



# RIIO-TI Gas Transmission Price Control – Regulatory Instructions and Guidance: Version 1.5

## Consultation

**Reference:**

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**Overview:**

This document provides instructions and guidance to the gas transmission owner - National Grid Gas plc (in respect of its transmission business) - to enable it to complete the reporting requirements associated with the transmission price control from 1 April 2013 to 31 March 2021.

This is the first transmission price control to reflect the new RIIO (Revenue = Incentives + Innovation + Outputs) model.

## Context

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This document contains the gas transmission price control cost, outputs, financial and revenue Regulatory Instructions and Guidance (RIGs).

The purpose of this document is to provide a framework to allow Ofgem to collect accurate and consistent information from the gas transmission owner (TO) and system operator (SO) - National Grid Gas plc (in respect of its transmission business) (NGGT).

A number of licence conditions require NGGT to provide us with this information. The main licence condition for the purposes of this document is Standard Special Condition A40: Regulatory Instructions and Guidance.

This guidance applies for reporting from the period 1 April 2013 until 31 March 2021.

## Associated documents

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### Supporting Documents

[RIIO-T1 Gas Transmission Costs and Outputs Reporting Templates](#)

[RIIO-T1 Gas Transmission RIGs v1.5 Direction](#)

[RIIO-T1 NGGT Revenue Reporting Templates](#)

### Other Documents

[RIIO-T1: Final Proposals for NGGT and NGET - Overview](#)

[RIIO-T1: Final Proposals for NGGT and NGET – Outputs, incentives and innovation](#)

[RIIO-T1: Final Proposals for NGET and NGGT – Cost assessment and uncertainty](#)

[RIIO-T1: Final Proposals for NGGT and NGET – Finance](#)

[RIIO-T1 and RIIO-GD1: Licence conditions – Statutory consultation](#)

[RIIO-T1 and RIIO-GD1: Draft Regulatory Instructions and Guidance - Consultation](#)

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# 1. Introduction

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## Chapter Summary

This chapter sets out the purpose and structure of the RIGs which will apply to NGGT for RIIO-T1. It also sets out guidance on the process for reporting under the RIGs and our audit requirements.

## Background

1.1. This is the first price control to be conducted under our new RIIO (Revenue = Incentives + Innovation + Outputs) model. RIIO-T1 is the regulatory framework to apply to electricity and gas transmission companies from 1 April 2013 to 31 March 2021.

1.2. The Regulatory Instructions and Guidance (RIGs) provide a framework which enables Ofgem to collect data from NGGT during the RIIO-T1 period. We collect data to enable us to administer the Special Conditions of NGGT (the conditions which relate to the price control) and our price control Final Proposals. For example, the RIGs allow us to monitor NGGT's performance against the outputs required to deliver, to calculate any rewards or penalties associated with incentive mechanisms, and to determine adjustments to allowances determined within period, i.e. costs determined through uncertainty mechanisms. The RIGs also provide a database of NGGT's performance which we draw on to set cost proposals at subsequent review periods. The RIGs inform NGGT about the information we plan to collect, guide them on how to provide this information and enable NGGT to put systems in place to collect the data to the detail we require. The framework also allows us to collect data on provisional Totex expenditure<sup>1</sup> for use in the annual iteration process and the calculation of the MOD term (see glossary for definition).

## Legal framework

1.3. For RIIO-T1 the reporting requirements have been consolidated in a single new licence condition:

- Standard Special Condition A40: Regulatory Instructions and Guidance ('the RIGs Licence Condition').

1.4. The RIGs Licence Condition sets out the scope and governance arrangements for the RIGs.

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<sup>1</sup> Totex is provisional as it may be adjusted as a result of subsequent efficiency reviews or for the correction of any errors either after the 31 July or in subsequent years.

1.5. The RIGs Licence Condition is to consolidate the reporting related provisions which were previously included within a number of licence conditions into a single condition. Having a single licence condition has not altered the nature of information that NGGT will need to provide.

1.6. In the event of any inconsistency between the licence conditions and these guidance, the licence conditions will take precedence.

## Components of the RIGs

### Overall structure

1.7. The RIGs comprise four main elements:

- templates for reporting data (in MS Excel v.2007 or newer)
- templates containing the calculation of the revenue elements – revenue reporting (including performance against incentives) (in MS Excel v.2007 or newer)
- templates for providing commentaries against the data (in MS Word) [to be developed]
- instructions and guidance on how to report the data (in MS Word).

### RIGs templates

1.8. The data templates have been designed to be consistent with RIIO-T1 price control Final Proposals. Where possible we have consolidated previous reporting requirements as part of the RIGs.

1.9. The key points to note in completing the RIGs templates are:

- The Licensee must take all reasonable steps to ensure the quality of its RIGs data. Quality data will in all material respects be accurate, complete and fairly presented.
- The Licensee must notify Ofgem of the possibility of any significant revisions to improve data quality. This notification must be issued to Ofgem as soon as it becomes evident to the Licensee that a reasonable likelihood exists of significant inaccuracies in any of its previously submitted data.
- Some of the workbooks in these RIGs have been designed to link to other workbooks. These links must be retained by NGGT in the version submitted to Ofgem. Failure to do so will be considered non-compliant with the RIGs.
- The RIGs tables are colour coded to reflect the action required. Yellow cells represent input fields. Light grey is used to denote cells containing a formula. White cells are used where cells do not need to be completed.

- All financial values should be input in the real price of the year to which the RIGs relate, i.e. actuals are in the costs of the year, and forecasts include impacts of real price effects, but not inflation.
- Unless otherwise indicated in the guidance document or templates, actual financial values should be provided in £ million to a minimum of three decimal places, and displayed at one decimal place, with financial values reconciling with the audited regulatory accounts. However, TOs are required to provide all actual financial data to the highest reasonable level of accuracy available from their source systems, and commensurate with the purpose for which such data is intended taking into consideration the appropriate allocations that are necessary to complete the tables.
- Workload units and outputs should be reported at the highest level of accuracy from the source systems and commensurate with the purpose for which such data is intended taking into consideration the appropriate allocations that are necessary to complete the tables. Unless stated in the licence or elsewhere in this document.
- Workload and outputs should be entered in the unit of measurement set out in this guidance or in the template
- Unless otherwise indicated in the guidance or templates financial values should be input as positive values.
- Where a reportable value is zero or not applicable to NGGT then a zero must be input rather than the cell being left blank.

## **Instructions and guidance**

1.10. The purpose of this document is to provide instructions and guidance to enable NGGT to complete the associated workbooks. This document provides information on:

- the systems, processes, procedures, recording and provision of the required data
- reporting units
- levels of accuracy (including rounding)
- the methodology for calculating or deriving required numbers
- the provision of the data to Ofgem (format, frequency etc)
- any audit or examiner requirements
- reasons for the data requirement
- explanations of how the Ofgem will monitor, assess, and enforce compliance
- a glossary of terms used in the workbooks.

1.11. For the avoidance of doubt, this document should be read in conjunction with the RIGs Licence Conditions. Where definitions are provided within the licence conditions, they are not duplicated in this document.

### *Provision of forecast data*

1.12. There will be a requirement to forecast summary costs, workload and outputs for any remaining years of RIIO-T1 price control period. During RIIO-T1 Ofgem will require forecasts into RIIO-T2. This requirement will be discussed with NGGT.

1.13. It is acknowledged that forecasts may not be as accurate as actual reported data. Nevertheless it is expected that NGGT will take all reasonable measures to ensure that forecasts are as robust as possible.

### *Provision of Indirect Cost Allocation Methodology*

1.14. NGGT must provide its methodology for allocating indirect costs as part of its reporting for 2013/14 reporting year and subsequently inform Ofgem of any changes to this methodology annually.

## **Commentary**

1.15. Alongside the submission of its templates, NGGT must complete a commentary. The guidance for this is set out in Chapter 10. A commentary is required in order to:

- (1) Give Ofgem an understanding of annual business performance in terms of; expenditure, workload and outputs.
- (2) Provide a summary explanation of the forecast, including outputs, secondary deliverables, costs and workload.
- (3) Provide an understanding of material variances against previous year's actuals, forecasts and Final Proposals for outputs, secondary deliverables, costs and workload.
- (4) To inform Ofgem of any organisational changes / performance improvements, including modification/enhancements to allocation methodology and/or data capture e.g. systems.

## **Reporting under the RIGs**

### **Timescales for reporting**

1.16. The reporting year for the provision of information under the RIGs is from 1 April to 31 March in the following calendar year. The excel templates for reporting on summary costs, workload and outputs should include forecasts for each of the remaining years of the RIIO-T1 price control period.



1.17. Except where otherwise stated, NGGT must provide the information required under the RIGs as soon as reasonably practicable and in any event not later than 31 July following the end of the reporting year to which such information relates. This is the latest date that NGGT can submit information unless the Ofgem has previously consented to an extension in writing.

1.18. Most of the RIGs (with the exception of the Pension Pack which is required on a triennial basis) will be submitted on an annual basis, but some are required more frequently. Where tables are required more frequently than annually this is highlighted either on the table or the accompanying commentary.

1.19. For guidance on completion of the Pension Pack please see the Regulatory Instructions and Guidance: Triennial Pension Reporting Pack supplement<sup>2</sup>.

### **Form of submission**

1.20. Instructions for the electronic submission of the workbooks will be circulated to NGGT's regulation manager in advance of each submission deadline. However, if there is any doubt about the method of submission, the licensee must contact Ofgem.

1.21. The submission must be accompanied by a letter signed by a director on behalf of NGGT confirming that the data is accurate and has been provided in accordance with the RIGs.

### **Resubmissions**

1.22. NGGT is required to seek the agreement of Ofgem or a person nominated by Ofgem before resubmitting any information provided in accordance with these RIGs.

1.23. In any such instance the report concerned must be resubmitted in full. The resubmission must only be accompanied by a letter signed by a director where significant changes have been made and where Ofgem and/or NGGT decide such a letter is required. The volume of supporting information the licensee will be required to submit to support any resubmission will be dependent on the nature of any required resubmission.

1.24. For each resubmission a detailed explanation must be provided in the changes log in the RIGs, listing every cell that has been amended. The explanation must include sufficient commentary to explain the reasons for the resubmission.

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<sup>2</sup> Issued for comment 8 March 2013

1.25. In relation to the detailed return required as part of revenue reporting, this must only be resubmitted where a restatement is necessary in the opinion of the appropriate auditor.

## **Review**

1.26. Once NGGT has submitted the information to the Ofgem, Ofgem or a person nominated by it ('a reviewer') will undertake a detailed review of the information. A review may include a visit to NGGT for discussion of the information submitted. Such visits will be agreed with the licensees in advance.

1.27. Where a reviewer has been nominated, the reviewer will enter into an agreement with NGGT to maintain confidentiality on reasonable terms.

## **Appointing an examiner**

1.28. In accordance with the RIGs Licence Condition NGGT must permit a person nominated by the Ofgem to examine:

- the systems, processes and procedures for measuring the specified information
- the specified information collected by the licensee
- the extent to which the systems, process and procedures and the specified information complies with the RIGs.

## **Audit requirements in relation to revenue reporting**

1.29. In accordance with the RIGs Licence Condition, Ofgem will identify the specified information which is to be subject to audit, the terms on which an auditor is to be appointed by the licensee for that purpose and the nature of the audit to be carried out by that person. We will issue an Agreed Upon Audit Procedures (AUP) for use by an appropriate auditor by 31 March of the year of submission

## **Publication and sharing of templates**

1.30. It is a requirement for NGGT to publish an annual report, on its company website. The report should be published by the 30 September. The report should cover the following as a minimum:

- Executive Summary
- Revenue Impact - actual revenue v allowances for reporting year
- Incentive – performance in the year against targets with potential future highlights
- Innovation – summary of innovation projects, funding under NIA etc. to cover some of previous IFI reporting

- Outputs - performance in the year against targets
- Costs - performance in the year against targets for costs and workload where relevant, highlights of future performance, and expected outturn at the end of RIIO.
- Uncertainties (including Load Related) - a high-level commentary in relation to anticipated impact(s) of any uncertainty mechanism and how this has evolved from the expectations at the time of drafting the Business Plans. Comment on how these have affected forecast capex and output delivery.

1.31. Tables that should be published with / in the report are:

- Totex, actuals against allowances and forecast
- Consolidated Outputs, customer and stakeholder satisfaction, incremental capacity and gas constraints


1.32.

1.33. Ofgem may publish any further information contained in the templates, but will notify NGGT in advance of any intention to do so and will make any necessary redactions.

## Structure of this document

1.34. This document is divided into sections reflecting the different component parts of the RIGs workbooks. These are as follows:

- Chapter 2 provides general instructions and guidance for completing the data template worksheets
- Chapter 3 provides instructions for the completion of the financial issues worksheets.
- Chapter 4 provides instructions for the completion of the total expenditure worksheets.
- Chapter 5 provides instructions for the completion of the operating expenditure worksheets.
- Chapter 6 provides instructions for the completion of the capital expenditure worksheets.
- Chapter 7 provides instructions for the completion of the gas network data worksheets.
- Chapter 8 provides instructions for the completion of the outputs worksheets.
- Chapter 9 provides instructions for the completion of gas system operator worksheets
- Chapter 10 provides instructions for the completion of the revenue reporting worksheets.



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- Chapter 11 provides guidance for the submission of a supporting commentary.

## 2. General Instructions for completing data template worksheet

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### Chapter Summary

The purpose of this chapter is to provide general instructions for completing the data template(s) worksheets by NGGT. This is to enable Ofgem to effectively monitor the performance of the company in relation to the allowances set as part of RIIO-T1 Final Proposals and against previous year's submitted actuals and forecast.

### Overview

2.1. The data templates are a series of tables in MS Excel workbooks. The purpose of the worksheets is to facilitate the submission of uniform and comparable financial and outputs information from NGGT. This enables comparison of NGGT, with Final Proposals and prior year performance, and comparative regulation on a consistent basis throughout the RIIO-T1 period. The workbooks should support and be consistent with the RIIO-T1 Final Proposals.

2.2. NGGT should submit accurate, and where instructed, audited costs and revenues for the relevant period. Further guidance is provided in this chapter.

2.3. The workbook has been designed to have single data entry where possible in order to avoid duplication and to facilitate reconciliations and balance checks.

### Accounting policies

2.4. All costs are to be entered on a cash basis. Cash means exclusive of provisions, accruals, and prepayments that are not incurred as part of the ordinary level of business. NGGT should use the same accounting policies as in the preparation of the regulatory financial statements, in accordance with UK GAAP or IFRS unless otherwise stated.

2.5. In the event that the accounting policies applied to prepare the template differ from those used in the regulatory financial statements (for some or all years) NGGT must include appropriate details including quantification of the difference.

### Structure of the template

2.6. The template has been separated into the following sections:

- series 1 finance.
- series 2 Totex summaries.

- series 3 opex
- series 4 capex.
- series 5 network asset data.
- series 6 network output data.
- series 7 gas system operator
- Revenues tables

### **Data entry**

2.7. As the templates are a series of MS Excel workbooks, links and formulae have been included to limit, where possible, the amount of manual data entry required. The workbooks have not been “locked”, but NGGT must not change any formulae or formats (including insertion or deletion of rows or columns, moving any cells, or altering any text, figures, or formulae in any cells not shaded yellow) without instruction from Ofgem first. If a change is necessary (to correct an error, for example), Ofgem will notify NGGT of the correction to be made.

### **Definitions**

2.8. Detailed definitions are included in the specific instructions for the tables unless they affect more than one table. NGGT must ensure that the definitions are clearly understood and are complied with when entering any data into the template. Where there is doubt or uncertainty, please refer to Ofgem for clarification.

2.9. The Regulatory Asset Value (RAV) is a key building block of the price control review. RAV represents the value upon which the companies earn a return in accordance with the regulatory cost of capital and receive a depreciation allowance. Additions to the RAV are calculated as a set percentage of Totex. The definition of Totex is detailed in Appendix 2.

### **Use of Estimates and Allocations**

2.10. Apportionments should be avoided wherever possible. However where NGGT (and any affiliate or related undertaking of NGGT) has to do this to complete the tables, the basis of apportionment must be provided. Changes in apportionment should also be highlighted.

### **Additional information**

2.11. If NGGT considers any additional information beyond that requested is necessary to develop a complete understanding of the information presented in the tables of the template then such information should be included in an appendix to the submission.

### **Template errors**

2.12. Where errors in a worksheet are identified then Ofgem should be notified as soon as possible. Ofgem will make the necessary corrections, log them in the change log and notify NGGT.

## 3. Instructions for completing the financial issues worksheets

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### Chapter Summary

The purpose of this chapter is to inform the completion of the financial issues worksheets by each TO. This is to enable Ofgem to effectively monitor outturn against the appropriate allowances, assess future allowances and quantify any adjustments as required in the Final Proposals.

### Introduction

3.1. The purpose of these worksheets is to facilitate the submission of uniform and comparable financial information from licensees. This enables comparison with business plans, comparison with prior years and comparative regulation on a consistent basis throughout the RIIO-T1 period.

3.2. Licensees should submit accurate (and where instructed) audited figures of their costs and revenues for the relevant period. Further guidance is provided below.

3.3. All costs are to be entered on a cash controllable basis. This means exclusive of all provisions and all accruals and prepayments that are not incurred as part of the ordinary level of business.

### Additional information required

3.4. The following additional information is also required:

- Corporation Tax return (CT600) and supporting tax computations for the licensee's last statutory accounting financial year.
- Final agreed corporation tax return for all years closed by HMRC in the regulatory year and up to the date of submission of RRP.
- Reconciliation of changes to opening capital allowance pools from prior year submission(s) with documentation to support Table 1.8 and 1.9,
- Audited Annual Pension Scheme accounts; and
- Copy of the Certification by senior accounting officer that is prescribed in FA2009, which certifies annually that the accounting systems for the company and its subsidiaries are adequate for the purpose of accurate reporting of 'taxes and duties'. This may be for the group in which the licensee is a subsidiary.

### Overview of worksheets

3.5. The worksheets included within this chapter are:



- 1.1 Income statement
- 1.2 Financial position
- 1.3 Cash flow
- 1.4 Reconciliation to cost and outputs tables
- 1.5 Net debt and interest
- 1.6 Fixed asset disposals
- 1.7 Tax computation
- 1.8 Tax pools
- 1.9 Tax allocations of spend
- 1.10 Tax allocations CT 600
- 1.11 Tax claw back
- 1.12 Financing requirements
- 1.13 Pensions defined benefit

**1.1 Income statement**

<p>Purpose and use by Ofgem</p>	<p>The purpose of this table is to obtain a standard form of each licensee’s Profit &amp; Loss / Statement of Comprehensive Income, consistent with the Regulatory Accounts. It will be used to provide the data on a consistent and comparable basis across licensees and time. It will be used to inform financial monitoring of the company as reported elsewhere. The table is the reference point for the reconciliation of certain audited amounts to costs reported elsewhere within the suite of cost, financial issues and revenue workbooks. It will also be used to identify differences in reporting should licensees switch from UK GAAP to IFRS during the Price Control Period.</p>
<p>Guidance on completing this worksheet</p>	<p>This table should be populated from and agree to the entity's audited Regulatory Accounts for the relevant year. Whilst there are more categories than in the Profit &amp; Loss / Statement of Comprehensive Income in audited Regulatory Accounts the additional detail is required to facilitate reconciliation/agreement with other tables.</p> <ul style="list-style-type: none"> <li>• This table should be completed in £m nominal.</li> <li>• Except where stated below, each row of the table should</li> </ul>

	<p>be completed for the entity as a whole and also for individual licensees for the latest regulatory year and the prior year to act as a comparison.</p> <ul style="list-style-type: none"> <li>• Row 15: Use the drop-down list to indicate whether accounts are prepared under UK GAAP or IFRS accounting standards.</li> <li>• Row 17: Insert total revenue (including operating income) as shown in the Regulatory Accounts.</li> <li>• Rows 20 to 23: Insert operating costs net of other operating income, depreciation and amortisation costs. These should agree to the audited Regulatory Accounts.</li> <li>• Row 26: Operating profit before exceptional items will be populated automatically.</li> <li>• Row 29: Insert the amount of any profit or loss arising from the disposal of fixed assets for the prior year only. Profit or loss arising on assets disposed in the latest financial year is automatically populated from table 1.6 disposals.</li> <li>• Row 30 to 33: Insert details and values of all exceptional items. Exceptional items of income should be entered as a negative figure, and exceptional expense items should be entered as a positive figure.</li> <li>• Row 35: Operating Profit before finance costs and tax will be populated automatically.</li> <li>• Rows 38 to 42: Enter the values of financing costs and investment income. Note "Other finance income/Investment income" should include non-transportation related items, financial movements on pension schemes and all movements on derivative financial instruments.</li> <li>• Row 45: The profit before tax will be populated automatically.</li> <li>• Rows 49 to 53: Enter current tax and deferred tax information. This should equal current tax and deferred tax reported in the Regulatory Accounts.</li> <li>• Rows 61 to 66: Insert information on movements in gains and/or losses. This should agree to the audited Regulatory Accounts.</li> </ul>
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Specific definitions for this worksheet

None	
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## 1.2 Financial position

