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Guidance

RIIO-2 Regulatory Financial Performance Reporting – supplementary guidance for new "debt sheets"

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This document provides instructions and guidance to licensed network operators to enable them to complete the reporting requirements associated with Financial Performance under the RIIO (Revenue = Incentives + Innovation + Outputs) framework.

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1. Instructions for completing the financial worksheets and commentary

Introduction

1.1 This document sets out the instructions and guidance for completing new, additional financial worksheets of the Regulatory Financial Performance Reporting (RFPR) template. These comprise of F3 – Fixed Rate Debt; F4 – Floating Rate Debt; F5 – Inflation Linked Debt; F6 – Debt Dataset; F7 – Data Validation; I1 - Universal Data; and I2 - Monthly Inflation.

1.2 Unless otherwise stated in this document or in the RFPR, actual financial values should be provided in £ million to a minimum of three decimal places. Financial values should reconcile with audited regulatory accounts for historical years for which audited regulatory accounts have been produced. Licensees 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.

1.3 All financial values should be input as positive numbers unless otherwise stated. Where a reportable value is zero or not applicable to the licensee, then a zero should be input, rather than the cell being left blank.

1.4 F3 – Fixed Rate Debt, F4 – Floating Rate Debt, F5 – Inflation Linked Debt, and F6 – Debt Dataset are reported in nominal prices.

F3 – Fixed Rate Debt

1.5 The purpose of this worksheet is to select fixed rate debt instruments from the F6 – Debt Dataset sheet and calculate annual embedded debt volumes and interest payments for each instrument. This information is subsequently aggregated and utilised in tab R5a and R6a; licensees should not make any changes to this worksheet.

F4 – Floating Rate Debt

1.6 The purpose of this worksheet is to select floating rate debt instruments from the F6 – Debt Dataset sheet and calculate annual embedded debt volumes and interest payments for each instrument. This information is subsequently aggregated and utilised in tab R5a and R6a; licensees should not make any changes to this worksheet.

F5 – Inflation Linked Debt

1.7 The purpose of this worksheet is to select inflation linked debt instruments from the F6 – Debt Dataset sheet and calculate annual embedded debt volumes and interest payments (including principal inflation accretion) for each instrument. This information is subsequently aggregated and utilised in tab R5a and R6a; licensees should not make any changes to this worksheet.

F6 – Debt Dataset

1.8 The purpose of this worksheet is to collect, in a standardised fashion, granular information related to actual debt and derivative products. For illustrative purposes, the worksheet is pre-populated with example data, which licensees should overwrite with actuals. Licensees should clear (not delete!) columns A to DD for any unused pre-populated rows, so that the dataset only contains their actual data.

1.9 Column DF (Identifier by type) generates indices used to automatically populate tabs F3 to F5 and must not be amended.

1.10 Columns DK to HR contain supporting workings to verify a number of set validation criteria. If any data point is not inputted accordingly, the affected cell is automatically highlighted in red. Licensees should ensure that no cells in F6 are highlighted in red, thus indicating that essential information has been included for all instruments and data should be processed in tabs F3 to F5 as intended.

1.11 This worksheet should be completed taking into consideration the debt and derivatives outstanding at the time of submission. The worksheet should only include embedded debt (i.e. debt existing at the time of completion of the worksheet), and should not forecast new debt or derivatives instruments (which are to be included in R6).

1.12 Where debt is of a short-term/current nature (and can therefore be replaced several times in a year), the balance outstanding at the year end must be entered. The interest rate stated must be the rate that is applicable to the tranche which is outstanding at the regulatory year end.

1.13 Licensees should populate only columns A to DD of the worksheet. All debt volume amounts should be inputted in nominal prices (£m). Please also refer to row 2 of the worksheet for guidance on the data format to use in each column.

1.14 Please populate columns A to DD of the worksheet according to the following guidance:

- Sector: choose from the drop-down validation list.
- Licensee: choose from the drop-down validation list.
- Category: choose from the drop-down validation list.
- Rank: choose from the drop-down validation list.
- Type: choose from the drop-down validation list.
- Maturity Type: choose from the drop-down validation list.
- Core Debt / Liquidity: choose from the drop-down validation list.
- Identifier: type instrument identifier code if available.
- Pricing date: insert in date format (dd/mm/yyyy) if available.
- Issue date: insert in date format (dd/mm/yyyy). This column MUST be populated as it is used in the calculations as the instrument issuance date.
- Maturity date: insert in date format (dd/mm/yyyy). This column MUST be populated as it is used in the calculations as the instrument maturity date.
- Early repayment date: insert in date format (dd/mm/yyyy) if applicable. If inserted, Early repayment date overrides the Maturity date in the calculations.
- 1st Call Date: insert in date format (dd/mm/yyyy) if available.
- Currency: choose from the drop-down validation list.
- Amount Issued on Issue Date / Max loan amount: insert amounts in the original currency of issuance, including amounts issued in pound sterling (GBP).
- Current Amount Outstanding: insert amounts in the original currency of issuance, including amounts issued in pound sterling (GBP).
- Amount Issued on Issue Date / Max loan amount_GBP equiv: populate with the GBP conversion (£m) of Amount Issued on Issue Date / Max loan amount. For instruments issued in GBP the two amounts will be the same.

