

# Guidance

## **RIIO-2 Regulatory Financial Performance Reporting – Regulatory Instructions and Guidance Version 2.0**

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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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## Foreword

This document contains the Regulatory Financial Performance Reporting (RFPR) Regulatory Instructions and Guidance (RIGs).

The purpose of this document is to provide a framework to allow Ofgem<sup>1</sup> to collect accurate and consistent information from licensed network operators (licensees).

A number of licence conditions require the licensees to provide us with this information. The main licence conditions for the purposes of this document are:

- Standard Condition B15: Regulatory Instructions and Guidance of the electricity transmission licence
- Standard Condition 46: Regulatory Instructions and Guidance of the electricity distribution licence
- Standard Special Condition A40: Regulatory Instructions and Guidance of the gas transporter's licence

This guidance applies for reporting from Regulatory Year 2021-22 and covers Financial Performance for the RIIO-2 period. For RIIO-T2<sup>2</sup>, RIIO-ESO<sup>3</sup> and RIIO-GD2<sup>4</sup> the RIIO-2 period is from 1 April 2021 until 31 March 2026 and for RIIO-ED2<sup>5</sup> this is from 1 April 2023 until 31 March 2028.

### Associated documents

<https://www.ofgem.gov.uk/publications/decision-2023-modifications-regulatory-financial-performance-reporting-rfpr-riio-2>

[Notice of proposed modifications to the Regulatory Financial Performance Reporting \(RFPR\) template and guidance for RIIO-2 \(2023\) | Ofgem](#)

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<sup>1</sup> References to 'Ofgem', 'GEMA', 'the Authority', 'we' and 'us' are used interchangeably in this document. The Authority is the Gas and Electricity Markets Authority. Ofgem is the office of the Authority.

<sup>2</sup> RIIO-T2 refers to the price control for gas transmission and electricity transmission licensees

<sup>3</sup> RIIO-ESO refers to the price control for the electricity system operator

<sup>4</sup> RIIO-GD2 refers to the price control for the gas distribution licensees

<sup>5</sup> RIIO-ED2 refers to the price control for electricity distribution licensees

## 1. Introduction

1.1. This section sets out the purpose and structure of the regulatory instructions and guidance, which will apply to the relevant licensees for RIIO-2 period. It also sets out guidance on the process for reporting under the RIGs and our data assurance requirements.

### Background

1.2. This is the second price control to be conducted under our RIIO (Revenue = Incentives + Innovation + Outputs) framework. RIIO-2 covers the period 1 April 2021 until 31 March 2026 for RIIO-T2 and RIIO-GD2 and from 1 April 2023 until 31 March 2028 for RIIO-ED2.

1.3. The RIGs provide a framework that enables Ofgem to collect data from the relevant network operators (licensees) during the RIIO-2 period in a consistent format. We collect data to enable us to administer the licence conditions that relate to the price control. This includes monitoring the performance of licensees against our Final Determinations, monitoring compliance with price control obligations and reviewing performance between price controls.

1.4. The RIGs prescribe the information which licensees must report, guide them on how to provide this information and enable the licensees to put systems in place to collect data to the detail we require.

### Legal framework

1.5. For RIIO-2, the scope and governance arrangements for the RIGs are set out in the following licence conditions:

- Standard Condition B15: Regulatory Instructions and Guidance of the electricity transmission licence; or
- Standard Condition 46: Regulatory Instructions and Guidance of the electricity distribution licence; or
- Standard Special Condition A40: Regulatory Instructions and Guidance of the gas transporters licence

1.6. This Regulatory Financial Performance Reporting (RFPR) RIGs forms part of the RIGs reporting framework.

## Components of the RFPR

1.7. The RFPR RIGs aims to produce a comprehensive, transparent, accessible, and accurate measure of each relevant network company's financial performance under the RIIO-2 framework.

### Overall structure

1.8. The RFPR comprises of two main elements:

- RFPR template for reporting the data (in MS Excel v.2007 or newer); and
- RFPR commentary and supporting information e.g. Enduring Value and allocation methodologies

### RFPR templates

1.9. The data templates have been designed to collect data that shows the licensees' Financial Performance during RIIO-2. The templates will also reconcile the licensees' statutory<sup>6</sup> accounts, the Price Control Financial Model<sup>7</sup> (PCFM), annual performance reporting, discretionary incentives decisions, corporation tax returns and other directions from Ofgem that impact the RIIO-2 price control.