Purpose and use by Ofgem	The purpose of this table is to obtain a standard form of each licensee’s Balance Sheet / Statement of Financial Position, consistent with the Regulatory Accounts. It will be used to provide the data in this statement in the Regulatory Accounts on a consistent and comparable basis across licensees and time. It will be used to check the level of total debt reported elsewhere and what other liabilities the licensee has. In addition, it will also be used to identify differences in reporting when licensees switch from “old” UK GAAP to EU-IFRS or new UK GAAP (i.e. FRS101 and FRS102) during the price control period.
Guidance on completing this worksheet	<p>This table must be populated from, and agree to, the audited Regulatory Accounts for the relevant year. Whilst there are more categories than in the Balance Sheet / Statement of financial position in the entity's audited Regulatory Accounts the additional detail is required to facilitate reconciliation/agreement with other tables.</p> <ul style="list-style-type: none"> <li>• This table should be completed in £m nominal.</li> <li>• Each row of the table should be completed for the entity as a whole and also for individual licensees for the latest regulatory year and the prior year to act as a comparison.</li> <li>• Rows 18 to 72: Enter the values of assets, creditors, provisions and shareholders funds and reserves as reported in the audited Regulatory Accounts.</li> <li>• Row 69: The “Cash flow hedge reserve” on the balance sheet is only to be used by companies reporting under IFRS or new UK GAAP (i.e. FRS101 and FRS102).</li> </ul>

Specific definitions for this worksheet

None	
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## 1.3 Cash flow

Purpose and use by Ofgem	The purpose of this table is to obtain a standard form of each licensee’s cash flow position consistent with the Regulatory Accounts. It will be used to provide the data in this statement in the Regulatory Accounts on a consistent and comparable basis across Licensees and time.
Guidance on completing this worksheet	This sheet is linked to movements implied by the Profit & Loss / Statement of Comprehensive Income and Balance Sheet / Statement of Financial Position as far as practicable. Inputs

	<p>are required to replicate the cash flow in the Regulatory Accounts.</p> <ul style="list-style-type: none"> <li>• This table should be completed in £m nominal.</li> <li>• Each row of the table should be completed for the entity as a whole and also for individual licensees for the latest regulatory year.</li> <li>• Rows 16 to 23: These rows are automatically populated from movements in the Profit &amp; Loss / Statement of Comprehensive Income and Balance Sheet.</li> <li>• Rows 24 to 26: Insert the value of movements in stocks; debtors; and creditors excluding any non-cash capital creditors.</li> <li>• Rows 27: Enter the accounting value of any non operating income. This refers to any income received that is not derived from operations.</li> <li>• Row 28: Insert the value of any exceptional items that are non-cash in nature.</li> <li>• Rows 29 to 32: Ensure the net cash inflow / outflow from operating activities reconciles to the totals reported in the audited Regulatory Accounts. Where there are additional items required to reconcile to the Accounts, insert the details and values of the other item(s).</li> <li>• Rows 36 to 62: Insert values on a cash basis of payments and receipts as per the audited Regulatory Accounts.</li> <li>• Rows 68 to 74: Complete the reconciliation between opening debt and the closing debt implied by the decrease/ increase in net cash.</li> </ul>
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Specific definitions for this worksheet

None	
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#### 1.4 Reconciliation to cost and outputs tables

Purpose and use by Ofgem	<p>The purpose of this table is to reconcile Opex and Capex balances derived from the Regulatory Accounts to the values reported in the cost tables.</p> <p>For this reconciliation, net operating costs as per the Regulatory Accounts are compared to Controllable Opex as reported in Table 3.1 - Opex Summary. Tangible and intangible asset additions (excluding non-cash items) as reported in the Regulatory Accounts are compared to the total of Totex categories in table 2.1 – Totex PCFM; i.e. Load Related Capex, Asset Replacement Capex, Other Capex and</p>
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	Non-operational Capex.
Guidance on completing this worksheet	<ul style="list-style-type: none"> <li>• This table should be completed in £m nominal.</li> <li>• Each row of the table should be completed for the entity as a whole and also into individual TO and SO elements for the latest reporting year.</li> <li>• Row 16: Insert the value of operating income as a negative value.</li> <li>• Row 15 to 17: Row 17 automatically calculates Opex per the Regulatory Accounts by calculating operating costs incurred (derived from the table 1.1 – Income Statement) net of operating income (row 16).</li> <li>• Rows 20 to 34: Insert details of all adjustments to reconcile the Opex value per the Regulatory Accounts (row 17) to Opex as reported in the cost tables (row 37).</li> <li>• Row 37 is to be populated from the Regulatory accounts except where linked to Opex Summary table</li> <li>• Rows 43 to 47: Enter the amounts of non-current asset additions into rows 43 and 44 as positive values. In rows 45 to 47 insert amounts relating to non-cash items as negative values.</li> <li>• Rows 51 to 65: Insert details of all adjustments to reconcile the Capex value per the Regulatory Accounts (row 48) to Capex as reported in the cost tables (row 68).</li> </ul>

Specific definitions for this worksheet

None	
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**1.5 Net debt and interest**

Purpose and use by Ofgem	The purpose of this table is to collect details of all debt instruments and associated financial derivatives by type. This information is used to compare gearing levels to the regulatory modelling data; and to enable the calculation of the tax benefit of excess gearing. In addition, the table provides information on derivative financial instruments to facilitate understanding of existing debt structures.
Guidance on completing this worksheet	<ul style="list-style-type: none"> <li>• Where debt is of a short-term nature (and can therefore be replaced several times in a year) the year-end balance must be shown in this table.</li> <li>• For Sections A to E and Section H, the interest rate for the year must be that relating to the year-end debt. The value of debt should be stated on the same basis as the</li> </ul>

	<p>Regulatory Accounts. Where an item is reported in the income statement as debits or cash out flows it should be entered as a positive value. Where an item is a credit or cash inflows it should be entered as a negative value.</p> <ul style="list-style-type: none"> <li>• Cells L14 to N20: Enter details of the allocation of debt for the reporting year to each licensee in the group and total attributable to non-regulated companies. This should be reported in percentage terms in column L. Column M should record the value of statutory net debt, including all financial derivatives, allocated to the respective business segment. In Column N, enter the regulatory definition of net debt (as defined below) and allocate by business segment.</li> <li>• Schedule A: In rows 37, 38 and 40 insert the amounts of collateral under derivative agreements (either posted with the banks which should be entered as a negative (row 37), or posted by the bank, which should be entered as a positive value (row 40)). In addition, enter the value of any short-term deposits as a negative value and enter overdraft amounts as a positive value.</li> <li>• Schedule B: This section captures all external debt instruments held by the group, with a cross-reference to financial derivatives that are used to hedge each debt instrument. For each debt instrument held enter details of:             <ul style="list-style-type: none"> <li>a) the nature of the instrument (e.g. index-linked corporate bond);</li> <li>b) the name of the lender;</li> <li>c) the issue date;</li> <li>d) the interest rate, indicating whether the rate is fixed or floating; and</li> <li>e) the value of the instrument, which should be entered into the appropriate maturity profile of when the debt falls due for repayment</li> <li>f) The reference of any associated financial derivative stated in Schedules F to M, or the name of the counterparty. In addition, provide an indication as to whether the value and duration of the derivative is exactly matched to the debt instrument, or is greater than (over-hedged) or less than (under-hedged) the debt instrument.</li> </ul> </li> <li>• Schedule C: This section collects details of loans made to the licensee from other group companies and includes a high-level details of financial derivatives held by the company to hedge each debt instrument. For each debt instrument enter the details as set out for Schedule B above.</li> <li>• Schedule D: This section captures loans made by the</li> </ul>
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	<p>licensee to other group companies. For each debt instrument complete the table as set out in parts a) to e) for Schedule B above.</p> <ul style="list-style-type: none"> <li>• Schedule E: This section collects details of inter-company balances relating to the licensee that are due to / from other group companies. For each transaction type enter details of:             <ul style="list-style-type: none"> <li>a) A description of the type of transaction</li> <li>b) The terms of the transaction type, including settlement terms, redemption agreement and contractual arrangements</li> <li>c) Indicate whether the amount is payable or receivable</li> <li>d) the amount, which should be entered with the appropriate maturity profile</li> </ul> </li> <li>• Schedule F: This section should be populated with details of any guarantees given by the licensee on behalf of other group companies. For each guarantee, enter details of:             <ul style="list-style-type: none"> <li>a) type of guarantee</li> <li>b) name of the other group company</li> <li>c) reason for granting the guarantee</li> <li>d) date of consent or derogation from the Authority</li> <li>e) purpose of the guarantee, including the expected duration of the guarantee</li> <li>f) value of the guarantee in £m</li> </ul> </li> <li>• Schedules G to M: These tables capture details of all interest rate, currency and index-linked swaps, forward contracts and other financial derivatives. Enter the details of all financial derivative contracts in the relevant schedule, including details of:             <ul style="list-style-type: none"> <li>a) Contract date</li> <li>b) Name of the counterparty</li> <li>c) Credit rating of either the counter-party. If this information is not available (e.g. as there are multiple counter-parties) insert the value of collateral posted</li> <li>d) Nature of derivative</li> <li>e) the value of the instrument, which should be entered into the appropriate maturity profile of when the instrument crystallises</li> <li>f) The reference of the associated debt instrument that is hedged by the derivatives from Schedules B and C. In addition, provide the value, interest rate of the debt instrument, as well as the rationale for hedging.</li> </ul> </li> </ul>
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Specific definitions for this worksheet

<p>Net debt</p>	<p>Is the net borrowing of a business at a given date.</p> <p>Net debt includes:</p> <ul style="list-style-type: none"> <li>• Cash at bank</li> <li>• Bank overdrafts</li> <li>• Short term investments</li> <li>• External borrowings (adjusted to reflect the ultimate liability in sterling resulting from any cross currency swaps relating to that debt instrument and excluding the impact of fair value adjustments and accrued interest)</li> <li>• Inter-company borrowings</li> <li>• Short term loans to related parties (except where they have demonstrated the characteristics of being long term in nature, for example by repeated renewal)</li> <li>• Long term loans to related parties only where they can be justified as for the benefit of the regulated business and are not in the nature of a distribution</li> <li>• Hybrid financial instruments that have the characteristics of pseudo equity where the coupon is deductible in computing the charge to corporation tax</li> <li>• Debt incurred to fund 'Shadow' RAV (i.e. debt relating to expenditure under the TPCR3 or TPCR4 revenue driver incentive where the end of the incentive period has not been reached).</li> </ul> <p>Net debt excludes:</p> <ul style="list-style-type: none"> <li>• Year end balances of fair value adjustments on derivatives in Regulatory Accounts (except cross currency swaps)</li> <li>• Unamortised issue costs</li> <li>• Fixed asset investments where not readily convertible to cash</li> <li>• Preference shares and hybrid financial instruments that do not have the characteristics of pseudo equity and the coupon is not deductible in computing the charge to corporation tax</li> <li>• Loans to related parties that do not meet the definition above</li> <li>• Inter-company debtors/creditors/working capital: where</li> </ul>
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	these can clearly be identified as such, they are excluded. However, if they cannot, because the licensee does not clear these balances on a regular basis, they will be treated as effective intercompany loans and included in net debt
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### 1.6 Fixed asset disposals

Purpose and use by Ofgem	The purpose of this table is to collect information relating to fixed asset disposals.
Guidance on completing this worksheet	<ul style="list-style-type: none"> <li>• Rows 16 to 20: Enter details of disposals in the regulatory year by asset type for the company and individual licensees. For the avoidance of doubt, disposals should include assets transferred from the licensee to a company within the same group (i.e. a property company).</li> <li>• Rows 24 to 30: insert details of any adjustments or reclassifications relating to disposals.</li> </ul>

#### Specific definitions for this worksheet

None	
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### 1.7 Tax computation

Purpose and use by Ofgem	This worksheet is used to show how the licensee arrives at the current tax charge. It provides the data in a consistent and comparable format across all licensees for the regulatory financial year to enable comparisons to be made. This and the CA pool table are used to monitor outturn against allowances and to inform the next price control.
Guidance on completing this worksheet	<ul style="list-style-type: none"> <li>• This table should be completed in £m nominal</li> <li>• This table must be prepared on the same basis as the licensee's corporation tax returns for each regulatory financial year ended 31 March and in accordance with extant tax legislation.</li> <li>• Row 14: Enter the actual corporation tax rate applicable in the regulatory financial year.</li> <li>• Rows 20 to 32: Enter any amounts of operating expenditure that, in accordance with tax legislation, is disallowed as a deduction in computing taxable profits. These costs must therefore be added back and must be the same as in the licensee's own tax computation or tax provision workings.</li> </ul>

	<ul style="list-style-type: none"> <li>• Row 21: The pensions charge in the Regulatory Accounts is the adjustment to eliminate all pension contributions provisions or accruals. The amount of cash pension contribution paid and deductible for tax purposes should be input under "Deduct:" (row 37).</li> <li>• Rows 36 to 45: Enter all deductions for tax purposes.</li> <li>• Rows 49 to 56: Insert details of capital allowances.</li> <li>• Rows 60 to 63: Enter other adjustments as required in the tax computation.</li> <li>• Rows 71 to 77: Insert details of statutory, not regulatory, tax losses. These will inform the offsetting amounts against any tax funding at future price reviews. Where consortium relief exists this should be reported here and not in the rows for add backs or deductions.</li> </ul>
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Specific definitions for this worksheet

None	
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**1.8 Tax pools**

<p>Purpose and use by Ofgem</p>	<p>This table is used to track the annual additions in the regulatory financial year and movements in capital allowances for the licensee.</p> <p>It will capture the movements on capital allowances and reconcile the total to the licensee's own tax provision workings for its Regulatory Accounts and/or draft corporation tax computation.</p> <p>It is also used to identify prior year adjustments arising in the individual capital allowance pools from the closing and settlement of open tax years.</p>
<p>Guidance on completing this worksheet</p>	<ul style="list-style-type: none"> <li>• This table should be completed in £m nominal</li> <li>• This table must be prepared on the same basis as the licensee's corporation tax returns and in accordance with extant tax legislation. For entities which do not have a 31 March statutory year end it is not acceptable that additions to pools are derived by apportionment of the last actual corporation return additions over time. The additions should instead be ascertained from underlying records.</li> <li>• Where the opening balances are different to those in the prior years' cost submission and revision amounts have been input, then reconciliation, explaining the reasons for the change, is to be provided in the commentary</li> </ul>

	<p>document.</p> <ul style="list-style-type: none"> <li>• Row 16: enter the value of any Annual Investment Allowance (AIA) for the year.</li> <li>• Rows 15, 19 and 31: the written down allowance rates for the AIA, General Pool and Special Rate Pool are Ofgem inputs.</li> <li>• Rows 20, 32 and 43: These rows are to be used to show the opening balance of the capital allowance pool.</li> <li>• Rows 21, 33 and 44: These rows are to be used for any revisions to numbers submitted in previous cost returns. Details of revisions that have been made and why they are necessary are required in the Commentary.</li> <li>• Rows 23, 34 and 45: These rows are included for the additions to each pool within the year. Additions to the Special Rate pool should be manually inserted into row 34.</li> <li>• Rows 24, 35 and 46: Enter the amount of capital contributions as a negative value into each pool within the year.</li> <li>• Rows 25, 36 and 47: Insert the value of disposals into each pool within the year.</li> <li>• Rows 27, 38, 49: Enter the value of annual writing down allowances claimed. Where any allowances are disclaimed in any year(s) an explanation must be provided in the Commentary.</li> <li>• Row 52: Insert the value of fixed asset additions not qualifying for tax relief.</li> </ul>
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Specific definitions for this worksheet

None	
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### 1.9 Tax allocations of spend

Purpose and use by Ofgem	<p>The purpose of this table is to report the allocation of Totex spend to capital allowance pools for the licensee consistent with the numbers in the Regulatory Accounts for the year. It obtains an analysis of the licensee's tangible fixed asset additions and ensures allocation to the capital allowance pools on a consistent and comparable format across licensees. It enables monitoring and comparison of allocations to capital allowance pools across licensees, and across time, which will inform future price controls.</p> <p>This table must be prepared on the same basis as the licensee's corporation tax returns for each regulatory financial</p>
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	<p>year ended 31 March and in accordance with extant tax legislation.</p> <p>For the avoidance of doubt, this worksheet does not include allocation of TIRG.</p>
Guidance on completing this worksheet	<p>Populate each of the yellow shaded cells in this worksheet with the value allocated to each tax pool category. Controllable operating expenditure not allocated to Capex should be shown in the box titled "revenue".</p> <p>The total expenditure should agree to the total Totex in the Totex PCFM table.</p> <p>For each category of ALC, ACO, AOC, ANC and ARC (and corresponding SOACO/ SOACO) there are input cells highlighted in yellow in columns G &amp; H.</p> <p>Profiles are calculated automatically for each expenditure type in the bottom half of the sheet. The profiles are shown in percentages.</p>

Specific definitions for this worksheet

None	
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**1.10 Tax allocations CT 600**

Purpose and use by Ofgem	<p>The purpose of this table is to report the allocation of Totex spend to capital allowance pools for the licensee consistent with the CT600 tax return submitted. It obtains an analysis of the licensee's tangible fixed asset additions and ensures allocation to the capital allowance pools on a consistent and comparable format across Licensees. It enables monitoring and comparison of allocations to capital allowance pools across Licensees, and across time, which will inform future price controls.</p>
Guidance on completing this worksheet	<ul style="list-style-type: none"> <li>• Row 12: Enter the closest regulatory year end to the accounting year end of used for the CT600 return (e.g. for a 31/12/13 CT600 return, the regulatory year end would be 31/03/2014, enter 2014 in cell C12).</li> <li>• Rows 16 to 82: Allocate all expenditure that is chargeable for tax by actual Totex category in £m. In addition, allocate contributions received by Totex category. Note: there is no check to the Totex summary since the two are not necessarily aligned. The total additions by capital allowance pool should agree to the additions stated in the</li> </ul>

	<p>CT600.</p> <ul style="list-style-type: none"> <li>• Rows 99 to 140: Profiles of tax pool allocations are automatically calculated for each expenditure type.</li> </ul>
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Specific definitions for this worksheet

None	
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### 1.11 Tax claw back

Purpose and use by Ofgem	<p>This table collates Net Debt and Net Interest information. This information will inform the calculation of the claw back of the tax benefit due to excess gearing as specified in RIIO-T1. Where companies have gearing levels in excess of that assumed in the PCFM, and also a higher level of interest than modelled, the value of this relevant interest as a tax shield is adjusted.</p> <p>Net Debt information is as stated in Table 1.5 with adjustments to calculate Net Debt as per the Regulatory definition.</p>
Guidance on completing this worksheet	<ul style="list-style-type: none"> <li>• This table should be completed in £m nominal.</li> <li>• Rows 17 to 25: Insert details of all adjustments for borrowing that is not in accordance with the definition of Regulatory Net Debt.</li> <li>• Rows 30 to 37: Enter details of interest costs that relate to regulatory Net Debt, i.e. interest costs incurred on overdrafts, short term bank loans, commercial paper, long term bank loans, index linked bonds, other bonds, inter-company loans, finance Leases.</li> <li>• Rows 40 to 51: Enter adjusting items that reconcile “debt interest paid” (row 38) to total Interest Expense and Finance costs as per Income statement in table 1.1.</li> <li>• Rows 56 to 59: Enter details of interest income that relate to regulatory Net Debt, i.e. interest income received for cash and cash equivalents, available for sale investments, external loans and receivables, inter Company Loans.</li> <li>• Rows 62 to 67: Enter adjusting items that reconcile “debt interest received” (row 62 to 67) to total interest income as per Income statement in table 1.1.</li> <li>• Rows 74 to 84: Insert details of all adjustments for borrowing that is not in accordance with the definition of Regulatory Net Interest.</li> </ul>

Specific definitions for this worksheet

None	
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### 1.12 Financing requirements

Purpose and use by Ofgem	The purpose of this table is to inform consideration of the licensee's short term financial stability. It requires provision of a high-level cash flow for the succeeding two regulatory years and the financing requirements over the same period.
Guidance on completing this worksheet	<ul style="list-style-type: none"> <li>• This table should be completed in £m nominal.</li> <li>• Rows 16 to 24: Complete the cash flow forecast at the licensee level for the succeeding two regulatory years.</li> <li>• Rows 30 to 35: Enter details of forecast financing requirements to meet the cash flow forecast.</li> <li>• Row 39: Insert the value of any undrawn facilities for the licensee that is anticipated at the start of each succeeding regulatory year.</li> <li>• Rows 43 to 46: Enter the key assumptions the underlie the cash flow forecast (rows 16 to 24) and the financing requirements (rows 30 to 35) value available at the start of the current year.</li> <li>• Should the licensee have concerns about refinancing, these should be expressed in the commentary, except to the extent that such issue have been separately notified to Ofgem.</li> </ul>

Specific definitions for this worksheet

None	
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### 1.13 Pensions defined benefit scheme

Purpose and use by Ofgem	<p>This table collects recent data relating to defined benefit (DB) pension scheme, obtained from pension scheme accounts and updated valuations. This information provides a view of scheme investment and funding strategies.</p> <p>The table collects information on <b>actual</b> pension contributions made by the licensee to repair the deficit; estimated movements in assets, liabilities and membership data</p>
Guidance on completing this worksheet	<p>All data must be entered in nominal prices each year.</p> <p>Data is to be provided on the total DB scheme for which the licensee is a sponsoring employer.</p>

	<p><b>Section A Pensionable payments information</b> Enter pensionable pay information before any reduction for salary sacrifice, the salary sacrifice element of pensionable pay (i.e. the amount of salary sacrificed by employees in exchange for an increase in the element of employer pension contributions) and employee and employer contribution data applicable to the licensee, rather than for the total DB scheme as a whole.</p> <p><b>Section B Pension deficit information</b> Insert total scheme deficit repair payments (cash), and the attribution of the actual deficit repair payments between business units (inserting each business unit name) by sponsoring employers of the scheme.</p> <p><b>Section C Pension hedging and contingent asset costs directly paid by licensee:</b> Insert details of the attribution between business units of contingent asset costs and other hedging instruments, where a proportion is paid directly by the licensee.</p> <p><b>Section D Scheme Membership</b> Enter membership details for the scheme, by membership type and average age. This should be the licensee’s best estimate of membership based on the latest available information from the scheme administration database or the latest available pension scheme accounts.</p> <p><b>Section E Scheme deficit information</b> Enter net investment income received being the income received on scheme assets, net of investment management fees where it is deducted from investment income.</p> <p>Enter the change in market value of investments, which is the change in the market value of a schemes investments over a period of time where the approach used to assess the market value of an asset is the same as the approach used for the purposes of a triennial valuation.</p> <p>Enter the amount of investment management expenses, being any scheme investment management expenses which are charged separately or have not been implicitly allowed for in the “Change in market value of investments” item or as a deduction from the “Investment income” item.</p> <p>Provide the value and status of scheme assets. In column B, enter either “A”, “B” or “C” to indicate whether this asset is</p>
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	<p>generally assumed by the scheme to be 'return-seeking' assets, 'low-risk' assets and scheme assets specifically designed to match a proportion of the scheme's liabilities, respectively. In column E, provide the value of scheme assets in £m by class. The value should be fair value at the 31 March of the Regulatory reporting year under review.</p> <p>Insert the scheme liabilities as at 31 March (row 118), which should be sourced from an updated valuation (used for internal purposes), co-terminus pension scheme accounts, and returns to the Pension Protection Fund or best estimate. The basis should be stated in the Commentary.</p> <p>Enter the scheme's deficit funding for the Regulatory reporting year on a cash basis for the whole scheme.</p> <p>Insert the value of pension related severance costs paid in the Regulatory reporting year by the scheme as a whole.</p>
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Specific definitions for this worksheet

None	
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## 4. Instructions for completing the total expenditure worksheets

### Chapter Summary

The purpose of this chapter is to inform the completion of the total expenditure worksheets by each TO. This is to enable Ofgem to effectively monitor the performance of the companies in relation to their business plans and total expenditure baselines set in the Final Proposals.

