPFM Base case is reflective of the company financial plan as submitted in the BPDT, the model features a functionality to calculate a debt adjustment term and achieve a better alignment to the BPFM. In a nutshell, the alignment functionality estimates an "Actual debt requirement adjustment" term in the BPFM actual debt calculation (Finance&Tax (actual) tab, GD row 47; GT row 49; ET row 47), calibrated on the BPDT actual "Closing debt (before interest and dividends)" (F1 – Debt for BPFM row 95).

5.44   The adjustment term ensures an exact alignment of "Closing debt (before interest, tax and dividends)" across BPDT and BPFM and therefore there will be no material differences in interest expense. Given that, under the "BPDT" settings for use in the Base case, BPFM dividend payments are directly sourced from the BPDT sheets, the only potential source of material differences between

BPFM and BPDT "Closing debt (after interest, tax and dividends)" can be the net tax component (tax allowance minus calculated costs). For simplicity, this is set to zero in the BPDT debt reclassification in tab F1 (row 99), even though this is typically not the case in the BPFM actual debt calculation; nonetheless, the magnitude of the net taxes term in the BPFM does not appear sufficient to have a material impact on the results, and therefore any residual discrepancy between BPFM and BPDT actual "Closing debt (after interest, tax and dividends)" can be accepted as a reasonable modelling approximation.

5.45   The supporting workings for calculating the "Actual debt requirement adjustment" term are featured at the bottom of the Finance&Tax (actual) tab and the calculation process is automatically iterated by using the macro button "AlignActualDebt" in the UserInterface tab. The calculations in the bottom section of Finance&Tax (actual) summarise and compare BPFM and BPDT actual debt, thus showing the outcome of the alignment process. This should demonstrate that any material differences in closing debt (after interest, dividends and tax are taken into account) are due to the net tax term.

5.46   Note that:

- The "Actual debt requirement adjustment" term can be switched off in the debt calculation, by hardcoding "0" ("zero") values in the table (GD I227:I235; GT I252; ET I229:I231).

- However, if an updated term needs recalculating, the flag must be reset to "1" ("one"), otherwise the calibrated adjustment term is not updated in the actual debt calculation and the process runs indefinitely. To prevent this, if the macro is run with the flag set to "0", the process is interrupted and a warning message prompt the user to set it back to "1".

- As the adjustment term is aimed at replicating the BPDT submission in the BPFM Base case, this scenario should always be selected prior to running the macro. If a difference scenario is in use, the process is suspended and the user is prompted to choose whether to stop the execution of the code, so that the Base case can be selected, or to continue regardless.

- The "Actual debt requirement adjustment" term is derived on the Base case but should be kept constant and used in all stress test scenarios. By this means, any stress test is "centred" on the BPDT-aligned Base case, with the BPFM dynamically calculating the incremental change on actual debt components,

hence total debt and financeability output, resulting from changes in modelling assumptions.

5I. Key instructions for actual debt modelling

<u>Embedded debt dataset</u>

5.47   Populate tab F6 - Debt Dataset with the embedded debt data for all the Licensees used in the model (no particular order is required). It is sufficient to copy and paste as values the data from the corresponding tab F6 of the submitted versions of the BPDT versions submitted for all Licensees. The model will automatically identify the instruments relevant to the live Licensee and use these to populate tabs F3 to F5, which will then feed the rest of the model.

5.48   Data must be inputted into columns A:CV of tab F6, starting from row 3. No data must be inputted to the right of column CV.

<u>BPDT Mirror table</u>

5.49   Copy and paste as values the "BPDT mirror table" from the submitted versions of the BPDTs into the dedicated section of all relevant Licensee Input tabs.

<u>Actual debt settings</u>

Define parameters for actual financeability and debt modelling in the "Actual company parameters" section of the Scenarios tab, for the Base case and stress tests. Suggested settings are described in sections 5, "5A. Overview" above and "

5.50   5J. Summary of pre-set actual debt settings" below.

Checks on actual debt modelling inputs

5.51   Set the BPFM to the Base case and check the following inputs:

1. Proportion of new debt issuance by type: in FinInput tab (rows 77-80),
    verify that the sum of proportions is 100% in each year. If, as per new
    debt emissions profile submitted in sheet F2a, no new debt is raised in
    the first years, the proportion of new debt by type will be 0% for all
    types of debt in the same years.

2. Cost of new debt average rate by type: in FinInput tab (rows 83 to 86),
    check the average cost of debt values sourced from sheet F1. If no new
    debt is issued in the first years, similarly to point 1 above the average
    cost of debt will be zero across all types of new debt.

5.52   A suggested approach to address points 1 and 1 above is to insert indicative,
        small debt issuance values in the BPDT new debt emissions table for the first
        years. For example, input £m 0.000001 new fixed debt emission in cell K138 of
        tab F2a, with associated proportion of year input in cell K139. This will generate
        values for both proportion of new debt issuance and average cost of debt by
        type, for use in Finance&Tax (actual) calculations, without changing materially
        the BPDT debt balance. Note that, if points 1 and 1 above are not addressed,
        any actual new debt emission calculated by the model in the affected years will
        use 0% cost of debt and zero interest payments on new debt will result.