1.10. Key points to note when completing the tables are:

- Some cells in some tables have been designed to link to cells in other tables. These links must be retained by licensees in the version submitted to Ofgem. Failure to do so will be considered non-compliance with the RIGs.
- The RIGs tables are colour coded as follows:

	Input cells
	Totals cells (of formula within worksheet)
	Linked cells
	Referencing to other workbooks (Eg. PCFM/ RRP)
	Check cells
	No Input
	Descriptions and pack data

- All financial values should be input in the price base indicated in each table.
- Unless otherwise indicated in the guidance document or templates, actual financial values should be provided in £ million and displayed to one decimal place, with financial values reconciling with the audited statutory accounts (or audited regulatory accounts if still completed)<sup>8</sup>.
- Enduring Value Adjustments should be reported at the highest reasonable

<sup>6</sup> Where a licensee's financial year-end date differs from the regulatory year-end, such that a complete set of financial statements is unavailable, we would expect a reconciliation to be provided as part of the submitted RFPR Commentary. See paragraph 4.3 of this document.

<sup>7</sup> See the definition in 'Appendix 1 – Glossary' of the relevant Price Control Financial Handbook

<sup>8</sup> The licensee must state in their commentary whether reconciliation is to audited (or "draft" where an audit has not yet been completed) statutory or regulatory accounts. Where a licensee has been granted a consent to no longer produce regulatory accounts, the procedures referring to regulatory accounts do not need to be completed and the licensee should state this in their RFPR Commentary.

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level of accuracy from information held by the licensee.

### Instructions and guidance

1.11. The purpose of this document is to provide instructions and guidance to enable licensees to complete the RFPR template, the RFPR commentary and supporting information.

1.12. For the avoidance of doubt, this document should be read in conjunction with (and it is subordinate to) the licence conditions.

### Provision of forecast data

1.13. Where stated in this RFPR guidance and RFPR template, there will be a requirement to provide forecasts for any remaining years of the RIIO-2 price control period, and as required into RIIO-3.

1.14. It is acknowledged that forecasts will not be as accurate as actual reported data. Nevertheless, licensees must provide their best estimate with the information available at the time.

### RFPR commentary

1.15. Alongside the submission of its templates, each licensee must provide a RFPR commentary and supporting Enduring Value methodologies if applicable. The guidance for this is set out in section 4. A commentary is required to provide an understanding of licensees' financial performance and to set out the methodologies it has used to populate the template, e.g. Cost allocation, Enduring Value Adjustments and Reconciling adjustments.

1.16. The commentary should also provide a description of material variances against the previous year's submission, with the exception of the first year of the price control where comparators are not available.

### Errors

1.17. In the event of any errors in the RFPR templates identified after they are sent out to licensees for completion, the following procedure should be followed:

- Upon identifying an error, notify Ofgem by email, detailing the nature of the error.
- Ofgem will respond and, if necessary, provide guidance to all licensees on correcting the error.
- Ofgem will maintain a log of outstanding issues and correct the master template for the following year

## Reporting under the RIGs

### Timescales for reporting

1.18. The relevant reporting year for the provision of information under the RIGs is from 1 April to 31 March for each year of RIIO-2. The templates for reporting should include forecast information for each of the remaining years of the RIIO-2 price control period, unless otherwise stated in the guidance. Forecasts into the RIIO-3 period are also required in some tables.

1.19. Unless stated otherwise, the licensees must provide the information required under the RIGs no later than 30 September following the end of every reporting year. This is the latest date that licensees can submit information unless Ofgem has previously consented otherwise in writing. The first relevant year for RFPR for RIIO-GD, RIIO-GT, RIIO-ET and RIIO-ESO in



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RIIO-2 is 2021-22.

### Form of submission

1.20. Instructions for the electronic submission of the template will be circulated to the licensee 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 (or part of an overall RIGs sign-off letter) signed by a director on behalf of the licensee confirming that the data is accurate and has been provided in accordance with the RFPR RIGs.

1.22. The RFPR file naming convention for 30 September<sup>9</sup> RFPR submissions, and for any resubmissions for the excel templates should be: "RFPR [Sector] [Group Name] [licensee Name] YYYY/XX" (e.g. RFPR GD2 Cadent London 2021/22). For the commentary document, it should be "RFPR [Sector] [Group Name] commentary YYYY/XX" (e.g. GD2 Cadent commentary 2021/22).

### Resubmissions

1.23. The licensee is required to seek the agreement of Ofgem before resubmitting any information in accordance with these RIGs. This may be because of the licensee identifying an error or as part of Ofgem's review of its submission (see paragraph 1.24)

In any such instance, the RFPR must be resubmitted in full unless agreed otherwise by Ofgem. The resubmission should only be accompanied by a letter signed by a director where significant changes have been made and where Ofgem and/or the licensee 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. The licensee may be required to re-publish its RFPR re-submission (see paragraph 1.25).