### Introduction

4.1. The purpose of the worksheets in this area is to report total expenditure. In the main these worksheets pull data from other areas of the RIGs.

### Overview of worksheets

4.2. The worksheets included within this chapter are:

- 2.1 Provisional Price Control Financial Model (PCFM) inputs
- 2.2 Totex forecast

Purpose and use by Ofgem	The purpose of this table is to collect a summary of total opex and capex data for the actual reporting year and high level forecasts for the whole of the price control period. This enables a comparison with previous years and the price control allowances.
Guidance on completing this worksheet	<p>The actual data for the reporting year table is self populated with information from the table 3.1 Summary of Cash Controllable Costs and Table 4.1 Capex Summary. The capex forecast also comes from Table 4.1. TOs should input their high level forecast for opex and non operational capex over the price control period as positive values broken down by the headings on the table.</p> <p>The table automatically compares the current year actuals and forecasts with previous years and the final price control allowances in 2009/10 prices.</p>

	Load and non load capex will include capital contributions.
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Specific definitions for this worksheet

None	
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### 2.3 Published Totex

Purpose and use by Ofgem	The purpose of this table is to replicate what NGGT has published on its website.
Guidance on completing this worksheet	<p>Where possible these the cells on these tables are auto-populated from other RIGs tables.</p> <p>Data should be input as required in the yellow shaded cells.</p> <p>Licences are required to publish these tables on their website by 30<sup>th</sup> of September in each year of RIIO-T1. The data contained in these tables <b>MUST</b> agree with that published on the TO’s website. However, they may choose to use different formatting in their published tables.</p>

Specific definitions for this worksheet

None	
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- **2.4**
- 2.4 Published Totex
- 2.5 Published Outputs

### 2.1 Provisional Price Control Financial Model (PCFM) inputs

Purpose and use by Ofgem	The purpose of this table is to provide the Totex expenditure inputs to inform the Annual Iteration Process of the Price Control financial Model (PCFM). The data from this table will be used to inform the direction of actual Totex(in the sub categories as identified) to populate the PCFM for the reporting year.
Guidance on completing this worksheet	<p>The table draws information from table 2.2 for the reporting year only.</p> <p>The table distinguishes between base expenditure and expenditure incurred under uncertainty mechanisms as the</p>

	capitalisation rate differs
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Specific definitions for this worksheet

None	
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## 2.2 Totex forecast

Purpose and use by Ofgem	The purpose of this table is to collect a summary of total opex and capex data for the actual reporting year and high level forecasts for the whole of the price control period. This enables a comparison with previous years and the price control allowances.
Guidance on completing this worksheet	<p>The actual data for the reporting year table is self populated with information from the table 3.1 Summary of Cash Controllable Costs and Table 4.1 Capex Summary. The capex forecast also comes from Table 4.1. TOs should input their high level forecast for opex and non operational capex over the price control period as positive values broken down by the headings on the table.</p> <p>The table automatically compares the current year actuals and forecasts with previous years and the final price control allowances in 2009/10 prices.</p> <p>Load and non load capex will include capital contributions.</p>

Specific definitions for this worksheet

None	
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## 2.3 Published Totex

Purpose and use by Ofgem	The purpose of this table is to replicate what NGGT has published on its website.
Guidance on completing this worksheet	<p>Where possible these the cells on these tables are auto-populated from other RIGs tables.</p> <p>Data should be input as required in the yellow shaded cells.</p> <p>Licencess are required to publish these tables on their website by 30<sup>th</sup> of September in each year of RIIO-T1. The data contained in these tables <b>MUST</b> agree with that published on the TO's website. However, they may choose to use different</p>

	formatting in their published tables.
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Specific definitions for this worksheet

None	
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## 2.4 Published Outputs

Purpose and use by Ofgem	The purpose of this table is to replicate what NGGT has published on its website.
Guidance on completing this worksheet	<p>Where possible these the cells on these tables are auto-populated from other RIGs tables.</p> <p>Data should be input as required in the yellow shaded cells.</p> <p>Licences are required to publish these tables on their website by 30<sup>th</sup> of September in each year of RIIO-T1. The data contained in these tables <b>MUST</b> agree with that published on the TO's website. However, they may choose to use different formatting in their published tables.</p>

Specific definitions for this worksheet

None	
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## 5. Instructions for completing the operating expenditure worksheets

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### Chapter Summary

The purpose of this chapter is to inform the completion of the operating expenditure worksheets by each TO. This is to enable Ofgem to effectively monitor the performance of the companies in relation to their business plans and operating expenditure baselines set in the Final Proposals.

### Introduction

5.1. The purpose of the worksheets in this area is to report opex information at various different levels to enable Ofgem to fully understand opex trends and performance. Certain large and significant areas of cost are broken down into greater detail so that we can understand the movements more easily.

5.2. Licensees should submit accurate (and where instructed) audited figures of their costs and revenues for the reporting period. Further guidance is provided below.

5.3. All costs are to be entered on a cash controllable basis (see Glossary) and exclusive of atypical items except where specifically instructed to report data. Cash controllable means exclusive of all provisions and all accruals and prepayments that are not incurred as part of the ordinary level of business.

### Materiality

5.4. Where TOs are completing tables with costs <£0.1m it is not expected that all cells will be completed. TOs should either show the total in the cell labelled “de-minimus” or enter the total in the cell that represents most of the costs.

5.5. Forecast data is **only** be required at a total category level on the Totex Forecast table 2.2

### Overview of worksheets

5.6. The worksheets included within this chapter are:

- 3.1 Opex summary - cash controllable costs
- 3.2 Year on year movement in controllable costs

- 3.3 Asset management opex
- 3.4 Business support – group
- 3.5 Business support – allocation
- 3.6 Business support – supplementary detail
- 3.7 Operational training
- 3.8 Total transmission salary and FTE Numbers
- 3.9 Analysis of excluded, consented, and de minimis services
- 3.10 Provisions
- 3.11 Related party transactions
- 3.12 Innovation Rollout Mechanism (IRM) expenditure
- 3.13 Network Innovation Allowance (NIA) expenditure
- 3.14 Network Innovation Competition (NIC) expenditure
- 3.15 Physical security opex
- 3.16 Quarry and other loss of development claims

**3.1 Opex summary - cash controllable costs**

Purpose and use by Ofgem	The purpose of this table is to provide a breakdown of cash controllable costs into activities within business support, closely associated indirect and direct costs. The table also collects items outside of Totex including non controllable costs to come to the total operating costs.
Guidance on completing this worksheet	Cost data should be input on a gross cash controllable cost basis on Table 3.1b and the amount of capitalisation in Table 3.1c as indicated by the boxes shaded yellow. Costs should be input as positive values. Direct costs are drawn directly from Table 3.3.  SO costs should be reported separately from TO costs where

	<p>appropriate.</p> <p>Table 3.1a is the difference between tables 3.1b and 3.1c. This table represents the net business support and closely associated indirect costs and is automatically populated.</p> <p>Table 3.1a also required items outside of Totex to be added to come to a total operating costs figure that reconciles to the regulatory accounts figure for operating costs</p>
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Specific definitions for this worksheet

<b>TO Closely Associated Indirect Costs</b>	
Operational IT and Telecoms	IT equipment which is used exclusively in the real time management of network assets, but which does not form part of those network assets
Project Management	<p>Project Management from authorisation through preparation, construction and energisation to completion.</p> <p>Includes:</p> <ul style="list-style-type: none"> <li>• Overall responsibility for major project delivery.</li> <li>• Determining resource requirements.</li> <li>• Planning and requisitioning materials &amp; equipment.</li> <li>• Liaising with procurement for non-standard materials as required.</li> <li>• Work and resource programming.</li> <li>• Risk assessments of the overall project content.</li> <li>• Preparation of work instructions.</li> <li>• Issue of work to own staff and contractors.</li> <li>• On-site supervision and technical guidance.</li> <li>• Quality checks on work undertaken.</li> <li>• Organising network access and co-ordination of outages.</li> <li>• Organising and supervising (where appropriate) the undertaking of commission tests.</li> <li>• Issuing completion certificates.</li> <li>• Arranging energisation of assets.</li> <li>• Cost control.</li> </ul> <p>Excludes:</p> <ul style="list-style-type: none"> <li>• Any IT or property costs associated with Project Management.</li> <li>• Any employees managing other indirect activities.</li> </ul> <p>Any design work relating to new connections new or replacement assets</p>
Network Design and Engineering	<p>All processes and tasks involved in the:</p> <ul style="list-style-type: none"> <li>• Strategic planning of the network.</li> <li>• Detailed engineering design of new connections, extensions and changes to the network.</li> </ul>

	<p>Includes:</p> <ul style="list-style-type: none"> <li>• Strategic planning of the network – Relates to the tasks associated with the network in totality rather than individual projects. Includes: <ul style="list-style-type: none"> <li>○ Maintenance of network design data models.</li> <li>○ Development of long term development statements.</li> <li>○ Capital planning for business plans and budgets.</li> <li>○ Network wide demand forecasting.</li> <li>○ Network Modelling</li> <li>○ Strategic planning of the network in respect of new connections, load related network reinforcement and all aspects of the “non-load new and replacement asset installation” activity.</li> </ul> </li> <li>• Demand Connections – Relates to the tasks associated with the project specific network design and engineering of Demand Connections projects and enquiries.</li> <li>• Other Network Investment – Relates to the tasks associated with the project specific network design and engineering of all other aspects of Network Investment projects.</li> </ul> <p>Network Design and Engineering excludes:</p> <ul style="list-style-type: none"> <li>• The surveying, patrolling or inspection of system assets to collect condition information.</li> <li>• Any IT or property costs associated with network design &amp; engineering.</li> </ul>
System Mapping	<p>The activity of mapping of the network and operational premises of the network to geographical locations.</p> <p>Includes:</p> <ul style="list-style-type: none"> <li>• Updating the geographical system maps with asset and locational information following the installation, removal or repositioning of system assets.</li> <li>• The updating of Geographic Systems (GIS) records following Ordnance Survey mapping rebasing upgrades.</li> <li>• Responding to the New Roads and Street Works Act NRSWA notices sent to the Company by other parties.</li> <li>• Ordnance survey licence fees.</li> </ul> <p>Excludes:</p> <ul style="list-style-type: none"> <li>• Clerical support and admin associated with New Roads and Street Works Act (NRSWA).</li> <li>• updating the network control diagram</li> <li>• onsite collection of asset and locational information where this task is undertaken with the installation of the asset which is part of the associated direct activity:</li> </ul> <p>IT &amp; Property costs associated with System Mapping activity</p>



<p>Engineering Management and Clerical Support</p>	<p><u>Engineering Management &amp; Clerical Support</u>  The office-based activities of engineering and clerical support staff (ie depot clerical staff, managers, work planners, etc) managing or assisting employees undertaking direct activities and Wayleave Administration.</p> <p>Includes:</p> <ul style="list-style-type: none"> <li>• Strategic Network Plan Development and implementation: <ul style="list-style-type: none"> <li>○ Managing the delivery organisational structure to achieve the long and short term company goals.</li> <li>○ Agreeing resource requirements (own employees, contractors, finances and outcome targets).</li> <li>○ Managing the allocation and distribution of delivery resources to achieve plans.</li> <li>○ Managing key corporate policies and standards for investment/ service delivery.</li> <li>○ Leading the management team for service delivery.</li> <li>○ Monitoring the achievement of plans.</li> <li>○ Overseeing the management of teams with responsibility for service delivery.</li> </ul> </li> <li>• Identification and implementation of improvement initiatives: <ul style="list-style-type: none"> <li>○ Redesign of business processes</li> <li>○ Customer service improvements</li> </ul> </li> <li>• Work Planning, Budgeting, Allocation and Control: <ul style="list-style-type: none"> <li>○ Monitoring delivery of major works</li> <li>○ Monitoring fault activity.</li> <li>○ Monitoring budgets of Inspections and maintenance, faults and major works.</li> <li>○ Setting and agreeing performance targets, monitoring actual performance.</li> <li>○ Reporting and analysis of Key Performance Indicators ("KPIs").</li> </ul> </li> <li>• Line management of staff undertaking direct activity work: <ul style="list-style-type: none"> <li>○ Standards of performance, disciplinary and sickness absence procedures.</li> <li>○ Monitoring absence, back-to-work-interviews and welfare visits.</li> <li>○ Establishing day to day work plans.</li> <li>○ Managing the allocation tasks to achieve the delivery of operational and capital plans.</li> <li>○ Scheduling and monitoring the achievement of work jobs.</li> <li>○ Managing budget.</li> <li>○ Ensuring work activity adheres to company technical and health &amp; safety requirements.</li> </ul> </li> </ul>
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	<ul style="list-style-type: none"><li>• Operational Performance Management:<ul style="list-style-type: none"><li>○ Health and Safety checks on work and personnel</li><li>○ Compliance checks on staff and contractors work carried out</li><li>○ Site safety inspections</li><li>○ Providing safety advice to cable contractors and others (to help prevent damage)</li><li>○ Investigation, report and corrective action following an accident or environmental incident</li><li>○ Authorisation of team members for operational and non operational duties</li><li>○ Operational safety checks</li></ul></li><li>• Providing safety advice to persons working in proximity to network assets.</li><li>• Streetworks admin: Customer Funded:<ul style="list-style-type: none"><li>○ Processing of NRSWA notifications.</li><li>○ Processing the payment of notification penalties (but not the cost of the penalties).</li><li>○ Processing permit applications (but not the costs of the permits).</li><li>○ Processing the payment of permit penalties (but not the cost of the penalties).</li><li>○ Processing payment of inspection penalties (but not the costs of the penalties).</li><li>○ Liaising with local authorities.</li><li>○ Liaising with contractors and direct labour force to undertake remedial works following inspections (but not the cost of the remedial works).</li><li>○ Processing of congestion charges payments (but not the cost of the payments).</li><li>○ Processing of lane rentals payments (but not the cost of the payments).</li><li>○ Processing of overstay fines (but not the cost of the fines).</li><li>○ Updating the Street Gazetteer.</li></ul></li><li>• Wayleave Payments:<ul style="list-style-type: none"><li>○ Annual payments made in advance to the owner and/or occupier to cover the financial impact of having equipment on their land.</li></ul></li><li>• Wayleaves and Easements/Servitudes: Admin Costs:<ul style="list-style-type: none"><li>○ Obtaining, managing and administering Wayleave, substation rents, easements and servitudes.</li><li>○ Negotiating new Wayleaves.</li><li>○ Managing Wayleave terminations.</li><li>○ Administration of existing Wayleaves including the preparation of payments.</li><li>○ Negotiation conversions from Wayleave</li></ul></li></ul>
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	<p>arrangements to permanent easement/ Servitudes, substation rents and Wayleave payments.</p> <ul style="list-style-type: none"> <li>• Clerical Support: <ul style="list-style-type: none"> <li>○ Updating support asset inventory databases following asset commissioning and decommissioning.</li> <li>○ Updating support asset condition data following inspection and maintenance.</li> <li>○ Dealing with verbal and written enquires for new connections, or faults.</li> <li>○ Programming of minor works.</li> <li>○ Issuing of work instructions.</li> <li>○ Preparation of quotations for minor works.</li> <li>○ Sending quotations to customers.</li> <li>○ Customer liaison.</li> <li>○ Liaising with contractors.</li> <li>○ Preparing plans, schematics, notices, materials schedules and work instructions.</li> <li>○ Preparing shutdown notices.</li> <li>○ Environmental notifications.</li> <li>○ Clerical support for staff answering verbal and written enquiries regarding faults, liaising with contractors and other stakeholders.</li> </ul> </li> </ul> <p>Excludes:</p> <ul style="list-style-type: none"> <li>• Any Employees managing indirect activities (eg logistics manager) (include under the relevant indirect activity heading).</li> <li>• Design work relating to new connections new or replacement assets.</li> <li>• Responding to NRSWA notices sent to the Company by other parties (include under Systems Mapping).</li> <li>• Any employees engaged in maintaining the financial asset register.</li> <li>• Idle, down and sick time of direct field staff (include with their normal direct time in the appropriate direct activity).</li> <li>• IT or property costs associated with Engineering Management &amp; Clerical Support.</li> <li>• Apprentices undertaking classroom training (include under Operational training and workforce renewal)</li> <li>• Time of employees attending training (include as labour costs under the relevant activity).</li> <li>• Training courses and training centre costs for staff relating to working on system assets (include under operational training and workforce renewal).</li> <li>• Engineering and health and safety training, courses for staff involved in indirect activities (include under operational training and workforce renewal).</li> <li>• Updating of underground cable and overhead line asset data bases (include under System Mapping).</li> </ul>
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	<ul style="list-style-type: none"> <li>• Updating financial asset register (Finance &amp; regulation).</li> <li>• Compliance checks on staff and contractors’ work carried out.</li> <li>• Site safety inspections.</li> <li>• Investigation, report and corrective action following an accident or environmental incident.</li> <li>• Authorisation of team members for operational and non-operational duties.</li> <li>• Operational field safety checks.</li> <li>• Time of employees attending training (include as labour cost under the relevant activity of that employee).</li> <li>• Purchase of equipment (include under non-operational capex).</li> <li>• Training, courses and training centre costs for staff relating to working on system assets (include under operational training and workforce renewal).</li> </ul>
Network Policy (incl. R&D)	<p>All processes and tasks involved in the development and review of environmental, technical and engineering policies, and including research and development.</p> <p>Includes:</p> <ul style="list-style-type: none"> <li>• Evaluating the impact of changes in relevant legislation.</li> <li>• Development, regular review and updating of asset risk management policies, such as:             <ul style="list-style-type: none"> <li>○ asset maintenance policy</li> <li>○ asset inspection policy</li> <li>○ technical standards and specifications team</li> <li>○ plant, equipment and component specifications</li> <li>○ vegetation management policy</li> <li>○ asset replacement policy</li> <li>○ network design and protection policy.</li> </ul> </li> <li>• Analysis and interpretation of asset condition data.</li> <li>• Development, regular review and updating of environmental policy.</li> <li>• Research and development (including Fees paid to research and development organisations).</li> </ul> <p>Excludes:</p> <ul style="list-style-type: none"> <li>• Any of the IT or Property costs associated with Network Policy.</li> <li>• Excludes IFI related research and development.</li> </ul>
Health Safety and Environment	<p>The activity of promoting and maintaining health and safety of employees, contractors, customers and the public.</p> <p>Includes:</p> <ul style="list-style-type: none"> <li>• Developing the company’s overall health and safety policy.</li> <li>• Establishing procedures to comply with best practice for health and safety.</li> </ul>