- Current Amount Outstanding_GBP equiv: populate with the GBP conversion (£m) of Current Amount Outstanding. For instruments issued in GBP the two amounts will be the same.
- Amount for Use: populate with the GBP amount (£m) for use in tabs F3 to F5 to derive instrument debt volume and associated interest payments. This column MUST be populated.
- Coupon / Margin: insert in percentage format (%) if available.
- Issue Price: insert index value (base index = 100) if available.
- Yield to Maturity at Issue Date: insert in percentage format (%) if available.
- Rate for use: insert in percentage format (%). This column MUST be populated as it provides the interest rate driving the calculations in F3 to F5. This column should be populated using values from Yield to Maturity at Issue Date, rather than from the Coupon / Margin column.
- floating_ref_rate: for Floating instruments, licensees MUST select one of the LIBOR or SONIA options from the validation list. For Fixed and Inflation Linked instruments licensees MUST select "N/A" from the validation list.
- inflation_ref_rate: for Inflation Linked instruments, licensees MUST use the validation list to specify if linked to RPI, CPI or CPIH. For Fixed and Floating rate instruments licensees MUST select "N/A" from the drop-down.
- Inflation_lag: for Inflation Linked instruments, licensees MUST use the validation drop-down to specify the number of months lag (with respect to the end of year / maturity date as applicable) for the selection of the price index used for indexation of the principal amount. For Fixed and Floating rate instruments licensees MUST select "N/A" from the drop-down.
- Inflation_Base_Index: for Inflation Linked instruments, insert reference base index applied at issuance. If not available, this will be automatically determined in tab F5 from the monthly inflation dataset in I2 - Monthly Inflation, using information on issue date, inflation reference rate and monthly lag.
- Commitment Fee: insert in percentage format (% issued amount) if available.
- LT Issue Rating at Issue Date (S&P/Moodys/Fitch): insert rating information if available.
- Current LT Issue Rating (S&P/Moodys/Fitch): insert rating information if available.
- Counterparty: insert counterparty (type "Market" if not identified).
- Transaction expenses: if available, insert amount in GBP (£m).
- Description: insert additional relevant descriptive information.
  If amortising, profile submitted?: for "Fixed" and "Floating" amortising instruments select "Y". For "Inflation Linked" amortising instruments select either: "N" for the

initial debt issuance; "Y" for the annual repayment amounts. Select "N/A" for all non-amortising instruments.

Note that these flags are used in sheets F3 to F5 to select between the "standard" calculations and the "bespoke" that apply to amortising instruments only, therefore it is essential that these flags are carefully and correctly assigned.

See the Supplementary guidance section below for futher guidance on amortising instruments.

- Split flag: For "Inflation Linked" amortising instruments that are split into a number of row entries, select "Y" for both initial emission and annual repayments.

  The "Y" flag can also be attributed to other instruments that are broken down into two or more row entries (such as instruments with margin changes). Select "N/A" for all other instruments.

  Note that these flags do not impact on the calculations and only have information purposes.
- Commentary: insert any additional commentary if needed.
- IssueAmount_2016 to IssueAmount_2033: to be used for "Fixed" or "Floating" amortising instruments. Input annual issued amounts, including the initial debt emission if this occurs in the FY2016-2033 period.
- IssueDate_2016 to IssueDate_2033: to be used for "Fixed" or "Floating" amortising instruments. Input dates for annual issued amounts, including the date of the initial debt emission if this occurs in the FY2016-2033 period. If issuance dates are omitted or inserted in the wrong column, the amounts from "IssueAmount_2016" to "IssueAmount_2033" will not be captured correctly in the calculation sheets.
- RepayAmount_2016 to RepayAmount_2033: to be used for "Fixed" or "Floating" amortising instruments. Input annual repaid amounts, including the final repayment if this occurs in the FY2016-2033 period. Repayments are inputted as negative sums.
- RepayDate_2016 to RepayDate_2033: to be used for "Fixed" or "Floating" amortising instruments. Input dates for annual repaid amounts, including the date of the final repayment if this occurs in the FY2016-2033 period. If repayment dates are omitted or inserted in the wrong column, the amounts from "RepayAmount_2016" to "RepayAmount_2033" will not be captured correctly in the calculation sheets.