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

### Review

1.25. Once the licensees have submitted the information to Ofgem, Ofgem, or a person nominated by Ofgem ('a reviewer'), will undertake a detailed review of the information.

## Publication and sharing of templates

1.26. It will be a requirement for licensees to publish, on their company websites, their full RFPR submission (excluding tables 5a, 6a and 8a). Where a licensee considers there is commercially sensitive information this can be redacted, with agreement from Ofgem.

1.27. Licensees should publish the RFPR by no later than 30 September following the end of each regulatory year.<sup>10</sup>

1.28. If Ofgem considers any redacted information should not be redacted it may publish this information, but it will not do so without informing and considering the views of the licensee in advance of any publication.

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<sup>9</sup> The combined National Gas Transmission (NGT) transmission and system operations RFPR template can be submitted two weeks following this date.

<sup>10</sup> The ESO should publish their RFPR, the later of, 31 August or within two weeks of Ofgem's direction for the ESO Reporting and Incentive (ESORI), but in any case, no later than 30 September following the end of each relevant reporting year, unless otherwise stated by Ofgem.

## **Structure of this document**

1.29. This document is divided into sections reflecting the different component parts of the RFPR. These are as follows:

- Section 2 provides instructions for completing the RFPR data template.
- Section 3 provides guidance for completing the tax reconciliation and commentary
- Section 4 provides guidance for completing the RFPR commentary.

## 2. Instructions for completing the RFPR data template tables

### Section summary

The purpose of this section is to provide instructions for completing the data template(s), by each licensee.

### Overview

2.1. The RFPR template includes a series of tables in a Microsoft Excel workbook. This is to facilitate the submission of uniform and comparable financial information from licensees. This enables comparison across the licensees and comparative regulation on a consistent basis throughout the RIIO-2 period. It consists of data entry tables and various summary and calculation tables.

2.2. Licensees should submit accurate information for the relevant period, i.e. data should be correctly derived from source documents and systems and where relevant should be allocated using the appropriate allocation methodology and in line with the instructions in this document. Further guidance is provided in this section.

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

### Structure of the template

2.4. The template contains the following tables:

- RFPR cover
- Data
- Content and version control
- Change log
- R1 - RoRE
- R2 – Reconciliation to Revenue and Profit
- R3 – Totex Reconciliation
- R4 – Incentives and Other revenue
- R5 - Financing
- R5a - Financing input
- R6 - Net Debt
- R6a - Net Debt input
- R7 - RAV
- R8 – Tax
- R8a – Tax Reconciliation
- R9 – Corporate Governance
- R10 – Pensions & Other Activities

#### **Input sheets for R5a and R6a**

- F3 – Fixed Rate Debt
- F4 – Floating Rate Debt
- F5 – Inflation Linked Debt
- F6 – Debt Dataset

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- I1 – Universal Data
  - I2 – Monthly Inflation

## Completion

2.5. A separate template should be completed for each licensee. For Cadent Gas Limited, which has four networks under one licence, a separate template is to be submitted for each network (East of England, London, North West and West Midlands). For National Gas Transmission (NGT), a separate template is to be submitted for its transmission and system operations, alongside a combined transmission and system operations template (see Appendix 1 for instructions on how to complete the system operator template).

## Data entry

2.6. As the template is a series of tables in a Microsoft Excel workbook, links and formulae have been included to limit, where possible, the amount of manual data entry required. The workbook cells have been “locked”, and licensees are not to 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<sup>11</sup>. If a change is necessary (to correct an error, for example), we will notify all licensees of the correction to be made. All financial values should be input in the price base indicated.

## Definitions

2.7. The separate glossary of terms provides a definitive list of definitions and interpretations for all RIGs documents but excludes terms defined in the relevant licence conditions. Where a term is defined in a RIGs document, it can also be found in the glossary of terms. The glossary in Appendix 2 is specifically for terms used in this document.

## Use of apportionments and allocations

2.8. Apportionments should be avoided wherever possible. However, where licensees (and any affiliate or related undertaking of the licensees) have to do this to complete the tables, the basis of apportionment or allocation must be provided. Changes in apportionment or allocation methodology from one period to the next should also be highlighted in the RFPR commentary.

## Additional information

2.9. If licensees consider 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 RFPR commentary.

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<sup>11</sup> In July each year, Ofgem will provide licensees with updated inflation data to be used in “Data” sheet of the RFPR template.