	<ul style="list-style-type: none"> <li>• Maintenance of records to show compliance with Factory and Health and Safety at Work Acts.</li> <li>• Providing advice on security matters both for property and personnel and provision of advice on fire prevention.</li> </ul> <p>Excludes:</p> <ul style="list-style-type: none"> <li>• Health &amp; Safety checks on work and personnel such as:             <ul style="list-style-type: none"> <li>○ compliance checks on staff and contractors' work carried out</li> <li>○ site safety inspections</li> <li>○ investigation, report and corrective action following an accident or environmental incident</li> <li>○ authorisation of team members for operational and non-operational duties</li> <li>○ operational field safety checks</li> <li>○ time of employees attending training (include as labour cost under the relevant activity of that employee)</li> <li>○ purchase of equipment (include under non-op capex)</li> <li>○ training, courses and training centre costs for staff relating to working on system assets (include under operational training)</li> <li>○ engineering and health and safety training, courses for staff involved in indirect activities (include under operational training).</li> </ul> </li> </ul>
Operational Training	<p>Includes operational training and graduate trainees and apprentices.</p> <p>Includes training Workforce Renewal new recruit, Operational Upskilling and Operational Refresher Training.</p> <p>Operational Upskilling - covers all training (whether classroom based or on-the-job) where employee's skill level is increased in order to undertake activities requiring a higher skill level or to undertake activities requiring a different skill set (eg multi-skilling or redeployment) or the undertake activities via more efficient / effective processes. (Does not cover, eg, routine operational refreshers, and safety briefings, non-operational training courses eg MS Excel, training for CPD purposes once qualified eg accountant).</p> <p>Apprentices are engaged under approved apprentice's schemes. Trainees are employed under a formal training programme.</p> <p>Includes:</p> <ul style="list-style-type: none"> <li>• Classroom training.</li> <li>• On the job training.</li> </ul>

	<ul style="list-style-type: none"> <li>• Trainer and course material/running costs (classroom training).</li> <li>• Training admin.</li> <li>• Recruitment and external advertising costs for trainees/apprentices.</li> <li>• Salaries of apprentices and trainees in full time continuous training up to the point they become fully engaged in operational activities.</li> <li>• Costs of staff that organise and provide operational training and maintain employees training records.</li> </ul> <p>Excludes:</p> <ul style="list-style-type: none"> <li>• HSE costs (include under Health, Safety &amp; Environment).</li> <li>• IT &amp; Property management costs associated with Ops Training and Training Centres (include under IT &amp; Property costs respectively).</li> </ul>
Stores and Logistics	<p>The activity of managing and operating stores.</p> <p>Includes:</p> <ul style="list-style-type: none"> <li>• Delivery costs of materials or stock to stores.</li> <li>• Labour and transport costs for the delivery of materials or stock from a centralised store to a satellite store/final location (and vice versa), taking into account the stock management policies.</li> <li>• Monitoring stock levels.</li> <li>• Quality testing of materials held in stores.</li> </ul> <p>Excludes:</p> <ul style="list-style-type: none"> <li>• Costs of oil or other insulation medium (report under the activity for which it is used, eg maintenance, faults).</li> <li>• Any of the IT systems associated with stores/logistics (include under IT &amp; Telecoms).</li> <li>• Any property management and maintenance costs of depots/stores locations (include under property management).</li> <li>• Vehicles and Transport - the activity of managing, operating and maintaining the commercial fleet and mobile plant (include under Vehicles and Transport).</li> </ul>
Vehicles and Transport	<p>The activity of managing, operating and maintaining the commercial fleet and mobile plant utilised by the Network or any other related party for the purposes of providing services to the Network.</p> <p>Includes:</p> <ul style="list-style-type: none"> <li>• Lease costs associated with the vehicle fleet and mobile plant.</li> <li>• Maintenance costs of the vehicle fleet and mobile plant, including mobile generation.</li> <li>• Cost of accident repairs to business' own vehicles whether</li> </ul>

	<p>covered by insurance or not and the cost recovery where recovered by insurance.</p> <ul style="list-style-type: none"> <li>Fuel costs of the vehicle fleet and mobile plant.</li> </ul> <p>Excludes:</p> <ul style="list-style-type: none"> <li>Direct field staff time spent on utilising the vehicles for a direct cost activity (include under direct cost activity).</li> <li>IT &amp; Property costs associated with vehicle management.</li> <li>Purchases of vehicles, mobile plant and equipment (include under non-op capex).</li> <li>Cost of providing company cars to employees which are benefits in kind (include as labour cost under the relevant activity of that employee).</li> </ul>
Market Facilitation	<p>This covers the following activities:</p> <ul style="list-style-type: none"> <li>Network code governance and development.</li> <li>Proposing and managing industry code modifications.</li> <li>Generation and demand forecasting.</li> <li>Information provision to the industry.</li> <li>Calculation and implementation of Transmission charges.</li> </ul>
Network Planning	<p>This covers the following activities:</p> <ul style="list-style-type: none"> <li>Asset assurance and management of the asset registers.</li> <li>Business expert input into IT system development.</li> <li>Performance monitoring and improvement.</li> <li>Co-ordination and completion of benchmarking activities.</li> <li>Control Centre - Operational management and control of the network <ul style="list-style-type: none"> <li>Outage planning and management</li> <li>Real time control and monitoring</li> <li>Dispatch</li> <li>Major incidents and emergency planning</li> </ul> </li> </ul>
	<b>SO Direct Costs</b>
Planning	Long term and short term planning
Real Time Operations	Control room day to day operations
Operational Support	post event analysis and forecasting, control room scheduling and data analysis
IS Business Resource	support for capital works programmes
Market Facilitation	<ul style="list-style-type: none"> <li>Network code governance and development.</li> <li>Proposing and managing industry code modifications.</li> <li>Generation and demand forecasting.</li> <li>Information provision to the industry.</li> </ul>
Engineering Support	

### 3.2 Year on year movement in controllable costs

Purpose and use by Ofgem	The purpose of this table is to enable licensees to explain the reasons for increases and decreases in costs year on year of £0.5m or more (these are the net increases and decreases year on year in table 3.1a).
Guidance on completing this worksheet	Licensees should fill in the reasons for changes in costs in the boxes shaded in yellow. The table should be completed to clearly explain the year on year movements, additional explanations can be provided in the commentary if required.  All exceptions items should be clearly identified

#### Specific definitions for this worksheet

None	
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### 3.3 Asset management opex

Purpose and use by Ofgem	The purpose of this table is to show the amount of cash controllable operating costs spent on fault repairs, planned inspections and maintenance, and operational property management.
Guidance on completing this worksheet	Costs should be input as positive values. Data should be input into the cells that are highlighted in yellow. Costs will be total costs for each activity. The main items included within "other" should be identified in the cells highlighted in yellow.

#### Specific definitions for this worksheet

Fault Repairs	See glossary definition
Planned Inspection and Maintenance	See glossary definition
Vegetation Mangement	The activity of physically felling or trimming vegetation
Operational Property Management	Premises which contain network assets and are not maintained for accommodating people eg Substations, Boiler Stations, Holder Stations, Compressor Stations, Governor Houses etc.
BT 21 CN Teleprotection	Opex costs incurred as a result of the BT21CN transition.
Offshore Transmission Project	Costs incurred from all licensee activities relating to the connection and integration of offshore projects to the licensees onshore network.



### 3.4 Business support – group

Purpose and use by Ofgem	The purpose of this table is to provide net and gross cash controllable cost analysis of business support costs that are charged to the UK regulated network businesses (and to non regulated entities where appropriate). These tables show non-operational costs only.
Guidance on completing this worksheet	<p>This table should be completed on a group basis and split by form of control as appropriate. Group net cash controllable cost rows input to table 3.5 Business Support Allocation for both transmission and gas distribution.</p> <p>Group net cash controllable costs should be split into the specified categories (net staff costs, materials, etc.) for each activity. Group gross cash controllable costs for each activity are not further split by category.</p> <p>This table is to be completed by all licensees in every network submission. All licensees must complete column G ('group total') and at least one column from H to M. Each licensee must detail group costs, in columns H to M, by as many forms of control as they have access to the data. Any 'group' costs not detailed in columns H to M or under 'external customers' should be included under 'other group'. Please note that the definition of 'group' may vary between companies (see definition below).</p> <p>For single network licensees who do not receive any allocated costs from parent company or larger group then costs must be entered under group total with activity totals entered in the relevant column H to M.</p> <p>For multiple network licensees, while the values in each submission under 'group total' must be the same, the submissions may have different columns H to M completed.</p>

#### Specific definitions for this worksheet

<b>Business support activity definitions:</b>	
IT & telecoms	<p>Provision of IT services for the day to day service delivery. Includes:</p> <ul style="list-style-type: none"> <li>• The purchase, development, installation and maintenance of non-operational computer and telecommunications systems and applications.</li> <li>• Provision of IT services for the day to day service delivery and includes the cost of Help Desk, data centres, IT application development, maintenance and support;</li> </ul>

	<p>establishing and maintaining IS infrastructure projects (IT Network Provision, Network Maintenance, Servers support/services).</p> <ul style="list-style-type: none"> <li>• Voice and data telecoms (e.g. WAN, landline rental and call charges, ISDN data and costs/rental of mobiles except where costs are charged directly to user departments).</li> <li>• Developing new software for non-operational IT assets including the costs of maintaining an internal software development resource or contracting external software developers. This will include any cost of software licences to use the product where those costs cover more than one year.</li> <li>• Installing new or upgrading software, other than where it is . This does not include upgrading of software that is included within the costs of annual maintenance contracts for the software.</li> <li>• Maintenance and all the operating costs of the IT infrastructure and management costs and Applications cost. This includes any annual fee for the maintenance of software licences, whether or not they include the right for standard upgrades or 'patches' to the software as they become available.</li> <li>• IT applications maintenance and running costs.</li> <li>• IT new applications software and upgrade costs.</li> <li>• Voice and data telecoms (e.g. WAN, landline rental and call charges, ISDN data. includes costs/rental of mobiles except where costs are charged directly to user departments).</li> </ul> <p>Excludes:</p> <ul style="list-style-type: none"> <li>• IT equipment which is used exclusively in the real time management of network assets but which does not form part of those network assets.</li> <li>• Any of the property costs associated with IT &amp; Telecoms (include under Property Management), except where the cost of specific IT environmental control systems can be distinguished from other property costs.</li> </ul>
Property management	<p>The activity of managing, providing and maintaining non-operational premises, i.e. premises used by people such as stores, offices and depots. This should include costs such as rent, rates (business), and utilities costs including electricity, gas and water, maintenance/repair costs of premises and also should include the provision of the facilities / property services such as reception, security, access, catering, and mailroom, cleaning and booking conferences. The costs of property surveyors should also be included here.</p> <p>Includes:</p> <ul style="list-style-type: none"> <li>• Stores, depots, offices (including training centre buildings &amp; grounds).</li> <li>• Rent paid on non-operational premises.</li> <li>• Rates and taxes payable on non-operational premises.</li> </ul>

	<ul style="list-style-type: none"><li>• Utilities including electricity, gas and water (supply and sewerage).</li><li>• Inspection and maintenance costs of non-operational premises.</li><li>• Facilities management costs including security and reception.</li><li>• Training centre buildings &amp; grounds.</li><li>• Control rooms and data centres.</li></ul> <p>Excludes:</p> <ul style="list-style-type: none"><li>• Any costs relating to operational property (i.e. premises which contain network assets and are not maintained for accommodating people e.g. Substations, Boiler Stations, Holder Stations, Compressor Stations, Governor House etc (include under operational property).</li><li>• Any IT systems associated with property management (include under IT &amp; Telecoms).</li><li>• Depreciation and profit/loss on Fixed Assets Relocation costs to or from non-operational premises.</li><li>• Network rates.</li></ul>
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<p>HR &amp; non-operational training</p>	<p><i>HR</i></p> <p>This would include provisions of the HR function i.e. the full range of professional activity for an individual's career path from recruitment to retirement and post retirement where applicable, e.g. management and administration of pension payments (NB PPF scheme administration costs are excluded) and from related professional advice to directly resolving grievances for staff.</p> <p>Includes:</p> <ul style="list-style-type: none"> <li>• Costs of payroll and pension’s management and operation.</li> <li>• Facilitating staff performance, development and reviews.</li> <li>• Industrial and employee relations including HR strategy, policies and procedures.</li> <li>• Monitoring equal employment opportunities.</li> <li>• HR advice to management, succession planning and also retentions and rewards.</li> </ul> <p>Excludes:</p> <ul style="list-style-type: none"> <li>• Pension Scheme Administration and PPF levy costs</li> <li>• Pension deficit repair payments relating to the „established deficit“ and for the avoidance of doubt, all unfunded early retirement deficiency costs (ERDC) post 1 April 2004</li> </ul> <p><i>Non-Operational Training</i></p> <p>Facilitating and operating training courses of a non-technical nature for office-based staff.</p> <p>Includes</p> <ul style="list-style-type: none"> <li>• Staff who organise and provide non-operational training and maintain employees training records.</li> <li>• Cost of running the non-operational training costs e.g. course fees.</li> <li>• Leadership development training.</li> </ul> <p>Excludes:</p> <ul style="list-style-type: none"> <li>• Any operational training costs</li> <li>• Non-operational costs associated with formal training and apprentice programmes (included under operational training)</li> <li>• Time of employees attending training (include as labour costs under the relevant activity for non-operational).</li> <li>• HSE costs (include under Closely Associated Indirect costs).</li> <li>• IT systems associated with HR &amp; Payroll (include under IT &amp; Telecoms).</li> <li>• IT &amp; Property management costs associated with Non-Ops Training (include under IT &amp; Property costs respectively).</li> </ul>
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<p>Finance, audit &amp; regulation</p>	<p>Performing the statutory, regulatory and internal management cost and performance reporting requirements and customary financial and regulatory compliance activities for the network.</p> <p>Includes:</p> <ul style="list-style-type: none"> <li>• Process of payments and receipts.</li> <li>• Time sheet evaluation where not part of the payroll process.</li> <li>• Financial &amp; risk management - e.g. credit &amp; exposure management.</li> <li>• Financial planning, forecasting &amp; strategy.</li> <li>• Financial accounting.</li> <li>• Management accounting.</li> <li>• Investment accounting.</li> <li>• Treasury management.</li> <li>• Transportation income accounting.</li> <li>• Pricing.</li> <li>• Statutory &amp; regulatory reporting.</li> <li>• Tax compliance &amp; management.</li> <li>• Internal audit &amp; management of the relationship with external audit function.</li> <li>• External audit fees.</li> <li>• Cost of regulatory department.</li> </ul> <p>Excludes:</p> <ul style="list-style-type: none"> <li>• Insurance costs (include under Insurance).</li> <li>• Any of the IT systems associated with finance, audit and regulation (include under IT &amp; Telecoms).</li> </ul>
<p>Insurance</p>	<p>Support and expertise to develop the business risk profile, managing the claims process and provision of information and understanding to the business in relation to insurable and uninsurable risks.</p> <p>Includes</p> <ul style="list-style-type: none"> <li>• Insurance premiums</li> <li>• Insurance premium tax</li> <li>• Insurance contract negotiating and monitoring</li> <li>• Insurance claim processing</li> <li>• Insurance risk management</li> <li>• Payments relating to uninsured claims</li> <li>• Costs of in house insurance team</li> <li>• Brokers fees</li> </ul>
<p>Procurement</p>	<p>Responsible for the procurement of goods &amp; services in the support of the business operations, through the management of procurement contracts with suppliers.</p> <p>Includes:</p> <ul style="list-style-type: none"> <li>• The cost of carrying out market analysis.</li> <li>• Identifying potential suppliers, undertaking background</li> </ul>

	<p>review, negotiating contracts, purchase order fulfilment &amp; monitoring supplier performance.</p> <ul style="list-style-type: none"> <li>• Setting up and maintaining vendor accounts within the accounting system, and maintaining e-procurement channels.</li> <li>• Setting procurement guidelines and monitor adherence to the guidelines.</li> </ul> <p>Excludes:</p> <ul style="list-style-type: none"> <li>• Any of the IT systems associated with procurement (include under IT &amp; Telecoms).</li> <li>• Stores &amp; Logistics - The activity of managing and operating stores (include under Closely Associated Indirect Costs for transmission and record in separate stores and logistics category in table 3.1).</li> <li>• Vehicles and Transport - the activity of managing, operating and maintaining the commercial fleet and mobile plant (include under Closely Associated Indirect Costs).</li> </ul>
CEO & group management	<p>Includes:</p> <ul style="list-style-type: none"> <li>• Communications - communication within the UK businesses, internal communications, external communications, media relations, issues management, regional communications, community relations, community awareness, branding, events management</li> <li>• Group Strategy- function has the responsibility of evaluating the strategic options of the Group.</li> <li>• Legal / Risk and Compliance/ Company Secretary - legal department, the management corporate governance for all companies to ensure they comply with legislation, regulations and best practice.</li> <li>• Corporate Responsibility and investor relations - corporate responsibility and interaction with institutional equity investors and market analysts, management of rating agencies also advertising, charity and sponsorship arrangements.</li> <li>• Board Members and Other – staff and other costs of Board members and other corporate costs not fitting into other categories.</li> <li>• Non-executive &amp; group directors’ labour costs (where they are not carrying out specific departmental duties) and Board meeting costs.</li> </ul> <p>Excludes:</p> <ul style="list-style-type: none"> <li>• Insurance management.</li> <li>• Legal advice relating to way leaves/servitudes/easements.</li> <li>• Group costs relating to specific activities e.g. HR, Finance, Audit, Regulation, Taxation, HSE, Insurance, etc (include under the specific cost category).</li> </ul>

	<b>Other indirect activity definitions:</b>
Training & apprentices	<p>Training and apprentices covers the cost of operational training and the cost of training any employees engaged on approved formal training or apprentice programmes (either operational or non-operational).</p> <p>Excludes:</p> <ul style="list-style-type: none"> <li>any non-operational training costs falling under 'HR and non-operational training'</li> </ul>

Common definitions for business support worksheets (3.4, 3.5, 3.6)

Group	<p>For these purposes a group consists of a parent company and its participating interests (participating interest as defined in transmission and gas distribution licenses).</p> <p>Licensees to suggest company specific definitions. Definition of 'group' for this purpose may be different for different companies depending on the levels at which they can realistically provide the data. Group should as minimum include all UK regulated network companies. <i>Licensees to suggest definition by which they will report (for insertion into this guidance).</i></p>
Licensee	As defined in transmission or gas distribution license
Other costs	Any costs not falling under the above categories plus any cost under the above categories cumulatively less than £0.1m in value. Where individual categories are less than £0.1m but the cumulative total of these categories are greater than £0.1m then the costs should be allocated to the most appropriate category/categories so that all category costs are greater than £0.1m.

Specific definitions for this worksheet

ETO	Electricity transmission owner licensees
ESO	Electricity system operator licensee (NGET SO)
GTO	Gas transmission owner licensee (NGGT TO)
GSO	Gas system operator licensee (NGGT SO)
ED	Electricity distribution licensees
GD	Gas distribution licensees
Other group	Depending on definition of group. Other group may include other UK regulated networks (where not already specifically detailed) plus non regulated group companies.
External customers	Other external customers charged out of group cost base.