5.53   If the BPDT has been amended, copy and paste the updated mirror table into
        the Licensee Input tab as per para 5.49 above and verify that the issues have
        been resolved.

3. Closing gearing target: in FinInput tab, compare "BPDT derived closing
    gearing target" and "Actual closing gearing target (from BPDT mirror
    table)" (rows 95 and 97). The former calculates gearing combining total
    closing debt from the BPFM debt sheet F2b with closing RAV from the
    "notional" sheets of the model, whilst the latter is the fixed input sourced
    from the Licensee Inputs tab mirror table.
    The "mirror table" gearing should be the same as the "model calculated
    gearing" in the Base case, which is explicitly derived from the Base case

modelled RAV. As the "mirror table" gearing target is used across all stress test scenarios, any difference with respect with to the "model calculated gearing" implies not compliance with the assumption of gearing target fixed across all scenarios to the Base case level.

5.54   To address point 3 above, copy the gearing numbers in row 95 and paste as values into the "Forecast actual gearing" row of the Licensee Inputs table (GD row 727; GT row 755; ET row 955).

Alignment of Base Case actual debt with BPDT actual debt

5.55   Make sure that the model is set to the Base case and the flag for the relevant Licensee of the Finance&Tax (actual) tab (in the "Derivation of actual debt requirement adjustment term" section) is set to "1".

5.56   Run the "AlignActualDebt" macro from the UserInterface tab.

5J. Summary of pre-set actual debt settings

	Unit	BPDT	Cash flow dividend	% dividend	User defined
Embedded and new debt					
Opening actual net debt (year 2022)	£m nominal	BPDT dynamic input from "debt sheets" **'F2b - Financial Summary (YE)'!207:207**	*ditto*	*ditto*	*ditto*
Average embedded debt	£m nominal	BPDT dynamic input from "debt sheets" **'F1 - Debt for BPFM'!109:109**	*ditto*	*ditto*	*ditto*
Embedded debt interest expense	£m nominal	BPDT dynamic input from "debt sheets" **'F1 - Debt for BPFM'!21:22**	*ditto*	*ditto*	*ditto*
Proportion of new debt issuance by type	%	BPDT dynamic input from "debt sheets" **'F1 - Debt for BPFM'!126:129**	*ditto*	*ditto*	*ditto*
Cost of new debt average rate by type	Nominal annual %	BPDT dynamic input from "debt sheets" **'F1 - Debt for BPFM'!119:122**	*ditto*	*ditto*	*ditto*
Closing gearing target					
Closing gearing target	%	Live calculation, should correspond to BPDT fixed input from "mirror table" **FinInput! 95:95**	BPDT fixed input from "mirror table" *LicenseeInputs*! **(GD row 727; GT row 755; ET row 955)**	BPDT fixed input from "mirror table" *LicenseeInputs*! **(GD row 727; GT row 755; ET row 955)**	User input from *Scenarios* tab **Scenarios! (GDs 261-263; GT rows 261-263; ET rows 246-248)**
Equity issuance					
Equity issuance	£m nominal	BPDT fixed input from "mirror table" *LicenseeInputs*! **(GD row 722; GT row 750; ET row 950)**	Calculated in *Finance&Tax (actual)*	*ditto*	*ditto*
Equity issuance gearing target	%	NA	Equal to previous year's closing gearing target	*ditto*	User input from *Scenarios* tab **Scenarios! (GDs 266-270; GT rows 266-270; ET rows 251-255)**
Equity issuance threshold	%	NA	Ofgem input from Scenarios tab (Equity issuance threshold = 5%) **Scenarios! (GDs 273-275; GT rows 273-275; ET rows 258-260)**	*ditto*	*ditto*

	Unit	BPDT	Cash flow dividend	% dividend	User defined
Equity issuance transaction cost	£m nominal	BPDT fixed input from "mirror table" **LicenseeInputs! (GD row 723; GT row 751; ET row 951)**	Calculated in *Finance&Tax (actual)*	*ditto*	*ditto*
Equity issuance transaction cost	%	Calculated from BPDT mirror table fixed inputs (Equity issuance and associated transaction cost), should correspond to BPDT fixed input from "mirror table" **LicenseeInputs! (GD row 723; GT row 751; ET row 951)** **FinInput!114:114**	*ditto*	*ditto*	User input from *Scenarios* tab **Scenarios! (GD row 92; GT row 92; ET row 89)**
Dividends					
Dividends	£m nominal	BPDT fixed input from "mirror table" **LicenseeInputs! (GD row 726; GT row 754; ET row 954)**	Calculated in *Finance&Tax (actual)* - cash flow dividends from "closing gearing target"	*ditto*	Calculated in *Finance&Tax (actual)* - dividends as percentage of equity RAV
Dividends	% equity	Live calculation, back-solved **FinInput!123:123**	NA	*ditto*	User input from *Scenarios* tab **Scenarios! (GDs 281-283; GT rows 281-283; ET rows 266-268)**
Dividend cap	% equity	NA	User input from *Scenarios* tab **Scenarios! (GD row 96; GT row 96; ET row 93)**	*ditto*	NA