## Purpose and instruction for completion of tables

RFPR cover	<p>In cell C6 input RIIO-2 start date e.g. 2022 for GD, GT, ET and ESO.</p> <p>In cell C7 select licensee name from drop-down menu</p> <p>In cell C9 select reporting year from drop-down menu</p> <p>In cell C10 enter version number</p> <p>In cell C11 enter submitted date</p>
Data	Ofgem will update relevant data tables prior to the RFPR submission date in each regulatory year t. Licensees should verify this data and raise any discrepancies with Ofgem. Data on this sheet should align with the latest PCFM where applicable.
Content & version control	<p>In cells C9:C18 enter date of submission as applicable</p> <p>In cells D9:D18 as applicable provide a brief summary of changes from previous version</p>
Change log	Enter any changes made to the template

### R1 – RoRE

Purpose and Use by Ofgem	<p>The purpose of this worksheet is to produce a view of the licensee's Return on Regulatory Equity (RoRE) which uses a consistent approach across sector and regulated NWOs.</p> <p>The RoRE will be presented using both the notional and actual gearing. It will also be presented annually (actuals and forecast), cumulative actuals to date and for the full price control period (actuals and forecast). It will also include the impact of licensee adjustments eg Penalties and Fines and Enduring Values.</p>
Instructions for Completion	<p>This table auto-populates, no input required</p> <p>Financial data will be displayed in real prices (2018-19 for RIIO-T2 and RIIO-GD2, and 2020-21 for RIIO-ED2)</p>

### R2 – Reconciliation to Revenue and Profit

Purpose and Use by Ofgem	The purpose of this worksheet is for the licensee to report allowed and actual revenue and reconcile this to its statutory accounts (or regulatory accounts if still completed). In addition, the worksheet also provides a reconciliation for regulated network profit to statutory accounts.
Instructions for Completion	<p>Inputs for rows 13, 14, 16, and 17 should be populated from the latest published PCFM. There is no requirement to forecast the values in this sheet.</p> <p>In row 24 enter the value of Collected Regulated Network Revenue as per the Recovered Revenue (RRt) in the latest PCFM (except ESO where this value is not present in the latest PCFM, so should be entered manually).</p> <p>In rows 27-35, enter other turnover items and any additional rows as needed, with descriptions.</p>

	<p>In rows 39-54, enter any other adjustments required to reconcile collected revenue with Turnover per the profit and loss statement, include descriptions.</p> <p>In row 58 enter Turnover/Revenue as per the profit and loss statement from the statutory accounts.</p> <p>In row 75 enter an adjustment to reflect the difference in accounting basis for atypical costs as reported in the RRP and as defined in the Cost and Outputs RIGs Glossary<sup>12</sup>. This row is needed to derive a comparable value for atypical costs, to enable a meaningful comparison between the values in the RRP and those in the statutory accounts.</p> <p>In row 86, enter the depreciation and amortisation adjustments (-ve) not related to the regulated business.</p> <p>In rows 87 enter any costs (-ve) not related to the price control Regulated business adding additional rows and descriptions as required.</p> <p>In row 99 enter the value of tax as per statutory accounts.</p> <p>In row 100 enter the value of deferred taxes. This is needed to derive a comparable value for comparison purposes i.e. statutory tax Vs regulated tax.</p> <p>In row 114 licensees to provide supporting comments or narrative.</p>
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<sup>12</sup> The values reported in the RRP are done so on a hybrid basis of accrual and cash accounting. All expenses as part of ordinary level of business are reported on an accruals basis and expenses related to atypical events are reported on a cash basis. As such an adjustment is needed to adjust atypical costs from a cash basis to an accruals basis.