Supplementary guidance

Debt instruments if "licensee lender"

1.15 Input negative amounts in columns Q, R and S for instruments flagged as "licensee lender". These amounts will be deducted from total debt volume accordingly. Interest payments will be also calculated as negative sums and will decrease total interest expense.

1.16 If "licensee lender", an analogous sign revertion is required for annual issuance and repayment amounts for amortising instruments, in columns AK to BB and BU to CL.

Debt instruments with margin changes

1.17 If the applicable interest rate changes during the repayment period, the instrument can be modelled by splitting into three entries in the dataset:

1. First period instrument

- issue_date = actual date of issuance
- maturity_date = date of interest rate switch
- Amount for use = actual volume
- Rate for use = interest rate in period 1
- Split flag = "Y" (to denote entry relating to a composite instrument, FYI only)

2. Second period instrument

- issue_date = actual date of issuance
- maturity_date = actual date of maturity
- Amount for use = actual volume
- Rate for use = interest rate in period 2
- Split flag = "Y" (to denote entry relating to a composite instrument, FYI only)

3. Offset for second period instrument

- issue_date = actual date of issuance
- maturity_date = date of interest rate switch
- Amount for use = - (actual volume) => if actual amount is borrowed, this value is negative (and vice versa if amount is lent)
- Rate for use = interest rate in period 2
- Split flag = "Y" (to denote entry relating to a composite instrument, FYI only)

1.18 Instrument (1) models the first period (from issuance to interest rate change), the combined instruments (2) and (3) model the second period. (2) starts at issuance date, so that the principal accretion is calculated correctly when the interest rate switch occurs; however any debt volume or interest payment calculated for (2) before the switch date has to be zeroed and this is achieved by using the offsetting instrument (3).

Amortising instruments

1.19 If "Fixed" or "Floating" rate, amortising instruments are inputted as a single row entry as follows:

- Amount for use = volume at issuance date or opening balance for 2016
- issue_date = actual date of issuance
- maturity_date = actual date of maturity
- Issue/RepayAmount_2016 to Issue/RepayAmount_2033 = annual amounts for emissions and repayments. These include initial issuance and final repayment if occurring in the 2016-2033 period.
- Issue/RepayDate_2016 to Issue/RepayDate_2033: insert annual dates for emissions and repayments, matching annual issuance and repayment amounts.
- Amortising profile = "Y" (flag essential to trigger bespoke calculations)

1.20 If "Inflation linked", amortising instruments are decomposed into separate row entries, one for each annual emission and repayment. These are populated as follows:

1. Initial issuance

- issue_date = actual date of issuance
- maturity_date = actual date of maturity
- Amount for use = actual volume at issuance
- Rate for use = applicable interest rate
- inflation_ref_rate = applicable inflation index
- Inflation_lag = applicable inflation lag
- Inflation_Base_Index = applicable base index
- Amortising profile = "N" (to denote the initial issuance, FYI only)
- Split flag = "Y" (to denote entry relating to composite instrument, FYI only)
- Issue/RepayAmount_2016 to Issue/RepayAmount_2033: NOT IN USE
- Issue/RepayDate_2016 to Issue/RepayDate_2033: NOT IN USE

2. Annual issuance / repayments

- issue_date = actual date of issuance / repayment
- maturity_date = final repayment date
- Amount for use = actual volume issued / repaid (negative amount for repayment)
- Rate for use = NIL
- inflation_ref_rate = same as initial issuance (1)
- Inflation_lag = same as (1)
- Inflation_Base_Index = same as (1)
- Amortising profile = "Y" (to denote additional issuance/repayment, FYI only)
- Split flag = "Y" (to denote entry relating to composite instrument, FYI only)
- Issue/RepayAmount_2016 to Issue/RepayAmount_2033: NOT IN USE
- Issue/RepayDate_2016 to Issue/RepayDate_2033: NOT IN USE

F7 – Data Validation

1.21 The purpose of this worksheet is to store the definitions of the drop-down validation lists used in the F6 – Debt Dataset worksheet. Licensees should not make any changes to this worksheet.

I1 – Universal Data and I2 – Monthly Inflation

1.22 The purpose of these sheets is to provide outturn and forecasted values for RPI and CPIH price indices, as well as LIBOR and SONIA interest rates.

1.23 Worksheet I1 uses monthly inflation data from I2 to calculate the RPI/CPIH splice index, from which are derived annual inflation values (row 26) and the real to nominal price conversion factor (row 28).

1.24 Interest rate data (rows 31-35) is used in worksheet F4 for calculating interest payments on floating rate debt. The interest rate data covers: LIBOR 1 Month; LIBOR 3 Month; LIBOR 6 Month; LIBOR 12 Month; SONIA.

1.25 RPI and CPIH monthly indices from I2 (columns G and H) are used in F5 to calculate principal inflation accretion on index-linked debt instruments.