**3.5 Business support – allocation**

Purpose and use by Ofgem	The purpose of this table is to trace the group net cash controllable costs (from table 3.4) to individual activity allocated net cash controllable costs including any cost
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	transfers to/from direct activity functions of the company's organisation. This table allows Ofgem to reconcile costs allocations from the various forms of control to the business support activity definitions given above.
Guidance on completing this worksheet	<p>Where costs are identified as 'plus' then these should be entered as positive values. Where cost adjustments are identified as 'less' then these should be entered as negative values.</p> <p>Where a group allocates its costs to UK regulated businesses and non regulated entities from the same 'Group net cash controllable costs' as submitted on table 3.4 without any further transfers between business support activities or to/from direct activities then no entries are required in this table.</p>

Specific definitions for this worksheet

Other adjustments (free form)	Any adjustments not falling under the defined categories. These should be explained in commentary.
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**3.6 Business support – supplementary detail**

Purpose and use by Ofgem	The purpose of this table is to collect additional information required to effectively monitor and understand business support cost drivers and allocations and to facilitate comparison between network sectors and against other industries.
Guidance on completing this worksheet	<p>Costs should be input as positive values</p> <p>Unless stated otherwise all costs are gross (i.e. before capitalisation).</p> <p>The total "Group gross cash controllable cost" on this table should be the same as on table 3.4</p>

Specific definitions for this worksheet

	<b>IT &amp; Telecoms</b>
Application Development	Costs associated with the development of applications before they are put into the production
Application Maintenance &	The costs of maintaining and supporting applications that are in production. Includes minor enhancements and bug fixes



Support	
Desktop services	The costs involved in supporting desktop hardware and software
Application server support	Costs involved in maintaining computer servers
Storage	Costs involved in supporting the IT storage other than in data centres, including cloud storage costs?
Network (LAN & WAN)	The costs involved in implementing and supporting the computer networks, Local Area Network (LAN) and Wide Area Network (WAN)
Business Telecoms	The cost involved in supporting the network of business telephone, mobile and desk phones. It does not include the costs of maintaining the operational telephony linking network assets
Management Services	IT directors and other costs of running the IT function not covered by other areas
Data centres	A facility used to house computer systems and associated components, such as telecommunications and storage systems, redundant/backup power supplies and redundant data communications connections.
End users	<ul style="list-style-type: none"> <li>• N.B. typically end users’ relates to individuals (FTEs) and not devices, except where individuals share devices. A single individual using multiple devices counts as one end user. The number of end-users will never exceed the FTE count of employees plus contractors plus other users.</li> <li>• An end user is defined as an individual (typically <b>either an employee or contractor</b>) that spends <b>at least 10% of his or her time using a network company provided, funded, supported computing device</b> that is part of the network company’s IT infrastructure (i.e. desktops, laptops, hand held devices, etc.) to support his or her business functions. The user must have direct access to internal applications/systems to execute specific transactions on behalf of the network company. Examples: (i) full time employee, working 40 hours per week uses several devices for a total 20 hours per week – counts as one end user, (ii) a part-time employee working 20 hrs per week uses several devices for a total of 2 hours per week – counts as 0.5 end users, (iii) a contractor engaged 20 hours per week on network company business using his or her own devices for 10 hours and network company devices for one hour – counts as zero end users. <ul style="list-style-type: none"> <li>▪ The end user count does NOT include casual users of voice response systems, mobile phones, and pagers.</li> <li>▪ The end user MAY include some <b>users that are not employees or contractors</b> (i.e. agents/brokers/dealers/distributors/supply chain partners), but only if they are using a computing device provided, funded, and supported by the network company at least 10% of their time, and use network company applications/systems to execute specific business</li> </ul> </li> </ul>

	<p>transactions. These '<b>other</b>' users must be named users on the network company systems and use the network company's IT support organisation.</p> <ul style="list-style-type: none"> <li>▪ Smart phone users should only be counted if the user uses the smart phone as the primary device to access internal applications and does this for at least 10% of his or her time. Smart phone users are NOT to be counted if the phone is only used for voice calls and email.</li> <li>▪ Only count end users once even if they have multiple devices.</li> <li>▪ Shared devices used in multiple labour shifts or for groups of people should be counted as a single end user per shift. Do not count each user separately since the device is shared. Network printers should not be counted as a workstation. Example: there are 4 employees using one PC at a workstation. This would count as 1 end user. If the scenario occurs across 3 shifts, this should be counted as 3 end users.</li> </ul>
	<b>Property Management</b>
Office	A property is defined as an office if its primary function is to accommodate office based staff during their business hours.
Depot	A building other than an office used for operational purposes.
Training Centre	A property is defined as a training centre if its primary function is to accommodate staff while on operational or non-operational training courses or programmes.
No. of buildings	<p>For multi-use buildings then the number of buildings should be calculated on a pro-rata basis based on floor space in exclusive use, with shared floor space (e.g. staff canteens) split pro rata between office space and training centres. For example a building that is 30% office space 20% training centre, 15% depot, and 35% shared (e.g. staff canteen, toilets) would count as 51% (30% + 35%*(30/50)) of an office building (30/(30+20+15), 34% training centre and 20% depot.</p> <p>Where a site contains multiple buildings/facilities then the site should be counted as one building.</p>
Net internal area (NetIA), m <sup>2</sup>	<p>As per the Valuation Office Agency<sup>3</sup> definition (as at 19 March 2013):</p> <p>Broadly speaking the usable area within a building measured to the face of the internal finish of perimeter or party walls ignoring skirting boards and taking each floor into account.</p>

<sup>3</sup> Valuation Office Agency definition:  
<http://www.voa.gov.uk/corporate/Publications/comp.html>, accessed 19 March 2013

	<p>NetIA will include:</p> <ul style="list-style-type: none"> <li>▪ Perimeter skirting, moulding, or trunking</li> <li>▪ Kitchens</li> <li>▪ Any built in units or cupboards occupying useable areas (subject to height exclusion below)</li> <li>▪ Partition walls or similar dividing elements</li> <li>▪ Open circulation areas and entrance halls, corridors and atria</li> </ul> <p>NetIA will exclude:</p> <ul style="list-style-type: none"> <li>▪ Toilets and associated lobbies (but extra measurements may be required for shops where they are either in excess of normal staff requirements considering the type and size of shop) or it is apparent additional toilets have been installed)</li> <li>▪ Cleaners' cupboards</li> <li>▪ Lift rooms, boiler rooms, tank rooms, fuel stores and plant rooms other than those of a trade process nature</li> <li>▪ Stairwells, lift wells, those parts of entrance halls, atria, landings and balconies used in common or for the purpose of essential access</li> <li>▪ Corridors and other circulation areas where used in common with other occupiers or of a permanent essential nature</li> <li>▪ Areas under the control of service or other external authorities</li> <li>▪ Internal structural walls, walls (whether structural or not) enclosing excluded areas, columns, piers, chimney breasts, other projections, vertical ducts etc</li> <li>▪ The space occupied by permanent air conditioning, heating or cooling apparatus and ducting which renders the space substantially unusable having regard to the purpose for which it is intended</li> <li>▪ Areas with headroom of less than 1.5m (this area should be shown separately but excluded)<sup>4</sup></li> <li>▪ Car parking areas (this area should be shown separately and the number of spaces noted)</li> </ul>
Owned (property)	Any premises used by the regulated businesses where the group owns the freehold or the leasehold for the premises.
Leased (property)	Any premises where the group does not own the freehold or leasehold, including where the regulated businesses pay rent. Where rent is paid to a related party then ownership of the premises and the leasing arrangements should be explained.
<b>Insurance department costs</b>	

<sup>4</sup> Note: this figure is given in error as 15m in the Valuation Office definition of 19 March 2013

Insurance premiums	Cost of insurance premiums including insurance premium tax and brokers fees
Other insurance costs	All insurance department costs except for insurance premiums and brokers fees
	<b>Insurance premiums (* indicates definition based on ABI advice doc.<sup>5</sup>)</b>
Loss or damage due to adverse events*	Insurances that protect against loss or damage caused to licensee’s property or trade by adverse events
Property - buildings and contents*	Buildings and contents including fire, lightning, explosion, riot, malicious damage, storm, flood, impact by aircraft, road and rail vehicles, escape of water from tanks or pipes and sprinkler leakage.
Engineering failure*	Engineering insurance cover against electrical or mechanical breakdown for machinery, including computers.
Crime and theft	Includes: <ul style="list-style-type: none"> <li>▪ Crime</li> <li>▪ Theft</li> <li>▪ Money</li> </ul>
Goods in transit*	Loss or damage of machinery, materials etc. while in licensees own vehicles or when sent by carrier. <p>Includes:</p> <ul style="list-style-type: none"> <li>▪ Marine cargo</li> </ul>
Business interruption*	Cover for loss of income and extra expenses, including any increased working costs and extra accountants’ fees incurred, resulting from damage to a licensee’s property or assets.
Trade credit insurance*	Cover against the risk of bad debt due to the insolvency or default of trade debtors.
Motor vehicles*	Cover against third party legal liability for injury to others and damage to their property arising from the use of vehicles on the road and against damage to licensee’s vehicles.
Legal expenses*	Cover against the cost of taking or defending legal action including legal costs such as solicitors’ fees and expenses, the cost of barristers and expert witnesses, and court costs and opponent’s costs if awarded against the licensee in civil cases.
Network assets	Includes: <ul style="list-style-type: none"> <li>▪ Property (towers &amp; poles, etc.)</li> </ul>
Terrorism and sabotage	Cover against loss due to deliberate acts of terrorism or sabotage.
Aviation	Cover against losses associated with ownership and operation of aircraft
Other	Includes: <ul style="list-style-type: none"> <li>▪ Business services allocation</li> </ul>
Third party legal liability*	Cover against licensee’s legal liabilities in the event of some aspect of the licensees business causing damage or harm to a third party or their property

<sup>5</sup> <http://www.abi.org.uk/Information/Business/15310.pdf>, accessed 19 March 2013

Employers' liability*	Cover against legal liability for injury, disease or death to employees sustained by them and arising from their employment. Employees for this purpose may include, in addition to those under a contract of employment, apprentices and other trainees, agency staff, and contractors.
Public and product liability and professional indemnity*	Cover against legal liability to pay damages to members of the public for death, bodily injury or damage to their property which occurs as a result of a licensee's business activities.
Environmental impairment liability	Cover against losses and liability arising from damage to property due to pollution or environmental damaged caused a network company's regulated business operations
Employee*	Cover that protects a network company and its employees against the consequences of serious illness, injury or death, and the effects these events could have on the network company's employees, on their families, and on the network company's business.
Personal accident and sickness insurance*	Cover paid for, fully or in part, by a network company that provides income to an employee to compensate for the loss of earnings through incapacity resulting in inability to work. Where the cost of cover is shared between network company and employee, or where the network company recovers part of the cost from employees, then only the network company's net contribution should be reported.
Income protection insurance*	Cover paid for, fully or in part, by a network company that provides income to an employee to compensate for the loss of earnings through incapacity resulting in inability to work. Where the cost of cover is shared between network company and employee then the network company's contribution should be reported. Where the cost of cover is shared between network company and employee, or where the network company recovers part of the cost from employees, then only the network company's net contribution should be reported.
Private medical insurance*	Private medical cover paid for, fully or in part, by a network company. Where the cost of cover is shared between network company and employee, or where the network company recovers part of the cost from employees, then only the network company's net contribution should be reported.
Life assurance*	Cover paid for, fully or in part, by a network company that provides financial security for employees' dependants and protects the profitability of the business upon death of an employee. Where the cost of cover is shared between network company and employee, or where the network company recovers part of the cost from employees, then only the network company's net contribution should be reported.
Travel	Includes: <ul style="list-style-type: none"> <li>▪ Overseas travel</li> <li>▪ Personal accident/travel</li> </ul>
Directors & officers	Includes: <ul style="list-style-type: none"> <li>▪ Primary and excess directors' and officers' liability</li> </ul>

Employment practice liability	Cover against claims made for alleged acts of discrimination, harassment or inappropriate employment conduct.
Pension trustees indemnity (recharged to pensions)	Cover that protects a network company and /or its pension funds and/or its employees and trustees against claims made by third parties for breach of trust, maladministration and wrongful acts arising from the actions of the trustees to the pension funds.
Self retained claims costs (below deductible)	The amount of any claim which falls below policy excesses or deductibles where the cost is paid by the network company and not the insurers.
Brokers fees	The fee charged by an insurance broker for arranging insurance cover
	<b>Captive insurance</b>
Captive insurance	Insurance cover provided by an insurance entity that is a related party
Premiums invoiced	The amount charged to the policy holders for insurance cover provided
GBRA/P&L	The GBRA (General Business Revenue Account) details the insurance transactions and P & L (Profit and Loss Account) details any non-insurance related income and expenses of the company.
Total Written Premiums	The total amount charged for the insurance cover provided
Reinsurance Costs	The amount paid out to third party reinsurance companies for reinsurance cover
Net premium	The premium income after the deduction of reinsurance costs
Claims Costs	The amounts paid out as insurance claims and claims related fees
Underwriting Expenses	The amounts paid out in expenses required to conduct the insurance business (broker fees, actuarial fees)
Underwriting Profit	The insurance profit/(loss) for the year
Investment Income	The amount generated from the investment of the company's assets
Operating Expenses	The amount paid for the general running expenses of the company
Retained Profit / (Loss)	The profit or loss generated by the company for the year
Unrealised Investment Gain	The amount arising from an increase in market value of assets available for sale
Total Movement in SH Funds	The sum of the retained profit/(loss) and the unrealised investment gain/(loss)
UK Tax Adjustment	The amount charged to the group for UK taxation
Profit After Taxation	The profit or loss generated for the year once taxation has been deducted
Total Written Premiums	The total amount charged for the insurance cover provided
Balance Sheet	The statement of the financial position of the company at a

	point in time
Assets	The resources held by the company that have an economic value
Non-insurance Liabilities	The amounts owed to the general (non-insurance) creditors of the company
Gross Loss Reserves	The amounts expected to be paid out in insurance claims relating to current and past policy periods
Reinsurance Assets	The amounts recoverable from reinsurers under reinsurance contracts purchased
Shareholders' Funds	The value of the company and amount attributable to the shareholders of the company
Annual Retained Risk	The sum of the maximum exposure on all insurance policies issued in the year
Excess Capital Adequacy	Shareholders' funds less annual retained risk
Loss Ratio	The ratio of expenses to net premium income
	<b>CEO and group management</b>
Communications	Communication within the UK businesses, internal communications, external communications, media relations, issues management, regional communications, community relations, events management
Group strategy and group corporate affairs	Function has the responsibility of evaluating the strategic options of the Group
Legal / Comp Secretariat	Legal department, the management corporate governance for all companies to ensure they comply with legislation, regulations and best practice.
Corporate Responsibility and Investor Relations	Corporate responsibility and interaction with institutional equity investors and market analysts also advertising, charity and sponsorship arrangements
Board Members and Other	Staff and other costs of Board members and other corporate costs not fitting into other categories
Incremental ring-fence compliance costs	Costs that have necessarily been incurred as a direct result of complying with the additional ring fence condition requirements introduced by the Authority's licence modification direction dated 1 February 2013. Incremental costs reported may be one-off or ongoing in nature and must not have been included in any other cost reporting category. A comment should be included describing the nature of the costs that have been reported.
	<b>Finance, audit and regulation</b>
Network regulation	Any reasonable costs associated with network regulation, i.e. any costs that the network company would not reasonably have incurred were it operating in a non-regulated environment.
Other	All finance, audit and regulation costs (group net cash controllable costs)

### 3.7 Operational training

Purpose and use by Ofgem	The table records the numbers and costs of training employees engaged on formal training and apprentice programmes including staff costs as well as other operational training costs.
Guidance on completing this worksheet	<p>Networks are required to split their training and apprentice costs and FTE numbers into the defined categories of 'craftsperson apprentice', 'engineer apprentice', and 'graduate and management trainee'. For TOs only the last category is mandatory. However, where it is possible the TOs should also categorise by these categories. Where TOs cannot do this then they should explain their categorisation.</p> <p>With the exception of external funding, all costs should be input as positive values. External funding should be input as negative values.</p>

#### Specific definitions for this worksheet

Craftsperson apprentice	Apprentices who are being trained to attain or retain skills commensurate with Level 1, 2 or 3 Jointers, Overhead Linesman, Fitters, Multi-skilled trades set out by Energy and Utility Skills
Engineer apprentice	Apprentices being trained on an apprenticeship programme leading to qualification as an engineer.
Graduate and management trainee	Employees engaged on graduate training programmes and other formal management training programmes.
Trainee/apprentice programme costs	Costs associated with trainees and apprentices engaged under a formal approved programme
Training costs	Specific costs of training courses materials and other costs specifically relating to training and apprentice programmes. This will only be the costs incurred in training apprentices and trainees whilst they are on engaged on the programme. Therefore the costs will not include the training of the existing workforce.
Apprentice/trainee recruitment costs	Costs associated with recruitment of trainees and apprentices
Other apprentice/trainee admin costs	Other programme costs other than net staff, training, and recruitment costs.
External funding	Funding from any body (for example the National Employment Service) – either paid directly to a third party training provider or to the network company or its parent company - towards any trainee/apprentice programme costs.
Other operational training costs	All operational training costs reported on table 1.3 excluding net programme costs already reported in this table. Detail should be provided in the free text fields and cost fields for



	any significant cost items falling under this heading.
Apprentice and trainee programme FTEs	First to fourth year apprentices should be calculated on an FTE basis. For example if an individual employee is engaged on the first year of a programme for the first three months of a reporting year and progresses to the second year of the programme for the remaining nine months, then that individual will count as 0.25 first year FTEs and 0.75 second year FTEs.

### 3.8 Total transmission salary and FTE Numbers

Purpose and use by Ofgem	The purpose of this table is to show the total transmission and business support gross staff costs and FTEs. This will provide a cost per FTE for comparisons of total transmission employment costs and business support employment costs.
Guidance on completing this worksheet	<p>The licensee should fill in total gross staff costs by type, and FTEs as indicated by the boxes shaded in yellow.</p> <p>Apprentices include craft and engineering apprentices and come from Table 3.7. Other trainees represent Graduate and Other Staff/Management Trainees.</p> <p>NGGT should fill the table in for the total gas and electricity transmission staff separating out TO from SO.</p>

#### Specific definitions for this worksheet

FTE	Full time equivalent
Craftsperson	Employees working in roles requiring the following qualifications - level 1, 2 or 3 Jointers, overhead linesman, fitters, multi-skilled trades set out by Energy and Utility Skills or equivalent
Engineer	Employees working in roles requiring engineering qualifications.

### 3.9 Analysis of excluded, consented, and de minimis services

Purpose and use by Ofgem	The purpose of this table is to collect costs relating to Excluded, Consented, and De Minimis services provided by the transmission business by type of service.
Guidance on completing this worksheet	<p>Cost and revenue should be input as positive values.</p> <p>The description of services being provided should match those</p>

	<p>used in the revenue RIGs for the income received.</p> <p>It may be that some services have no identifiable costs</p> <p>The total costs are linked to Table 3.1a</p>
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Specific definitions for this worksheet

None	
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### 3.10 Provisions

Purpose and use by Ofgem	The purpose of this table is to collect details of the provisions that have affected the results so that Ofgem can understand any significant events happening in the year.
Guidance on completing this worksheet	Data should be input as required in the yellow shaded cells. Costs should be input as positive or negative values as appropriate. SO costs should be reported separately from TO costs where appropriate. Provisions are those defined under standard accounting terminology.

Specific definitions for this worksheet

None	
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### 3.11 Related party transactions

Purpose and use by Ofgem	The purpose of this table is to provide an analysis and understanding of the nature and size of services provided to the transmission business and other GB regulated network businesses by each related party. The information is split between whether the profit margin is allowed or not allowed under Ofgem’s rules.
Guidance on completing this worksheet	<p>Input a description of the services provided by each related party. Input as positive numbers the turnover data for the related party as charged to the transmission business, other regulated network businesses and external customers. Input as negative numbers the respective costs incurred.</p> <p>Where the total charge from a related party to the transmission business is less than £500k per annum that related party does not need to be included on this table.</p> <p>Whether a related party margin is allowed or not is defined in</p>

	appendix 2
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Specific definitions for this worksheet

None	
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### 3.12 Innovation Rollout Mechanism (IRM) expenditure

Purpose and use by Ofgem	<p>The Innovation Rollout Mechanism allows a licensee to request additional funding from the Authority to roll out proven innovations if they have carbon or wider environmental benefits, provide long term value for money, the licensee cannot receive commercial benefits from the roll out within the remainder of the price control period and they are not used to fund ordinary business arrangements.</p> <p>The IRM worksheet provides Ofgem with the costs and other data relating to schemes designed to rollout a proven innovation.</p>
Guidance on completing this worksheet	<p>There are two reporting tables within this worksheet. The first is for the scheme name and category, with total costs reported by year. The categories can refer to capex, or opex.</p> <p>The second is to split the total costs by cost type. These costs will be added to the RAV in accordance with other costs.</p> <p>This sheet will only need to be completed where the licensee has applied to, and the authority has approved a relevant adjustment for the purposes of the IRM.</p> <p>There are two potential application windows for a relevant adjustment. The first window opens on 1 May 2015 and ends on 31 May 2015 and the second application window opens on 1 May 2018 and closes on 31 May 2018. Therefore no expenditure should have been incurred (and therefore reported) prior to 30 November 2015.</p>

Specific definitions for this worksheet

None	
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### 3.13 Network Innovation Allowance (NIA) expenditure

Purpose and use by Ofgem	<p>This table will report the amounts spent under the Network Innovation Allowance (NIA). The Network Innovation Allowance is a set allowance that the licensee can use to</p>
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	spend on innovation projects each year on a use it or lose it basis.
Guidance on completing this worksheet	<p>Costs reported in this table must be incurred in accordance with the most recent version of the NIA governance document, as published by Ofgem. This worksheet requires the same data broken down by different categories. The first requires detailed cost data to be reported by cost type. The second breaks the costs down as either Bid Preparation Costs, or against each (named) project. Data will be reported for the reporting year in question only.</p> <p>This is the total amount spent by the licensee under the NIA. However, it should be noted that this is not equal to the total Allowable NIA Expenditure, since the NIA includes the licensee’s contribution, Unrecoverable NIA Project Expenditure and Direct Benefits. The allowable expenditure is shown in the revenue returns</p> <p>The NIA Expenditure is required to monitor the total amount spent by the Licensee in order to align with the regulatory accounts. Allowable NIA Expenditure is required to monitor the amounts being claimed through the NIA Funding Mechanism.</p>

Specific definitions for this worksheet

None	
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**3.14 Network Innovation Competition (NIC) expenditure**

Purpose and use by Ofgem	<p>This worksheet collects expenditure from the NIC Project bank account for any NIC project that is being implemented. The expenditure is recorded by project.</p> <p>Any Disallowed or Halted Project Revenues should also be included in this worksheet.</p>
Guidance on completing this worksheet	<p>Expenditure incurred on NIC projects should be in accordance with the Project Direction issued by the Authority and the NIC governance document.</p> <p>This worksheet also records the Royalty Revenues that are generated, the Royalties Return Income and the Retained NIC Royalties by Project. Details on the Royalties mechanism are</p>

	<p>outlined in chapter 10 of the NIC governance document.</p> <p>As NIC projects does not form any part of T1 allowances and requires separate detailed reporting every 6 months in the Project Progress Reports, this table will serve only to balance this worksheet to the regulatory accounts.</p> <p>This table should only show expenditure for the reporting and not the outstanding funds required for the project.</p> <p>No expenditure should have been incurred (and therefore reported) prior to April 2013.</p>
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Specific definitions for this worksheet

None	
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**3.15 Physical security opex**

Purpose and use by Ofgem	The purpose of this table is to inform Ofgem of the opex spent on physical security in relation to DECC’s enhanced physical security upgrade programme (PSUP).
Guidance on completing this worksheet	<p>Licensees should provide costs associated with any post-delivery support agreements (PDSA) relating to assets.</p> <p>Overhead costs may include (but are not limited to) project management costs, internal management costs and audit fees.</p> <p>Any other costs must be listed under ‘Other’ and detail provided within the commentary.</p> <p>It specifically <u>excludes</u> funding associated with the provision of Ministry of Defence Armed Guards. See definition for ‘security (armed guards)’.</p>

Specific definitions for this worksheet

None	
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**3.16 Quarry and other loss of development claims**

Purpose and use by Ofgem	The purpose of this table is to collect details of accruals and cash payments relating to quarry and other loss of
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	development claims.
Guidance on completing this worksheet	Data should be input as required in the yellow shaded cells.  Total accrual and cash payment information is linked to Table 3.1

Specific definitions for this worksheet

None	
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## 6. Instructions for completing the capital expenditure worksheets

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### Chapter Summary

The purpose of this chapter is to inform the completion of the capital expenditure worksheets by the TO. This is to enable Ofgem to effectively monitor the performance of the companies in relation to their business plans and capital expenditure baselines set in the Final Proposals.