### R3 – Reconciliation to Totex

Purpose and Use by Ofgem	The purpose of this worksheet is for the licensee to reconcile its actual costs from its statutory accounts (or regulatory accounts if still completed) with its actual reported annual Totex. Additionally, this worksheet is for the licensee to report its Totex performance against allowances. This should reconcile with the latest submitted RRP.
Instructions for Completion	<p>Information for forecast years is required in the table 'Totex as per Latest PCFM' (not required to be filled in by ESO).</p> <p>Rows 13-14 should be populated directly from the latest PCFM and relate to capitalisation rate 1 totex and allowances. Totex allowance should be inclusive of RPEs.</p> <p>In rows 23-29, add any enduring value adjustments required to Totex performance relating to Capitalisation rate 1 totex.</p> <p>In rows 33-34, add any enduring value adjustments associated to UIOLI relating to Capitalisation rate 1 totex.</p> <p>Rows 47-48 should be populated directly from the latest PCFM and relate to capitalisation rate 2 totex and allowances. Totex allowance should be inclusive of RPEs.</p> <p>In rows 57-58, add any enduring value adjustments required for totex performance relating Capitalisation rate 2 totex.</p> <p>In rows 62-63, add any enduring value adjustments associated to UIOLI relating to Capitalisation rate 2 totex. Rows 76-77 should be populated directly from the latest PCFM and relate to repex<sup>13</sup> forecast and allowances. Totex allowance should be inclusive of RPEs. In rows 86-87, add any enduring value adjustments required for totex performance relating to repex.</p> <p>In table 'Reconciliation to Totex, information for forecast years is not needed.</p> <p>In rows 113-121 and rows 126-128 enter values (where applicable) as per the statutory accounts. Where the statutory accounts contain additional line items, licensees should include these and provide descriptions.</p> <p>In row 124 enter Depreciation and Amortisation as per the statutory accounts.</p> <p>In row 135 enter the Depreciation and Amortisation adjustment to reconcile total expenditure per the statutory accounts to "Total net costs after non-price control allocations" in the RRP.</p> <p>In rows 137-149, enter opex adjustments to reconcile total expenditure per the statutory accounts to "Total net costs after non-price control allocations" in the RRP.</p>

<sup>13</sup> Applicable for GD2 only.

	<p>In rows 152-158, enter capex adjustments to reconcile total expenditure per the statutory accounts to "Total net costs after non-price control allocations" in the RRP.</p> <p>In row 163, enter costs as reported in latest RRP submission i.e. 'Total costs per latest RRP submission (all sectors except ESO) should be populated directly from latest RRP in £m 18/19 prices. For ESO only, this value will be populated in £m nominal in row 164. This is required because ESO RRP submissions are in 'in year' prices so there is no need for conversion on row 165.</p> <p>In row 169-193 enter items not recognised in totex, to reconcile from 'Total net costs after non-price control allocations to totex per the latest RRP submission and the latest PCFM.</p> <p>For ESO and NGET only, in row 197 enter the PCFM reported totex per the latest PCFM.</p> <p>In row 203 licensees may enter any supporting comments or narrative and include a cross-reference to the latest submitted RRP file for the costs inputted in row 163 (applicable for all sectors except ESO) or row 164 (applicable for ESO only).</p>
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#### R4 – Incentives and Other Revenue

Purpose and Use by Ofgem	The purpose of this worksheet is for the licensee to report its annual actual and forecast performance against the RIIO-2 price control incentives as well as its Other Revenue Allowances (ORAs).
Instructions for Completion	<p>Incentive revenues should relate to the year the incentive has been (or is forecast to be) operationally earned.</p> <p>In row 12 enter the business plan incentive per the latest PCFM.</p> <p>In rows 14-19 enter output incentives per the latest PCFM - company-specific input sheet.</p> <p>In rows 24-30 enter any additional commentary relating to the relevant incentives.</p> <p><b>NIA</b></p> <p>In row 37 enter actual and forecast total NIA expenditure, per the RRP.</p> <p>In row 38 enter actual and forecast Unrecoverable Expenditure (eg not conforming to technical requirements) relating to NIA per the RRP.</p> <p>In row 39 enter actual and forecast Company Compulsory Contribution (i.e. 10% contribution funded by licensee) relating to NIA.</p> <p><b>CNIA</b></p> <p>In D44, enter actual eligible NIA expenditure and bid preparation costs, per the RRP.</p>



	<p>In D45 enter actual Unrecoverable Expenditure (eg not conforming to technical requirements) relating to CNIA per the RRP.</p> <p>In D46, enter the actual Company Compulsory Contribution (i.e. 10% contribution funded by licensee) relating to NIA.</p> <p><b>SIF</b></p> <p>In row 51 enter actual and forecast eligible SIF Funding per the RRP.</p> <p>In row 52 enter actual and forecast SIF Funding Return related to disallowed expenditure only, ) .</p> <p>In row 53, enter the actual Company Compulsory Contribution (including % contribution funded by licensee) relating to SIF. The minimum level of compulsory contribution required for SIF projects is set out in the SIF Innovation Challenges issued by Ofgem. However, as per SIF Governance Document, this compulsory contribution can be provided by the network company or a third party project partner within the SIF project. Therefore companies are allowed to input their own value of compulsory contribution as appropriate.</p> <p>Applicable for 'NGGT-SO' only - In rows 62-66 enter the incentives per the latest PCFM company-specific input sheet. This should exclude ORA as well as NIA and CNIA.</p> <p>In rows 71-78 enter any additional commentary relating to the relevant incentives.</p>
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## R5 - Financing

Purpose and Use by Ofgem	<p>The purpose of this worksheet is for the licensee to report its annual actual and forecast Net Interest as per the Regulatory (RIIO-2) definition. This is then adjusted to remove inflation and include early redemption costs and amortisation of discount/premia on issue and compared against the cost of debt allowances published in the latest PCFM. The licensee is also required to reconcile actual Net Interest with the interest charge included in the statutory accounts (or regulatory accounts if still completed).</p> <p>The Net Interest Per Regulatory (RIIO-2) Definition will continue to be used as an input to calculate the tax clawback adjustment in the PCFM through the TNDI variable value.</p>
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Instructions for Completion	<p>In row 30 enter forecast new financing/refinancing Net Interest (per regulatory RIIO-2 definition) costs.</p> <p>In rows 32 and 33 disaggregate Net Interest including forecast new financing/refinancing costs (row 31) between external and intra-company Net Interest</p> <p>In row 36 enter, as a memo, the element of Net Interest per Regulatory (RIIO-2) definition that relates to non- cash principal inflation accretion on bonds and loans.</p> <p>In row 48 enter new/refinanced debt issuance expenses.</p>
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### R5a - Financing Input

Purpose and Use by Ofgem	<p>The purpose of this worksheet is to compile debt costs for each debt type, segregating each type between the income statement and the cash flow statement. This should reconcile with information presented the latest statutory accounts (or regulatory accounts if still completed).</p> <p>Interest payments are aggregated by debt category in the two tables – “Income Statement (P&amp;L) charge” and “Cash Flow” - at the top of the sheet. Interest costs per the income statement and cash flow statement are then further analyzed in detail. The data from ‘Analysis of financing costs per income statement’ feeds into R5 sheet. The final table summarizes interest payments amounts by debt types from the debt calculation sheets (F3 to F5), derived from inputs in F6 - Debt Dataset sheet.</p>
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<p>Instructions for Completion</p>	<p>Columns M:V for the “Income statement (P&amp;L) charge” table will automatically populate from the details in sheets F3 to F5.</p> <p>Columns M:V for the Cash Flow table should be manually input for each debt type. Report historical and expected costs for embedded debt &amp; associated products only (i.e. do not forecast refinancing or new debt issuance costs) for each year of RIIO-2 and RIIO-3.</p> <p>In section titled “Analysis of Financing Costs as Per Income Statement” enter financing costs as per income statement of the statutory accounts (or regulatory accounts if still completed) for each year of RIIO-2 and RIIO-3. Blue cells are automatically populated from the Income statement (P&amp;L) charge table at the top of the sheet.</p> <p>In the yellow ‘Other Adjustment’ rows in cells C49-C58 and C86 enter the name of any other adjustments.</p> <p>In rows 68-74 enter the value for any other adjustments not included within the sub total for “Debt Interest Expense”.</p> <p>In rows 108-116 enter adjustments to convert finance costs as per income statement to Net Interest per Regulatory (RIIO-2) definition</p> <p>In rows 122-125 enter adjustments to be applied to the assumed finance cost for performance assessment. Any adjustments added into the yellow-coloured rows should be explicitly specified and justified as part of the accompanying commentary. Row 119 adds back debt issuance expenses for performance assessment purposes. Row 120 adds back costs associated with early redemption of long-term debt for performance assessment purposes. Only buyback costs that are incurred in the normal course of business should be included here. Buyback costs associated with M&amp;A activity or preparing for M&amp;A activity should be excluded from this line as these are considered exceptional costs</p>
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	<p>that should not form part of RIIO financing performance assessment. Row 121 allows the annual accrued principal inflation on inflation linked swaps to be included for performance assessment if this cost has been otherwise excluded from Net Interest Per Regulatory (RIIO-2) definition. We would expect Net Interest Per Regulatory (RIIO-2) definition to include all inflation derivative payments that attract tax relief (because this definition is used for tax clawback) but to the extent companies pay inflation derivative principal accretion on a periodic basis (for example every 5 years) and this cash payment is what is reflected in their statutory accounts (or regulatory accounts if still completed) we believe it is more accurate for performance assessment purposes to include an adjustment to remove the cash payment and then add back in the annual accrual associated with this expense. Companies should ensure not to double count and should only include derivative principal inflation accrual costs in this row if not already included in row 117 or if periodic principal inflation cash payments are excluded through an adjustment in one of the other rows 122-125.</p> <p>Transmission companies only: In rows 129 and 176 enter allocation (%) of net interest (per income statement and cashflow statement respectively) for the system operator.</p> <p>In section titled "Analysis of Financing Costs as Per Cash Flow statement" enter financing costs as per cashflow statement of the statutory accounts (or regulatory accounts if still completed) for each year of RIIO-2 and RIIO-3. Blue cells are automatically populated from the Cash Flow table at the top of the sheet.</p> <p>In rows 149 and 167 enter any other adjustments.</p> <p>In relation to IFRS 16, there is no change in RRP reporting, and hence any element of interest cost in lease payments should be excluded within the Conversion to Regulatory (RIIO-2) definition of Net Interest within sheets R5 and R5a.</p>
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## R6 - Net Debt