### Introduction

6.1. The purpose of the worksheets in this area is to report capital expenditure (capex) information at various different levels to enable Ofgem to fully understand capex trends and performance.

6.2. Licensees should submit accurate and (where instructed) audited figures of their costs for the relevant period. Further guidance is provided below.

6.3. All costs are to be entered on a cash controllable basis (see Glossary) and exclusive of atypical items except where specifically instructed to report data. Cash controllable means exclusive of all provisions and all accruals and prepayments that are not incurred as part of the ordinary level of business.

6.4. Forecast data is only required on the capex summary table.

### Overview of worksheets

6.5. The worksheets included within this chapter are:

- 4.1 Capex summary
- 4.2 Project listing
- 4.3 Capex unit cost
- 4.4 Primary asset projects - compressor stations and pipelines
- 4.4 Primary asset projects – compressor units
- 4.5 TO Non operational capex

- 4.6 System operator (SO) capex
- 4.8 Physical security capex

#### 4.1 Capex summary

Purpose and use by Ofgem	The purpose of this table is to collect information relating to the licensee’s historical and forecast expenditure.
Guidance on completing this worksheet	<p>There are no specific instructions for completion of the table. Reporting year data is linked from Table 4.2 Project listing. See 4.2 for project types.</p> <p><u>Forecasts</u></p> <p>Forecasts should be input in the real price of the year to which the RIGs relate. Forecasts will therefore include impacts of real price effects, but not inflation.</p>

#### Specific definitions for this worksheet

None	
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#### 4.2 Project listing

Purpose and use by Ofgem	The purpose of this table is to provide a list of all current projects to install assets on the NTS system.
Guidance on completing this worksheet	<p>List all current projects.</p> <p><b>Project description (load related baseline)</b> – State the description for projects (e.g. Scotland 1-in-20 obligation, Seedcorn investment etc.)</p> <p><b>Project description (incremental)</b> - State the description of load related projects which are funded via revenue driver mechanisms. Projects should be classed as either ‘triggered’ (if backed by user commitment) or ‘not triggered’. Storage projects should be listed under either Entry, Exit or Network flexibility. Bi-directional projects should be listed under either Entry, Exit or Network flexibility depending upon the trigger. Interconnector projects should be captured under the ‘Interconnector (incremental)’ category if due to a bi-directional trigger. If the trigger for an interconnector project is entry or exit, then the project should be listed as either entry or exit.</p>



	<p><b>Trigger event (Incremental only)</b> – State the name of the main scheme or entry point or exit point where an incremental signal was received which triggered this specific project.</p> <p><b>Year trigger received</b> – State the year in which the trigger for this project was received.</p> <p><b>Non load related baseline</b> – Projects which cannot be directly linked to the demand for network capability</p> <p><b>Customer contributed expenditure</b> – Projects where expenditure is reclaimed from third parties.</p> <p><b>Project name</b> – State the project name. Pipelines are to be identified by start and finish points. Compressors are to be identified by compressor station and under each compressor station each power unit shall be listed. Block valves do not need to be identified separately where they form part of another asset which is listed separately. Pig traps do not need to be identified separately where they form part of another asset which is listed separately. Measure pipeline lengths between recorded start and finish points in km.</p>
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Specific definitions for this worksheet

None	
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**4.3 Capex unit cost**

Purpose and use by Ofgem	The purpose of this table is to understand the make-up of the current capex spend for completed projects.
Guidance on completing this worksheet	<p>For projects which have been commissioned during the formula year, enter the requested information for each asset type.</p> <ul style="list-style-type: none"> <li>• Cost for new pipelines/compressors: Enter the total capital cost of pipelines/compressors commissioned in that formula year.</li> <li>• Calculated unit cost: Is the unit cost that has been calculated from the expenditure against the relevant volume (e.g. km of pipeline or MW of compressor unit output).</li> </ul> <p>Where a pipeline of a diameter other than 600mm, 900mm or</p>

	<p>1200mm is built, the diameter should be entered in the 'Other (to be specified)' cell. (Insert further lines where necessary.)</p> <p>Compressor costs should not include the costs of rewheeling, flow modifications etc. where there is new motive power being installed at an existing station. These should be accounted for separately.</p> <p><b>Revisions to previous year's data</b> – Where data provided in previous years has changed, the revised data must be submitted in this table. Add further columns where necessary. The reasons for any changes must be provided in the commentary.</p>
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Specific definitions for this worksheet

None	
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**4.4 Primary asset projects - compressor stations and pipelines**

Purpose and use by Ofgem	<p>The purpose of this table is to understand the out-turn cost of primary assets commissioned during the reporting year, i.e. compressor stations and pipelines.</p>
Guidance on completing this worksheet	<p>For compressor stations NGGT will need to fill in the relevant data. The value of Variation Orders in terms of cost (£m) and time (days) should provide the cumulative value of all the Variation Orders. If the Variation Orders in terms of cost (£m) exceeds 10% of the project pre-build sanctioned cost (£m), NGGT should provide an additional note explaining the issues behind the increase in the cost.</p> <p>For "Other included Works" in compressor stations, NGGT should report works, such as flow reversal, high flow modifications, rewheeling and asset health. This is not an exhaustive list.</p> <p>For "Other included Works" in pipelines, NGGT should report works, such as flow control valves (FCV), upratings etc. This is not an exhaustive list.</p> <p>For "Extra-ordinary Expenditure", NGGT should report other significant factors which influenced the cost at a site level, such as an unusually long HV electrical connection, difficult construction conditions due to weather, etc. Please provide elements of the project that represent more than 10% of total</p>

	project cost.
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Specific definitions for this worksheet

Project pre-build sanctioned cost	This must be the most recently sanctioned cost prior to build.
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**4.4 Primary asset projects – compressor units**

Purpose and use by Ofgem	The purpose of this table is to understand the out-turn cost of major components of compressor stations, i.e. compressor units.
Guidance on completing this worksheet	As above for the compressor stations. NGGT must provide actual data relating to the individual units through the Work Breakdown Schedule (WBS). Where better information exists, NGGT should not just divide the costs of station by the number of units installed. For example, compressor train costs should be provided separately for the individual gas turbine and the VSD installed.

Specific definitions for this worksheet

None	
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**4.5 TO Non operational capex**

Purpose and use by Ofgem	The purpose of this table is report expenditure on TO non operational capex.
Guidance on completing this worksheet	<p>This table requires the licensee to insert the name of specific IT projects where the total expenditure is £1m or more. Full project details not just expenditure in the year should be entered as indicated by the column headings. Expenditure on all other assets and IT assets less than £1m should be entered in total. Where the total spent on a project is more than £1m but the expenditure within a particular year is less than £1m, this should be shown as an individual project and not included in the IT expenditure &lt;£1m category.</p> <p><u>Outputs</u> Please enter the appropriate outputs using the RIIO descriptors where possible</p>

Specific definitions for this worksheet

Non Operational	Expenditure on new and replacement assets which are not
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Capex	<p>system assets.</p> <p>Includes:</p> <ul style="list-style-type: none"> <li>• IT &amp; telecoms (excluding SO IT expenditure).</li> <li>• Vehicles (including mobile plant and generators).</li> <li>• Land and Buildings used for administrative purposes.</li> <li>• Plant &amp; Machinery – including small tools and equipment and office equipment.</li> </ul>
New IT System	A new IT system that is an additional to or replaces an existing IT system
Enhancement	A change to an existing IT system that adds to the capabilities of the system
Refresh	A change to the software or hardware of the system due to an upgrade from the supplier.

#### 4.6 System operator (SO) capex

Purpose and use by Ofgem	The purpose of this table is to report the expenditure on SO capex including Xoserve costs. Ofgem shall use this table to collate all investments undertaken for the SO over the RIIO period.
Guidance on completing this worksheet	<p><u><i>Details of Project / Expenditure within category</i></u>  The licensee shall enter the appropriate asset heading for the first year the RIGs shall take effect from. Thereafter the licensee shall not change the asset headings without prior consent from Ofgem. Data Centres are a specific asset which Ofgem have separately identified for reporting (please see below).</p> <p><u><i>IT System</i></u>  Under each asset please enter details the project investment. Once a project investment descriptor has been entered it shall be retained in the table for all years going forward throughout the RIIO control. The licensee shall enter details of new investments as appropriate.</p> <p><u><i>New/Enhancement/Refresh</i></u>  For each investment please indicate whether it is New / Enhancement / Refresh as appropriate.</p> <p><u><i>Outputs</i></u>  Please enter the appropriate outputs using the RIIO descriptors, where appropriate</p> <p><u><i>Data Centres</i></u></p>

	For investments associated with Data Centres please enter the specific projects. Once a project investment descriptor has been entered it shall be retained in the table for all years going forward throughout the RIIO control. The licensee shall enter details of new investments associated with data centres as appropriate. Data Centres shall remain as an asset heading throughout the RIIO price control.
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Specific definitions for this worksheet

None	
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**4.8 Physical security capex**

Purpose and use by Ofgem	The purpose of this table is to inform Ofgem of the capex spent on physical security in relation to DECC’s enhanced physical security upgrade programme (PSUP).
Guidance on completing this worksheet	<p>Licensees must provide information for <b>all</b> sites where physical security has been upgraded, or where work is currently being (or planned to be) carried out, in relation to the PSUP.</p> <p>Input the actual start and end dates for projects. The start date must be when the licensee begins designing the site specific operational requirement (SSOR) solution. The end date must be when the completed works are signed off (by CAST) as meeting the SSOR. Where dates are not known, the planned start/end dates must be populated.</p> <p>Licensees must input costs which have been incurred in the current reporting year and the total planned costs (VFM1) and, where applicable, total outturn costs (VFM2).</p>

Specific definitions for this worksheet

CAST	Centre for Applied Science and Technology
VFM1	Audit carried out by consultants who provides a view as to whether quotations provided by contractors are efficient (value for money).
VFM2	Audit carried out by consultants who provides a view as to whether the final cost for the completed works are efficient (value for money).

## 7. Instructions for gas network data worksheets

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### Chapter Summary

The purpose of this chapter is to inform the completion of the gas network data worksheets by each TO. This is to enable Ofgem to effectively monitor the performance of the gas transmission networks including in relation to system flows and asset health during RIIO-T1.

### Introduction

7.1. The purpose of the worksheets in this area is to report data on the network and its performance at various different levels to enable Ofgem to fully understand the network changes and network performance year on year.

7.2. Licensees should submit accurate and (where instructed) audited figures of their data for the relevant period. Further guidance is provided below.

### Overview of worksheets

7.3. The worksheets included within this chapter are:

#### 7.4. 5.1 System characteristics

- 5.1 System characteristics
- 5.2 Activity indicators
- 5.3 Utilisation and performance
- 5.4 Demand and capability
- 5.5 Compressor utilisation
- 5.6 Environmental
- 5.7 Asset data
- 5.8 Forecast scenarios

### 5.1 System characteristics

Purpose and use by Ofgem	The purpose of this table is to collect high-level information relating to physical characteristics of the transmission network, showing changes year on year.
Guidance on completing this worksheet	<p>All system characteristics must be entered as at the end of the reporting year (ie 31 March). The data should include all network assets which are operationally available to the Gas National Control Centre (GNCC). Any network assets that are not included and that have not received permission for disposal from Ofgem should be explained in accompanying commentary.</p> <p>The additions/disposals columns must be used to record assets which have been added or removed from the system (ie operationally available or not) since the last reporting year.</p>

Specific definitions for this worksheet

None	
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### 5.2 Activity indicators

Purpose and use by Ofgem	The purpose of this table is to collect key indicators of the overall level of transmission activity.
Guidance on completing this worksheet	<p>All data should be for actual levels of demand showing flows into and out of the network. Gas Distribution Networks (GDN) demand levels from the NTS should be shown by Local Distribution Zone (LDZ).</p> <p>NTS direct connect power stations (by LDZ): power stations must be allocated according to the geographical location.</p> <p>Data for storage sites must be based on net physical flow.</p>

Specific definitions for this worksheet

None	
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### 5.3 Utilisation and performance

Purpose and use by Ofgem	The purpose of this table is to collect information relating to
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	the overall size and quality of transmission service delivered.
Guidance on completing this worksheet	<p>[Note: National Grid are to provide further clarification on this table for approval by Ofgem.]</p> <p>Highest daily total demand: Actual maximum demand.</p> <p>Peak day demand by LDZ: LDZ Demand levels to be shown for the highest daily total demand day (NOT the highest demand in the LDZ).</p> <p>All other demands peak day demand: Demand assumed on the peak day from all non-LDZ points should be included within 'all other demand'. This should include storage and interconnector flows if they are normally assumed to be taking gas from the NTS on the highest total demand day.</p> <p>Peak day NTS shrinkage: Shrinkage on the highest daily total demand day during the reporting year.</p> <p>Number of transmission system incidents: an incident is defined as any unplanned system event which results in a single or multiple loss of supply.</p> <p>Compressor unavailability (Total no. of hours unavailable): Input compressor station and unit. This will autopopulate the cells for the no. of hours available (planned and unplanned) tables.</p> <p>No. of hours unavailable (planned) – Input the number of hours each month the unit is unavailable for operation due to planned outages.</p> <p>No. of hours unavailable (unplanned) – Input the number of hours each month the unit is unavailable for operation due to unplanned outages.</p>

Specific definitions for this worksheet

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**5.4 Demand and capability**

Purpose and use by Ofgem	The purpose of this table is to collect key indicators of overall
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	levels of capacity booked and levels of actual demand.
Guidance on completing this worksheet	Capacity should be shown for each live Aggregated System Entry Point (ASEP) indicating the highest value of firm capacity booked in the period for the reporting year. Actual flows at each live Aggregated System Entry Point (ASEP) should indicate maximum values observed in the reporting year expressed in GWh/day.  Data for storage sites must be based on net physical flow.

Specific definitions for this worksheet

None	
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### 5.5 Compressor utilisation

Purpose and use by Ofgem	The purpose of this table is to collect data on overall compressor utilisation and enable year on year comparisons to inform about changing patterns of supply and demand.
Guidance on completing this worksheet	Actual monthly running hours should be recorded for each compressor unit. An estimate of running hours for each compressor unit should be provided going forward up to the end of RIIO-T1. Post mid-period review, NGGT should provide a forecast for the subsequent five years on a rolling basis. It is recognised that this is an estimate, using a variety of intelligence and a process which the TO considers robust and fit for delivering accurate forecasts. This may be a process similar to that used to produce the Network Review document or other, if the TO considers this appropriate. Accompanying commentary should describe the methodology used in detail and the reasons for year-on-year changes.  Data for decommissioned units should be captured in the last table.

Specific definitions for this worksheet

None	
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### 5.6 Environmental

Purpose and use by Ofgem	The purpose of this table is to collect data on the environmental performance of the National Transmission
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	System (NTS) so as to be able to link to throughput, and compare trends year on year.
Guidance on completing this worksheet	This table is to include actual CO <sub>2</sub> and NO <sub>x</sub> gaseous emissions from compressor stations, consistent with the running hours presented in table 5.5, and following methodologies consistent with those used for NGGT's 'Network Review'. CO <sub>2</sub> emitted by gas powered compressors. Methane emitted from plant: Kg of methane emitted per annum. Further detail (e.g. categorised volumes, etc.) may be provided where considered necessary.

Specific definitions for this worksheet

None	
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**5.7 Asset data**

Purpose and use by Ofgem	The purpose of this table is to provide a list of all assets installed on the NTS system.
Guidance on completing this worksheet	<p>List all assets whose installation has been completed by 1<sup>st</sup> April for each year.</p> <ul style="list-style-type: none"> <li>• Pipelines should be identified by start and finish points.</li> <li>• Compressors are to be identified by compressor station and under each compressor station each power unit shall be listed.</li> <li>• .</li> <li>• .</li> <li>• Date constructed: enter year e.g. 1971.</li> <li>• Design life: enter number of years.</li> <li>• Pipeline diameter: enter in mm.</li> <li>• Pipeline length: measure pipeline lengths between recorded start and finish points in km.</li> <li>• Design pressure rating: measured in bars.</li> <li>• Identify each pipeline by its NTS feeder number.</li> </ul>

Specific definitions for this worksheet

None	
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**5.8 Forecast scenarios**

Purpose and use by Ofgem	The purpose of this table is to collect information to identify entry and exit forecast parameters which help to inform network reinforcement investment decisions.
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<p>Guidance on completing this worksheet</p>	<p>The forecast scenarios to be reported on will vary from year to year. Values to be entered as necessary - maximum peak day 1-in-20 forecast levels are taken to be a minimum reporting requirement. Within this table, the 'minimum' is expected to capture the minimum flow rate expected under 1-in-20 peak day demand conditions. The maximum and minimum case tables are to capture the collection of maxima and minima, respectively, ie they are an undiversified set (so the sum of entry flows in each table will have no meaning). The maxima and minima should be populated from NGGT's usual supply forecasting scenarios.</p> <p>The licensee may need to report additional forecast data resulting from other criteria or tools used for network planning, e.g. SNT, Day1 Severe LDC, Day 'n' Severe LDC or such values as identified.</p>
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Specific definitions for this worksheet

<p>None</p>	
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## 8. Instructions for completing the network outputs worksheets

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### Chapter Summary

The purpose of this chapter is to inform the completion of the outputs worksheets by each TO. This is to enable Ofgem to effectively monitor the performance of the companies in delivering their RIIO-T1 outputs and to determine any associated reward or penalty under the incentive arrangements consistent with the Final Proposals.

### Introduction

8.1. The purpose of the worksheets in this area is to report performance against the various outputs. This will allow Ofgem to monitor the licensee’s performance against the output targets year on year.

8.2. Licensees should submit accurate and (where instructed) audited figures of their data for the relevant period. Further guidance is provided below.

8.3. All costs are to be entered on a cash controllable basis (see Glossary) and exclusive of atypical items except where specifically instructed to report data. Cash means exclusive of all provisions and all accruals and prepayments that are not incurred as part of the ordinary level of business.

### Overview of worksheets

8.4. The worksheets included within this chapter are:

- 6.1 Customer satisfaction
- 6.2 Business carbon footprint (BCF)
- 6.3 Gas incremental capacity
- 6.4 Gas constraints and TSS
- 6.5 Physical capability of NTS connectees
- 6.6 Condition and risk – entry, exit, compressors, pipelines & multijunctions

## 6.1 Customer satisfaction

Purpose and use by Ofgem	The purpose of this table is to collect the results from surveys that the transmission owners are required to carry out under the customer/stakeholder satisfaction output. The output has two financial incentive elements. One is a stakeholder engagement discretionary reward. The second is a deterministic financial incentive rewarding or penalising the transmission owners for performance as appraised by its customers and/or stakeholders through survey. <sup>6</sup> This table relates to this second element reflecting survey results and information on the distribution of these results. The comparison of the score against the target is needed to inform the financial incentive. There is both a customer and stakeholder survey and the proportion of each that feed into the final incentive is to be determined for each year. The relevant weighting will be presented in this table. We will also collect the upper quartile and lower quartile of the survey scores to inform us on the survey responses but with no impact on the financial incentive.
Guidance on completing this worksheet	To complete the worksheet each TO is required to include: <ul style="list-style-type: none"> <li>• level of performance subtracted from the target (as specified in Special Licence Condition 2C)</li> <li>• mean, 25% and 75% quartile survey scores<sup>7</sup> (in the case of National Grid this includes both the survey of customers and the equivalent scores for the survey of stakeholders)</li> <li>• proportion between of customer and stakeholder survey whose performance feeds into the financial incentive.</li> </ul>

Specific definitions for this worksheet

None	
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## 6.2 Business carbon footprint (BCF)

Purpose and use by Ofgem	The purpose of this table is to collect information on the licensee’s business carbon footprint (in tonnes of CO2 equivalent) in order for us to review the carbon footprint across all the TOs. This information may be published in
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<sup>6</sup> NGET and NGGT shall include results from both a survey of customers and a survey of stakeholders.

<sup>7</sup> The median and quartile scores will give us a clearer view of the spread of responses to the survey.