Purpose and Use by Ofgem	<p>The purpose of this worksheet is for the licensee to report its annual actual and forecast Net Debt as per the Regulatory (RIIO-2) definition. The licensee is also required to reconcile the actual Net Debt with statutory accounts (or regulatory accounts if still completed).</p> <p>The Net Debt Per Regulatory (RIIO-2) Definition will continue to be used as an input to calculate any tax clawback.</p>
Instructions for Completion	<p>In cell D9 enter opening cash, short term deposits and overdrafts (per Balance Sheet) less restricted cash balances.</p>

	<p>In row 41 enter forecast new debt/refinancing.</p> <p>In cell D45 enter opening Regulatory Net Debt including forecast new debt/refinancing at the start of RIIO-2.</p> <p>In rows 49-58 enter adjustments required to convert Regulatory Net Debt to Net Debt per Statutory Accounts. Cells B54-B58 should be re-labelled as appropriate.</p>
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### R6a - Net Debt input

Purpose and Use by Ofgem	<p>The purpose of this worksheet is to compile general information for each type of embedded debt only (ie do not forecast refinancing or new debt issuance). Actual values should reconcile with information in the latest statutory accounts (or regulatory accounts if still completed).</p> <p>The main debt volume aggregates and summary indicators are computed from the debt calculation sheets (F3 to F5), which feeds from the main input sheet i.e. F6 Debt Dataset.</p>
Instructions for Completion	<p>Schedule of cash, short term deposits and overdrafts (per Balance Sheet)</p> <p>Enter the following in rows 14-19</p> <ul style="list-style-type: none"> <li>• Cash at bank and in hand (-ve)</li> <li>• Amounts posted with banks as collateral under derivative arrangements (-ve)</li> <li>• Short term deposits (-ve)</li> <li>• Overdrafts (+ve)</li> <li>• Amounts posted as collateral by banks under derivative arrangements (+ve)</li> <li>• Restricted cash balances (-ve)</li> </ul> <p>Complete adjustment rows 20-29 as required</p> <p>Schedule of debt instruments</p> <p>Cells will automatically populate from the details in sheets F3 to F5.</p> <p>In rows 48-57 enter additional commentary on individual instruments (for most recent year ended).</p> <p>In rows 60-76 convert the net debt (as per statutory accounts (or regulatory accounts if still completed) to the Regulatory (RIIO-2) Definition of Net Debt. Complete adjustment rows D65-76 as required</p> <p>In row 80 enter system operator allocation (transmission companies only)</p> <p>Pre/post derivative average exposure to interest rate and inflation changes – tables automatically populated from information elsewhere in sheet R6a.</p> <p>Pre/post derivative average exposure to currency rates</p>

	<p>– tables automatically populated from details in debt calculation sheets F3 to F5.</p> <p>Summary of debt amounts by debt types – tables automatically populated from details in debt calculation sheets F3 to F5.</p>
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## R7 – RAV

Purpose and Use by Ofgem	<p>The purpose of this worksheet is to identify an annual Regulatory Asset Value (RAV) position using the annual actual and forecast RAV as per the latest PCFM.</p> <p>This sheet also reconciles the closing RAV balance per the latest PCFM to the calculated closing RAV. The average of this adjusted closing RAV is used in deriving actual gearing percentage for R6-Net Debt worksheet.</p> <p>The NPV neutral equity element of RAV on row 40 is then used to calculate the RoRE in table R1 - RoRE.</p>
Instructions for Completion	<p>In rows 12, 16, 18, 21 and cell E15 enter values per the latest PCFM.</p> <p>In row 19 enter the enduring value adjustment relating to Net additions (after disposals).</p> <p>In row 22 enter the enduring value adjustment relating to depreciation.</p>