	<p>future as part of a report on TOs performance across the RIIO-T1 outputs.</p>
<p>Guidance on completing this worksheet</p>	<p>CO2 equivalent emissions arising from losses on the licensee’s transmission system are included in the table since to provide an annual estimate of total BCF that will align with other environmental reports produced by the company.</p> <p>The associated commentary must contain the methodology used, including detailed emission tables for each of the sections below, and further information on the methodology adopted.</p> <p>As stated below, a licensee can select the 12 month period that it intends to use as its confirmed reporting year. This confirmed reporting year must have prior approval from Ofgem. We expect the confirmed reporting year to align with the statutory or regulatory accounts.</p> <p>The reporting methodology must be compliant with the principles of the Greenhouse Gas Protocol (GHG Protocol). In summary, the BCF reporting must be:</p> <p>Relevant: the inventory must reflect the substance and economic reality of the company’s business relationships, not merely its legal form.</p> <p>Complete: all relevant emission sources must be included.</p> <p>Consistent: accounting approaches, inventory boundary and calculation methodology must be applied consistently over time.</p> <p>Transparent: information on the processes, procedures, assumptions and limitations of the BCF reporting must be disclosed in a clear, factual, neutral and understandable manner, enabling internal and external verifiers to attest to its credibility.</p> <p>Accurate: GHG measurements, estimates, or calculations must be systemically neither over nor under the actual emissions value, as far as can be judged, and that uncertainties be reduced as far as practicable.</p> <p>Licensee’s must report on all Scope 1 and Scope 2 emissions (and a subset of Scope 3 emissions, as detailed below) on an ‘operational control’ basis, ie report all emissions from operations on which the TO has full authority to introduce and</p>

<p><i>Contractors</i></p> <p><i>Detailed reporting requirements</i></p>	<p>implement its operating policy.</p> <p>Licensees must also report on a subset of Scope 3 emissions (business travel and external contractors), to ensure that the reporting captures all of the emissions arising from the development and operation of the licensee’s transmission system, regardless of the legal entity carrying out each activity. According to this, we consider it valuable to focus on contractors emissions relating to the operational transport fleet and mobile power plants.</p> <p>A licensee that forms part of a larger corporate group must provide a brief introduction outlining the structure of the group. The commentary must detail which organisations are considered to be within the reporting boundary for the purpose of this exercise.</p> <p>Apportionment of emissions across a corporate group to the licensee’s business units must be made clear in the commentary.</p> <p>The exclusion of any contractors must be justified and any thresholds used for exclusion must be stated in the commentary.</p> <p>The commentary must also include an indication of what proportion of contractors have been excluded. This figure could be calculated based on contract value.</p> <p>As far as possible, the licensee must try to ensure that data provided from different contractors is based on consistent assumptions.</p> <p>Licensees are given flexibility to set their own standards for:</p> <ul style="list-style-type: none"> <li>• Reporting year. We expect this generally to align with the statutory or regulatory accounts.</li> <li>• The use of estimates rather than direct measurement, and any exclusion from the reporting based on (lack of) materiality considerations. Any assumptions used to make estimates must be included in the commentary. It is anticipated that data will need to be estimated under two scenarios:</li> </ul>
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- when the type of emissions is not measured
- when there is measurement data, but an estimate is required as the data is not at the same level of granularity as required by the summary BCF worksheet.

- As a general principle, the licensees must focus more on the first type of estimation.

The commentary must include data tables for each area of emissions (ideally at the same level of granularity as Defra conversion factors) containing the following information:

- the licensee in question
- the level of emissions (in tCO<sub>2</sub>e)
- the data source and collection process
- the relevant physical units e.g. miles
- the emission conversion factor used
- the source of the emission conversion factor (this shall be Defra unless there is a compelling case for using another conversion factor)
- the Scope of the emissions ie Scope 1, 2 or 3
- whether the emissions have been measured or estimated
- any tools used in the calculation
- whether the emissions stem from contractors.

The commentary must also include details of any auditing a licensee has performed to verify their emissions data.

*Apportionment*

When the emissions data is not available for the individual licensee then the apportionment factor used must be transparent. The basis for calculating the apportionment factor must also be included in the commentary.

We expect that the basis for calculating the apportionment factor will vary according to the area of emissions. The table below gives the preferred basis for determining the apportionment factor. Other methodologies can be used, but they must be justified.



**Table 6.1: Apportionment factor determination**

Area of emissions	Basis for apportionment factor
Building energy usage	Head count
Operational transport	Network length
Business transport	Head count, or like operational transport

*Buildings energy usage*

Emission for electricity usage in buildings must be converted using carbon equivalent factor. The licensee must state in its methodology (included in the commentary) the conversion factor it has used and why it considers this to be appropriate.

Natural Gas, Diesel and other fuels are all categorised as fuel combustion and must be converted to tCO<sub>2</sub>e on either a Gross Calorific Value (Gross CV) or Net Calorific Value (Net CV) basis. We expect that this element of the chosen approach is clearly stated in the commentary and that this is consistently applied over time.

*Transport*

Defra guidelines provide for a range of emission conversion factors for transport means, with the aim to provide the best possible estimate of emissions from the vehicle portfolio owned and/or operated by the company. The reporting must, as far as reasonably practicable, use the full range of emission conversion factors available (as applicable to the range of means of transport actually used by the company).

Defra allows for transport to be entered in terms of both mileage and fuel consumption. Reporting must be based upon mileage, using conversion factors at the greatest level of disaggregation that is reasonably practicable. Reporting can be based on fuel consumption only where detailed and reliable data is available, e.g. through fuel cards.

Business travel by road can be entered in terms of company car and private car. The GHG Protocol defines company cars as scope 1 and private car use for business purposes as scope 3.

In cases where emission factors for specific transport means are not available (we are aware of this issue for helicopters, but there may be some other instances) the equivalent tonnes of carbon dioxide (tCO<sub>2</sub>e) must be estimated and summed to the closest means of transport (e.g. 'air' for helicopters). The methodology and assumptions used for

	<p>estimating/measuring these emissions must be included in the commentary.</p> <p>Operational transport is the transportation (often a fleet of vehicles) used in the day to day operation of the business – ie in the inspection and maintenance of the network.</p> <p>Business transport is that undertaken by staff travelling to locations that are other than their normal place of work or moving between sites for purposes such as meetings.</p>
<i>Fugitive emissions</i>	<p>This category caters for GHG emissions from a range of gases that may be relevant to the TO business. We anticipate that this will mainly include Methane emissions, but other gases may be included (e.g. HFC from air conditioning).</p> <p>The commentary must identify which fugitive emissions have not been calculated or estimated.</p>
<i>Fuel combustion (non-building)</i>	<p>This is to cover for non-building fuel usage, such as mobile plants and the stand-by diesel mobile generators that are deployed from time to time in response to planned outages or faults. Defra emissions factors must be used. All mobile plant and generation used by the licensee, related and affiliate undertakings, contactors and sub-contractors must be included in so far as it is reasonably practicable. The methodology must describe the degree of estimation, and decisions to exclude any sources of emissions, applied.</p>
<i>Losses</i>	<p>This is to consider TOs responsibility towards losses as a Scope 2 emission, using the Defra conversion factor ‘Grid Rolling Average’ for electricity losses. Substation electricity usage must be excluded from the reported emissions for network losses, so that it is not double-counted.</p> <p>As explained above, an estimate of losses is required because it is important for Ofgem to have an indication of the overall BCF for a company and across all TOs.</p>

Specific definitions for this worksheet

None	
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**6.3 Gas incremental capacity**

Purpose and use by Ofgem	The purpose of this table is to inform on needs for incremental capacity over time and details of how this is
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	delivered by NGGT. It also supports and provides information about the future applicability and level of permits.
Guidance on completing this worksheet	<p>NGGT needs to report capacity sought from each signal (for each entry or exit point on the system) requiring incremental capacity. This needs to provide detail of the proportion of capacity delivered within the relevant existing lead times (again by entry point). It will include the date for delivery of capacity (this includes the relevant Lead Time but also post any application of permits).</p> <p>Incremental capacity includes Funded Incremental Obligated Capacity only. It does not include exit capacity made available without funding or entry/exit capacity made available through substitution.</p> <p>At least for the year 1 April 2013 - 31 March 2014, and potentially beyond subject to our Final Proposals, NGGT should report on the number of permits played in relation to projects in the relevant period by each point and the monetary value associated with these permits.</p> <p>This table will only be used where a signal has taken place and entry/exit incremental capacity is required. This means that other entry/exit points will not be presented.</p>

Specific definitions for this worksheet

None	
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**6.4 Gas constraints and TSS**

Purpose and use by Ofgem	The purpose of this table is to collect information about the costs and revenues associated with NGGT’s constraint management actions and the actions in procuring transportation support services (TSS).
Guidance on completing this worksheet	NGGT should supply the monetary amounts. Special Conditions 3B and 3C provide definitions.

Specific definitions for this worksheet

None	
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### 6.5 Physical capability of NTS connectees

Purpose and use by Ofgem	The purpose of this table is to provide background information useful for understanding the demands for and capability to provide incremental capacity at the NTS and/or network flexibility expenditure. It provides information with respect to the capability of the physical connections of NTS connectees and not information about the wider NTS up the the point of connection.
Guidance on completing this worksheet	<p>The capability of the physical connection is ascertained in accordance with the process followed to determine the physical capability of NTS exit points following the implementation of UNC Modification 0195AV.</p> <p>NGGT must update the reporting year’s data if during the reporting year expenditure has been requested for either (i) incremental capex and/or (ii) for network flexibility – under the uncertainty mechanisms provisions in RIIO-T1.</p>

#### Specific definitions for this worksheet

None	
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### 6.6 Condition and risk – entry, exit, compressors, pipelines & multijunctions

Purpose and use by Ofgem	The purpose of these tables is to collect secondary asset information on current and forecast asset health, criticality and replacement priorities to assess performance against business plans and reported expenditure.
Guidance on completing this worksheet	<p>Asset health and criticality: NGGT to provide the number of assets by asset category heading falling within the asset health categories (AH1, AH2, AH3, AH4, AH5) and criticalities (C1, C2, C3, C4) for the stated years. Definitions of these categories are contained on these worksheets. The total of assets reported against each asset category should reconcile with the asset register. For the forecast asset health distribution the transmission companies should forecast for the entire asset base (ie it should take account of both the level of non-load related replacement and the level of load related additions).</p> <p>Replacement priorities matrix: NGG to provide the replacement priorities based on the different combinations of asset health and criticality.</p> <p>Replacement priorities tables: The replacement priorities</p>



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	tables are to be populated according to the risk matrix to be agreed between the transmission companies and Ofgem.
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Specific definitions for this worksheet

None	
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## 9. Instructions for completing the gas system operator worksheets

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### Chapter Summary

The purpose of this chapter is to inform the completion of the gas system operator worksheets by the SO. This is to enable Ofgem to effectively monitor the performance of the gas transmission system operator against the gas system operator incentive schemes.

### Introduction

9.1. The purpose of the worksheets in this area is to report data on the performance of the System Operator against the Gas System Operator Incentives. This data is to enable Ofgem to monitor performance and revenues under the incentive scheme.

9.2. In addition to annual returns, we require the System Operator to provide us with the following information:

- A monthly data pack, to be submitted five weeks after the end of each month, provided in the same worksheets format outlined in this chapter;
- A monthly written report, to be provided one week after the end of each month, providing a qualitative summary of its performance during the month including (but not limited to):
  - flagging any substantial variations in cost or incentive performance against the incentive targets;
  - details of any substantial variation and a commentary on why this has occurred e.g. changes to market conditions, a one-off event, etc;
- A quarterly written report, to be submitted five weeks after the end of each quarter, including a general System Operator report, providing qualitative analysis of its performance during the quarter concerned including:
  - an overview of its performance against each incentive;
  - a discussion of any changes to market conditions which may be affecting the System Operator's costs/role;
  - an explanation of any significant changes in System Operation costs/actions; and
- Presentations to Ofgem (as requested by Ofgem and on dates to be agreed between Ofgem and the System Operator) to highlight the main points relative to the System Operator's performance over the relevant period as specified by Ofgem. Such presentations will not be required at intervals shorter than a month.

9.3. Only the annual submission must be accompanied by a letter signed by a director on behalf of the licensee confirming that the data is accurate and has been provided in accordance with the RIGs. Other more frequent submissions should nonetheless have an appropriate level of management oversight and licensees should

submit accurate figures of their data for the relevant period. Where indicated (normally for annual returns only) licensees should provide audited figures. We note that some values in this section may be negative values owing to the nature of information required. Further guidance is provided below.

## Overview of worksheets

9.4. The worksheets included within this chapter are:

- 7.1 Operating margins cost report
- 7.2 NTS shrinkage incentive report (revenue)
- 7.3 NTS shrinkage incentive report (prompt volume and price targets)
- 7.4 NTS Shrinkage (gas trades analysis)
- 7.5 NTS shrinkage (electricity trades analysis)
- 7.6 Residual gas balancing incentive report (overview)
- 7.7 Residual gas balancing daily price incentive payments and daily linepack incentive payments
- 7.8 Demand forecasting incentive report (overview)
- 7.9 Demand forecasting day ahead incentive revenue and two to five day ahead incentive revenue
- 7.10 Demand forecasting day ahead incentive: demand forecasting adjustment
- 7.11 Greenhouse gas emissions incentive report (incentive revenue)
- 7.12 Greenhouse gas emissions venting data
- 7.13 Maintenance incentive report

### 7.1 Operating margins cost report

Purpose and use by Ofgem	The purpose of this table is to collect information about the availability, utilisation and cost of Operating Margins.
Guidance on completing this worksheet	The relevant term is defined in Special Condition 3D.

Specific definitions for this worksheet

None	
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### 7.2 NTS shrinkage incentive report (revenue)

Purpose and use by Ofgem	The purpose of this table is to collect information in relation to performance against the shrinkage incentive.
Guidance on completing this worksheet	All relevant terms are defined in Special Condition 3D.

Specific definitions for this worksheet

None	
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### 7.3 NTS shrinkage incentive report (prompt volume and price targets)

Purpose and use by Ofgem	The purpose of this table is to collect information relating to Prompt Volume and Price Targets in relation to the Shrinkage Incentive.
Guidance on completing this worksheet	All relevant terms are defined in Special Condition 3D.

Specific definitions for this worksheet

None	
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### 7.4 NTS Shrinkage (gas trades analysis)

Purpose and use by Ofgem	The purpose of this table is to collect information relating to underlying gas trades taken in relation to the Shrinkage Incentive.
Guidance on completing this worksheet	Data relating to trades should be entered as indicated in the worksheet. In this worksheet where appropriate values should be provided in £ figures and not £ million figures displayed to one decimal place.



Specific definitions for this worksheet

None	
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### 7.5 NTS shrinkage (electricity trades analysis)

Purpose and use by Ofgem	The purpose of this table is to collect information relating to underlying electricity trades taken in relation to the Shrinkage Incentive.
Guidance on completing this worksheet	Data relating to trades should be entered as indicated in the worksheet. In this worksheet where appropriate values should be provided in £ figures and not £ million figures displayed to one decimal place.

Specific definitions for this worksheet

None	
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### 7.6 Residual gas balancing incentive report (overview)

Purpose and use by Ofgem	The purpose of this table is to report incentive revenues in relation to the Residual Gas Balancing Incentive.
Guidance on completing this worksheet	The relevant term is defined in Special Condition 3D.

Specific definitions for this worksheet

None	
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### 7.7 Residual gas balancing daily price incentive payments and daily linepack incentive payments

Purpose and use by Ofgem	The purpose of this table is to collect data in relation to the Daily Price Incentive Payment and Daily Linepack Incentive Payment which make up the Residual Gas Balancing Incentive revenue.
Guidance on completing this worksheet	All relevant terms are defined in Special Condition 3D. In this worksheet where appropriate values should be provided in £ figures and not £ million figures displayed to one decimal place.

Specific definitions for this worksheet

None	
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### 7.8 Demand forecasting incentive report (overview)

Purpose and use by Ofgem	The purpose of this table is to report headline incentive revenues under the Demand Forecasting Incentive.
Guidance on completing this worksheet	All relevant terms are defined in Special Condition 3D.

Specific definitions for this worksheet

None	
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### 7.9 Demand forecasting day ahead incentive revenue and two to five day ahead incentive revenue

Purpose and use by Ofgem	The purpose of this table is to provide a breakdown of information of inputs into the Demand Forecasting Incentive.
Guidance on completing this worksheet	All relevant terms are defined in Special Condition 3D.

Specific definitions for this worksheet

None	
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### 7.10 Demand forecasting day ahead incentive: demand forecasting adjustment

Purpose and use by Ofgem	The purpose of this table is to provide information about relevant adjustments for the Day Ahead component of the Demand Forecasting Incentive.
Guidance on completing this worksheet	All relevant terms are defined in Special Condition 3D.

Specific definitions for this worksheet

None	
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### 7.11 Greenhouse gas emissions incentive report (incentive revenue)

Purpose and use by Ofgem	The purpose of this table is to report performance against the
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	Greenhouse Gas Emissions Incentive.
Guidance on completing this worksheet	All relevant terms are defined in Special Condition 3D. Data should be consistent with the System Operator’s Greenhouse Gas Emissions Calculation Methodology <sup>8</sup> (as required under Special Condition 8H). For the avoidance of doubt, Ofgem considers “accepted greenhouse gas accounting and auditing principles” specified in Special Condition 8H to be consistent with those set out in Chapter 10 of the GHG protocol, “The Greenhouse Gas Protocol, A Corporate Accounting and Reporting Standard Revised Edition” which can be found at <a href="http://www.ghgprotocol.org/standards/corporate-standard">http://www.ghgprotocol.org/standards/corporate-standard</a>

Specific definitions for this worksheet

None	
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### 7.12 Greenhouse gas emissions venting data

Purpose and use by Ofgem	The purpose of this table is to provide a breakdown of information about venting by vent type in relation to the Greenhouse Gas Emissions Incentive.
Guidance on completing this worksheet	All relevant terms are defined in Special Condition 3D. Data should be consistent with the System Operator’s Greenhouse Gas Emissions Calculation Methodology (as required under Special Condition 8H). For the avoidance of doubt, Ofgem considers “accepted greenhouse gas accounting and auditing principles” specified in Special Condition 8H to be consistent with those set out in Chapter 10 of the GHG protocol, “The Greenhouse Gas Protocol, A Corporate Accounting and Reporting Standard Revised Edition” which can be found at <a href="http://www.ghgprotocol.org/standards/corporate-standard">http://www.ghgprotocol.org/standards/corporate-standard</a>

Specific definitions for this worksheet

None	
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### 7.13 Maintenance incentive report

Purpose and use by Ofgem	The purpose of this table is to collect information in relation to
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<sup>8</sup> Special Condition 8H requires that the Greenhouse Gas Emissions Calculation Methodology should be verified by an Independent Examiner.



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	the Maintenance Incentive.
Guidance on completing this worksheet	All relevant terms are defined in Special Condition 3D. The yellow highlighted boxes on the table should only be filled in on an annual basis rather than forecasting each month.

Specific definitions for this worksheet

None	
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## 10. Instructions for completing the revenue reporting worksheets

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### Chapter Summary

#### **The revenue return pack is provided in a separate workbook.**

This chapter sets out the purpose of the revenue reporting regulatory instructions and guidance (RIGs).

The RIGs will take effect for the detailed revenue return due by July 2014 (relating to the relevant Formula year 2013-14) and subsequent returns up to 2020-21. The revenue reporting RIGs have been prepared and introduced pursuant to Special condition (SC) 2A (Restriction of NTS Transportation Owner Revenue) and 3A (Restriction of NTS System Operation Revenue). Each TO will receive a template so that the data is collected on a conformed basis.

For the avoidance of doubt the RIGs are subordinate to those license conditions that may apply to the determination of allowed revenues or which contain associated reporting obligations. It will not change, alter or amend any definition or obligation contained within the transmission licence and, in the event of any inconsistency between the licence conditions and these guidance, the licence conditions will take precedence.

### Introduction

The purpose of SC2A is as follows:

- (a) to establish the charging restrictions that determine the level of Maximum Revenue that may be recovered by the licensee through Transmission Network Charges; and
- (b) to set out the obligations of the licensee in respect of those charging restrictions.

The purpose of SC3A is as follows:

- (a) to establish the charging restrictions that determine the level of allowed revenue that may be recovered by the licensee, associated with its internal costs in relation to balancing services activity; and
- (b) to set out the obligations of the licensee in respect of those charging restrictions.

The Revenue return contains various worksheets used to calculate the Maximum Revenue that the TO or SO can claim.

Inputs required by the licensees are made to the Input page sheet. The inputs required are all as defined in the appropriate licence condition and are not repeated here.

## Overview of worksheets

The main worksheets included within this chapter are:

### Version Log Sheet

The log sheet is for information only. It is used to document any version changes and significant changes made to the revenue return by OFGEM.

### Licence Condition Values

This worksheet contains the key licence parameters required to calculate allowed revenue. It is pre-filled by OFGEM using values quoted in the licence conditions. The data is derived principally from the annexes to Special Conditions 2A to 2F of the TOs special licence conditions (3A to 3DJ for the SO). These values are used in the formulae to derive the licence terms.

### Input Page

The light yellow cells represent the data that TOs (or SO) need to complete for each Formula year. Macroeconomic data, such as the specified interest rate and RPI, will be pre-filled by OFGEM.

### Excluded service revenues/ De minimis

This sheet details the revenue received by the licensee from excluded services or for de minimis activities.

### Reconciliation to statutory accounts

The purpose of this sheet is to reconcile the amount shown in the revenue return pack to the amount in the regulatory accounts. The revenue from the regulatory accounts is required to be input in this sheet.

# 11. Supporting Commentary

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## Chapter Summary

11.1. Along side the submission of its templates, NGGT must submit a commentary. This commentary gives more details on specific areas which aid Ofgem’s understanding of the results from a number of perspectives. This also gives more information about the likely outturn in the future. This list would be seen as the minimum that NGGT should produce, in some areas there will be nothing to report but the company should state this

11.2. The main purpose of the commentary is to:

- Provide a summary of the key outputs you have delivered during the year and set them in context of the delivery of overall RIIO-T1 price control outputs. This should include a forecast out to the end of the price control. The commentary should explain the reasons for any material differences between our planned price control and actual/forecast performance. For future commentaries there will be a requirement to explain material differences in movement of forecast from the previous year.
- Provide an appropriate narrative that explains the reasons for actual/forecast spend and workload and the material differences between allowances and our actual spend.
- The appropriateness and materiality should be set at a level that avoids the need for Ofgem to ask supplementary questions

11.3. The requirements are as follows:

- Table by table comments – any further explanation of significant movement in the information including:
  - Outputs – more detail on the outputs achieved in the year, discussion of secondary outputs, does the company believe it will achieve the required outputs at the end of RIIO period
  - Costs – more detail on the cost movements in the year. This may be done table by table to the extent that the information is not covered elsewhere.
  - Project Workload – more detail about changes in workload, impacts on business now and in the future.

- Uncertainties – a more critical assessment as to how uncertainties may affect performance in the future and project delivery
- Excluded services - how the costs reported have been calculated. Any difference between reported revenue and that in the Revenue Return
- Allocation methodology – any changes, and rationale for changes, to the submitted methodology
- Real price effects – company view of real price effects that it has faced in the year and may face in the future. This will only be included by exception when significant changes are being experienced or forecast.
- Benchmarking / performance improvement / Efficiencies – details of what a company has undertaken in the year or proposes for the future. This will only be reported where significant\* activity has been undertaken.
- Commentary on updated forecast investment and output delivery



# Appendices

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## Appendix 1 – Glossary and definitions

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1.1. The purpose of this appendix is to provide definition of the terms included in these instructions and in the associated worksheets (with the exception of Totex which is defined in Appendix 2).

1.2. Most definitions apply to specific tables and therefore are included as part of the table instructions for completion, this appendix provides definitions that cover more than one table and more general definitions. Any word or expressions used in the Utilities Act 2000, Electricity Act 1989, the Energy Act 2004, or standard or special licence conditions of the electricity transmission licence shall have the same meaning when used in these rules, similarly for standard accounting terms, IFRS/IAS and/or UK GAAP and Companies Act 2006 definitions should be applied.

1.3. In the circumstance where no definition is given, the licensee should include in explanatory notes details of the treatment it has applied, and should inform The Authority of the omission. Where a definition set out in this appendix is not the same as that applied by a licensee for other purposes, the definition set out herein must be used in the preparation of the RIGs templates.

1.4. Except where the context otherwise requires, any reference in this appendix or in the RIGs to a numbered standard or special condition (with or without a letter) or Schedule is a reference to the standard or special condition (with or without a letter) or Schedule bearing that number in the electricity transmission licence, and any reference to a numbered paragraph (with or without a letter) within such a standard or special condition is a reference to the paragraph bearing that number in the standard or special condition or Schedule of the electricity transmission licence in which the reference occurs, and reference to a Section is a reference to that Section in the standard or special conditions of the electricity transmission licence.

### **A**

#### **Accounting Costs**

Costs as per statutory or regulatory accounts before any adjustments for non controllable costs and atypical, provisions etc.

#### **Accruals and Prepayments**

For the purpose of determining what amounts should be excluded as non cash items. These are only those items that are not incurred as part of the ordinary level of business activities and would be atypical. Normal business activities include, normal trade accruals and prepayments and holiday pay provisions.

#### **Affiliate IDNO**

An independent distribution network operator owned by the group and operating within the group's own electricity distribution network area

### Annual iteration Process

The annual iteration process is the process of annually updating the variable (blue box) values in the price control financial model and running the model in order to provide updated MOD and SOMOD values.

## **B**

### BT 21 CN Teleprotection

Opex costs incurred as a result of the BT21CN transition

## **C**

### Cash Controllable Costs

The normal ongoing cash operating costs, excluding non-recurring / one off costs that are controllable by the transmission company.

### Change in market value of investments

The change in the market value of a schemes investments over a period of time where the approach used to assess the market value of an asset is the same as the approach used for the purposes of a triennial valuation

### Closely Associated Indirect Costs

Costs that support the operational activities. Closely associated indirect costs includes network policy (including research and development), network design and engineering, engineering management and clerical, wayleaves administration, control centre, system mapping and health and safety functions.

### Customer / Capital contributions

Financial contribution received from / repaid to a customer in respect of the provision of a new connection to the transmission network.

## **D**

### De Minimis

The activity of conducting de minimis business, ie non-transmission activities, which are subject to the limitation provided for in standard licence condition B6 Paragraph 4.

### Direct Costs

Opex relates to the activities required to maintain and operate the transmission networks. Direct opex can be divided into planned work largely associated with maintenance tasks that are driven by asset management policies and technical standards, and unplanned work driven largely by faults on the network.

### Directly Attributable Costs (Network Innovation)

The costs of maintain and managing Foreground Intellectual Property Rights (IPR)

## **E**

### Excluded services

Has the meaning given in the relevant special licence condition

## **F**

### [Fault Repairs](#)

Repair of system assets which have unexpectedly failed to operate as expected.

## **G**

### [GDN](#)

Gas distribution network

## **I**

### [Investment income](#)

The income received on pension scheme assets, net of investment management fees where it is deducted from investment income

### [Investment management expenses](#)

Any pension scheme investment management expenses which are charged separately or have not been implicitly allowed for in the "Change in market value of investments" item or as a deduction from the "Investment income" item

## **L**

### [Low risk assets](#)

Assets where the focus is on protecting capital and gaining a modest return (e.g. gilts)

## **M**

### [MOD Term \[TO and SOMOD for SO\]](#)

The term of that name included in the formula for Base NTS Transportation Revenue set out in Special Condition 2A of the Gas Transporters licence. It represents the incremental change to base revenue for the Relevant Year concerned, ascertained in accordance with the methodologies set out in this Handbook. The value of the MOD term is calculated through the annual iteration of the GT1 Price Control Financial Model (see Chapter 1) and is specified in a direction given by the Authority by 30 November in each Relevant Year.

## **N**

### [Network rates](#)

Prescribed rates levied on the transmission network assets as determined and set by the Valuation Office Agency (VOA) in England and Wales Electricity Supply Industry (Rateable Values) (England) Order 2005 and Scottish Assessors Association (SAA) in Scotland.

### [NIA Allowable Expenditure](#)

NIA Allowable Expenditure is the total expenditure that can be recovered from the NIA. It includes Bid Preparation Costs and Eligible NIA Expenditure.

#### NIA Direct Benefits

Direct Benefits are the benefits of a Project accruing to the Network Licensee during the Project implementation and comprises any expenditure included within the Network Licensees Business Plan for RIIO-T1 that will be saved as a result of undertaking the Project.

#### NIA Eligible Expenditure

Means the amount of expenditure spent or accrued by the Network Licensee in respect of Eligible NIA Projects and forms part of Allowable NIA Expenditure as set out in Part B of the NIA Licence Condition.

#### NIA Unrecoverable Project Expenditure

Means expenditure on a NIA Project the Authority has determined does not satisfy the requirements of the NIA governance document.

#### NIC Eligible Bid Preparation Costs

Means the amount of expenditure spent or accrued by the Network Licensee when preparing submissions for the Network Innovation Competition that appear to have been spent in such a way that satisfies the requirements of the NIA governance document as are necessary to enable the projects to be funded under the provisions of this condition.

#### NIC funding

Funding received from customers via the NTS Operator for Eligible NIC projects. The NIC funding amount will be directed by the Authority in accordance with the NIC governance document.

#### NICF

The amount directed by the Authority to be recovered by National Grid Gas on behalf of all gas distribution and transmission licensees.

#### Non – Transmission

Costs attributable to activities other than transmission e.g. Non regulated, Gas Distribution

#### Non Controllable Costs

Costs not deemed to be controllable by the transmission business, transmission licence fees, and network rates

#### o

#### Operational Property Management

Premises which contain network assets and are not maintained for accommodating people e.g. Substations, Boiler Stations, Holder Stations, Compressor Stations, and Governor Houses etc.

#### Outputs

These are the outputs agreed at the time of setting the RIIO-T1 price control for safety, reliability, availability, environment, customer satisfaction, connections and wider works

## **P**

### [Pension Deficit Payments relating to Established Deficit](#)

Established deficit means the difference between the assets and liabilities, determined at any point in time, attributable to pensionable service up to 31 March 2012 and relating to regulated business activities under our second Pension Principle. The term applies equally if there is a subsequent surplus.

### [Physical Security Expenditure](#)

This refers to costs incurred, or expected to be incurred, by the licensee for the purposes of implementing any formal recommendation or requirement of the Secretary of State to enhance the physical security of any of the sites within the licensee's Transmission System.

### [Planned Inspections and Maintenance](#)

Visual checking of the external condition of assets, including helicopter and foot patrols; and reading gauges (Inspections). [Maintenance is an activity that is performed purposely and regularly in order to prevent physical assets from deteriorating or breaking down such that they continue to perform in accordance with manufacturers' recommendations.](#)

## **Q**

### [Quarry and Loss Development](#)

Claims under the terms of the Deed of Easement. These include; loss of crop and drainage; loss of land development (e.g. housing, quarrying etc.; sterilised minerals; landfill and tipping; and power generation.

## **R**

### [RAV](#)

Regulatory Asset value

### [Related party](#)

Is an affiliate, a joint venture of the licensee or of an affiliate or an associate of the licensee or of an affiliate or a relevant associate of the licensee.

### [Related Party Margins](#)

The profit or loss recorded on a transaction with an affiliate being the excess or deficit on actual direct costs and indirect costs (including financing costs) fairly attributable to the transaction or the charge and the cost of providing that transaction.

### [Retained Gas Distribution Networks](#)

The 4 Gas Distribution Networks retained by National Grid

#### Return seeking assets

The assets which may be exposed to greater risk, but where the potential return is higher than low risk assets (e.g. equities)

#### Royalties Revenues

Revenue earned from intellectual property generated through eligible NIC projects

#### Returned Royalties Income

Revenue earned from intellectual property generated through eligible NIC projects less any Directly Attributable Costs, and that is payable to customers under the NIC, as calculated in accordance with the NIC governance document.

#### Retained NIC Royalties

Total royalties earned through all NIC projects to be retained by the licensee

## S

#### Salary / staff costs

Includes: salaries and wages, national insurance contributions, overtime standby and other allowances, all ongoing pension costs and incremental deficit repair payments, share based schemes, and sick pay and sickness benefits.

#### Security (Armed Guards)

Refers to costs solely associated with the provision of Ministry of Defence Armed Police at designated sites.

#### Security (pertaining to SO)

Shall mean costs (operating and capital expenditure) for enhanced security activities as specifically directed by Department of Energy and Climate Change ("DECC") or the Centre for the Protection of National Infrastructure ("CPNI") pursuant to Special Licence Condition XXX. These cost are subject to an uncertainty mechanism.

## T

#### TIRG

Transmission Investment for Renewable Generation

#### Totex

See Appendix 2

#### Transmission Licence Fee

Payments by the licensee to the Authority determined in accordance with the standard condition licence A4.

#### TII

Transmission Investment Incentive

## V



**Vegetation Management**

The activity of physically felling or trimming vegetation.



## Appendix 2 – Definition of Totex

---

### Introduction

1.5. The Regulatory Asset Value (RAV) is a key building block of the price control review. RAV represents the value upon which the companies earn a return in accordance with the regulatory cost of capital and receive a depreciation allowance. Additions to the RAV are calculated as a set percentage of Totex. Totex is dealt with as follows:

- an agreed percentage of Totex(see below) will be funded as slow money (ie as an addition to RAV)
- the remainder will be funded as fast money (ie which is expensed and funded in the year of expenditure)

1.6. At the end of each year of a price control, as part of the Annual Iteration Process, we will publish an updated GT1 Price Control Financial Model (PCFM) which will give an indicative updated RAV for each licensee. In ascertaining these values it is important that the treatment of expenditure that licensees incur in this period is consistent with the principles and specific issues set out in the Final Proposals – that is, the same constituents of costs are included as Totex. We add all costs on a normal accruals basis. This excludes provisions, except for the actual cash utilisation thereof.

### Definition of Totex

1.7. The annual net additions to RAV will be calculated as a percentage of Totex. Totex consists of all the expenditure relating to a licensee's regulated activities with the exception of:

- all costs relating to de minimis activities;
- all costs relating to excluded services activities (with the exception of capex relating to sole use exit connections);
- pension deficit repair payments relating to the established deficit and for the avoidance of doubt, all unfunded early retirement deficiency costs (ERDC) post 1 April 2004;
- Pension Scheme Administration and PPF levy costs;
- costs associated with specific incentive schemes (to include TPCR3 or TPCR4 entry and exit revenue drivers, Network Innovation Competition and Network Innovation Allowance costs);
- all statutory or regulatory depreciation and amortisation;
- profit margins from related parties (except where permitted as defined below);
- costs relating to rebranding NGGT's assets or vehicles following a name or logo change;

- fines and penalties incurred by the licensee (including all tax penalties, fines and interest) except if, exceptionally Traffic Management Act costs can be shown to be efficient;
- compensation payments made in relation to standards of performance;
- bad debt costs and receipts (subject to an ex post adjustment to allowed revenues);
- any costs relating to the SO for external purposes (ie balancing services activity)
- any cost reporting which is not on a normal accruals basis as referred to in paragraph 1.6 above (for the avoidance of doubt, accruals to recognise the present value obligation to the defined benefit pension scheme (in accordance with International Accounting Standard 19) are excluded from totex);
- costs in relation to pass-through items, including business rates (except for business rates on non-operational buildings); and
- interest, other financing and tax costs<sup>9</sup> (except for business rates on non-operational buildings and stamp duty land tax).

1.8. It should also be noted that:

- any change in the Totex amount for the licensee under the Totex Incentive Mechanism (TIM) is included as an adjustment to fast/ slow money;
- pension deficit repair payments relating to any incremental deficit (ie not part of the established deficit) are considered to be part of the licensee's labour costs and as such are part of Totex; and
- customer contributions (which mainly relate to connection works) and other proceeds received (including from legal and insurance claims) that relate to the transmission business are treated as an offset to Totex expenditure, unless specifically subject to different treatment under the RIGs.

1.9. For avoidance of doubt, in each case normal ongoing pension service costs will follow employment costs in each activity to RAV.

1.10. Costs added to RAV are all intended to refer to costs incurred by the licensee or a related party of the licensee undertaking regulated business activities. Where those costs are recharged to the licensee, they should not include any internal profit margins of the licensee or related party, except where permitted. The treatment of related party margins is set out in paragraphs 1.22 to 1.27 below.

1.11. For the avoidance of doubt, costs that are eligible for a reopener mechanism will follow the Totex treatment as set out above at the time they are incurred.

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<sup>9</sup> Tax costs include corporation tax, capital gains tax, recoverable valued added tax and network rates

## Deductions from RAV

1.12. The following items are not included in the costs added to the RAV but are netted off additions to the relevant cost categories in carrying out the RAV roll forward calculation:

- cash proceeds of sale (or market value of intra-group transfer) of operational assets – by netting off the proceeds from the calculated additions to RAV
- cash proceeds of sale of assets as scrap – by netting off the proceeds from the calculated additions to RAV

1.13. These deductions from RAV will be made (on an NPV neutral basis) at the end of the RIIO-T1 Price Control as part of the RIIO-T2 Price Control process.

## Other RAV requirements

### Efficient costs

1.14. Ofgem reserves the option to disallow costs from the RAV for any of the Totex expenditure if they do not relate to the regulated business or are demonstrably inefficient or wasteful. We will specifically review all costs in relation to restructuring of a company's business or operations in relation to corporate transactions, including the associated redundancy costs to satisfy ourselves that these costs are efficient and will deliver future savings for the benefit of the consumer.

### Restated costs

1.15. For all costs, in whatever category, activity or exclusion, where a company makes any restatement of costs, we will apply these in to the year in which they were originally incurred rather than in the year of the restatement.

### Related party costs

1.16. Related party costs are only included within Totex to the extent they represent the cost of services required by the licensee's business. Costs for services recharged to the licensee by a related party<sup>10</sup> will only be admissible if the licensee would otherwise have needed to carry out the service itself or procure it from a third party. We expect these services and associated costs to be itemised and justified. Such costs are only included to the extent that they satisfy the criteria regarding the prohibition on cross-subsidy in the relevant Standard or Standard Special Licence Condition unless licensees already hold derogations.

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<sup>10</sup> A related party is a term used to cover both Affiliate and Related Undertakings as defined in Standard Licence Condition 1 for electricity transmission and Standard Special Licence Condition A3 for gas transportation.

1.17. All companies and related parties charging the licensee should be able to demonstrate they have a robust and transparent framework governing the attribution, allocation and inter-business recharging of revenues, expenses, assets and liabilities. There should be documented procedures to demonstrate compliance with EU Procurement directives and implementing national legislation where these apply.

1.18. We expect the network company to be able to justify the charge by reference to external benchmarking, or by reference to market-related testing, or tendering. We expect related parties to be able to support their charges by either service level agreements or contracts; and that such contracts would be finalised on a timely basis and not remain in draft for an unreasonable period<sup>11</sup>.

1.19. The attribution of costs relating to shared services must be on a demonstrably objective basis, not unduly benefiting the regulated company or any other company or organisation and be based on the levels of service or activity consumed by each entity. We expect licensees to document the basis on which they approve these at board level and provide evidence of this together with details of how the continuing assessment and challenge, annually takes place.

1.20. The basis should be consistent from year to year and where there are changes the licensee should both document and justify them.

1.21. The method used to attribute costs from the related party to the licensee and to activities should be transparent and the revenues, costs, profits, assets and liabilities separately distinguishable from each other.

### **Related party margins**

1.22. We will exclude related party profit margins from costs added to RAV unless the related party concerned earns at least 75 per cent of its turnover from sources other than related parties and charges to the licensed entity are consistent with charges to external customers. For this purpose, we consider an entity to be a related party if it is an affiliate or related undertaking or if that entity and the network company have any other form of common ownership. A key indicator of entities being in common ownership is that they are affiliates of the ultimate controller (or controllers where there is more than one).

1.23. Where network operators utilise captive insurance companies, these shall be excluded from the related party exclusion. We will not allow any excess losses relating to these captive insurers (to the extent that they are covered by captive insurers) to be funded by customer.

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<sup>11</sup> Whilst not defined, we expect licensees to demonstrate to our satisfaction why a period in excess of 6 months was reasonable

1.24. When an entity ceases to be a related party, for example on a change in ultimate controller, then from the time it ceases to be a related party its margins will be allowable, if it meets the following requirement. There must be an unambiguous demonstration that its charges to the transportation business (in the original or amended contract) remain competitive and are in line with market rates, or the contract was re-tendered and that there was more than one bidder.

1.25. Whilst not precluding other demonstrations of competitiveness, we consider that an open competitive tender is likely to be the clearest indicator. In the absence of an open competitive tendering exercise, we will seek strong evidence that the terms of any contract are competitive.

1.26. Irrespective of whether the network company demonstrates competition and they no longer disallow margins, the licensee must arrange to comply with the requirements of the relevant standard or standard special licence condition (on the maintenance and provision of information). It must continue to report the former related party's costs and margins as if it were still a related party for the remainder of the price control period. The data is required in order for us to be able to monitor performance against the price control and carry out cost analysis to inform future reviews.

1.27. Where a principal related party resource provider<sup>12</sup> ceases to be a related party during a price control period, for example on the restructuring of a group, we shall continue to treat them as a related party until the end of that price control period and we will continue to disallow the margins charged. At the next price control period the margins will be allowed provided that there is unambiguous demonstration that the charges to the regulated business (in the original or amended contract) remain competitive and are in line with market rates, or that the contract is re-tendered and that there is more than one bidder.

### **TPCR3 and TPCR4 entry and exit revenue drivers**

1.28. These schemes dealt with the funding of costs for new entry and exit capacity. The expenditure on the remaining projects under these schemes will continue to be dealt with these in accordance with the conditions under which they were established.

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<sup>12</sup> A principal related party resource provider is one that has a contract to operate or manage a substantial part of a licensee's day-to-day operations, and that the licensee entered into the contract before or as part of the arrangements for a change in ultimate controller, or controllers, where there is more than one

1.29. The expenditure on these projects will be reported separately and this expenditure is not part of Totex. The expenditure will enter RAV in accordance with the scheme rules. In the interim, we consider the costs to be in a shadow RAV<sup>13</sup>.

1.30. As stated in the RIIO-T1 Final Proposals, NGGT's shadow RAV is based on forecast spend on three projects (which have been funded under TPCR3 and TPCR4 entry and exit capacity mechanisms). We will adjust for any differences between forecast and actual spend on these schemes as part of the RIIO-T2 price control. This will entail amending the transfer value into RAV and amending for consequential impacts on allowed revenues.

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<sup>13</sup> Shadow RAV: a notional pool of expenditure relating to specific schemes where it has been agreed that the expenditure will be added to RAV at a later time.

## Appendix 3 - Definitions contained in individual table guidance

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Application Development.....	52	IT & telecoms .....	45
Application Maintenance & Support..	52	Management Services.....	53
Application server support.....	53	Net debt.....	20
Business Telecoms .....	53	Net internal area (NetIA),.....	54
CEO & group management .....	50	Network (LAN & WAN) .....	53
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Depots.....	54	Offices .....	54
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