## R8 – Tax

Purpose and Use by Ofgem	<p>The purpose of this worksheet is to calculate the tax out or underperformance against the tax allowance at actual and notional levels of gearing.</p> <p>The calculations in this sheet use inputs from the R8a Tax Reconciliation sheet and actual gearing from the R6 – Net Debt sheet to calculate tax performance against the adjusted tax allowance and the tax impact of financing performance at actual and notional gearing levels.</p>
Instructions for Completion	<p>In row 11, enter the tax liability per latest submitted CT600 (pre-group relief) which should match the value on R8a row 95 minus any regulatory adjustments. The values in R8 feed into the RoRE calculation in the R1 sheet. Where the actual CT600 is unavailable, licensees should input a forecast tax liability in row 33 for RoRE calculation purposes.</p> <p>For the RFPR submission in years 2 and onward, in rows 14-17 and rows 22-30, the licensee should enter any adjustments to remove the non-regulated tax liability. Licensee to provide a description of any such adjustments.</p> <p>Where the actual CT600 is unavailable, licensees should input a forecast tax liability in row 33 for RoRE calculation</p>

	<p>purposes and not enter any values into rows 11 to row 30.</p> <p>In row 54 enter the TAXt values shown in the 'Revenue' sheet ('System Operator' sheet for ESO) per the latest PCFM.</p>
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### R8a – Tax Reconciliation

Purpose and Use by Ofgem	See Chapter 3 of this document.
Instructions for Completion	See Chapter 3 of this document.

### R9 – Corporate Governance

Purpose and Use by Ofgem	<p>The purpose of this worksheet is for the licensee to report the executive directors' remuneration. Additionally, this worksheet is for the licensee to report actual dividends paid that relate to the regulated business. This should reconcile with information in the statutory accounts (or regulatory accounts if still completed).</p>
Instructions for Completion	<p>In row 11 enter dividend paid as per the statutory accounts (or regulatory accounts if still completed).</p> <p>In rows 13-15 enter adjustments to remove dividends paid that are not related to the regulated business, add additional rows as required.</p> <p>In row 18 enter any shareholder loan interest (not included or allowed as Net Interest per Regulatory (RIIO-2 definition).</p> <p>In row 25 insert the names of the executive directors.<sup>14</sup></p> <p>In rows 27-33 enter the fixed pay relating to executive directors, where applicable this should reconcile with the statutory accounts. In row 29,31 and 33 licensees should add any further fixed pay categories and add new rows as necessary.</p> <p>In row 35 licensees should input the allocation of fixed pay that pertains to the regulated business.</p> <p>In rows 38-41 enter the variable pay relating to executive directors, where applicable this should reconcile with the</p>

<sup>14</sup> The template currently shows columns only up to five executive directors, extra columns can be added as applicable.

	<p>statutory accounts. In row 39 and 41, licensees should add any further variable pay categories and add new rows as necessary.</p> <p>In row 43 licensees should input the allocation of the variable pay that pertains to the regulated business.</p> <p>In rows 49-57<sup>15</sup>, licensees should input information relating to the share ownership and share discounts for the executive directors.</p> <p>In row 49 enter the number of shares owned by the executive directors.</p> <p>In row 50 insert additional rows, as appropriate, relating to share ownership.</p> <p>In row 51 enter the % discount on the shares purchased.</p> <p>In row 52 enter the percentage of shares held compared to total authorised shares.</p> <p>In row 53 enter the value of shares held.</p> <p>In row 54 enter the number of options held.</p> <p>In row 55 enter the exercise price of the options held.</p> <p>In row 56 enter the number of options exercised.</p> <p>In row 59 enter the value of dividends paid.</p> <p>In row 62 enter the allocation of shares, options and dividends that pertains to the regulated business.</p> <p>In rows 68-70, insert the CEO's total remuneration to company's UK employee's remuneration at 25th, 50th and 75th percentile<sup>16</sup>. The reporting of CEO pay ratios to different percentiles of the workforce was introduced to the "<i>Companies (Miscellaneous Reporting) Regulations 2018</i>", for listed companies with over 250 employees. Licensees should follow the same principles and guidance as set out by Government for this legislation. There are multiple routes for calculating the methodology, however the preferred methodology to be applied by licensees as set out (and preferred) by BEIS is to determine the actual full-time equivalent (FTE) remuneration for all UK employees for the relevant financial year, list from lowest to highest, and identify the median, lower quartile and upper quartile. The three ratios are then calculated against the CEO's total remuneration figure.</p> <p>In row 77 enter any relevant supporting comments.</p>
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<sup>15</sup> If directors do not hold shares at the licensee level, this data can be omitted. However the licensees must disclose in the supporting narrative commentary that they are exempt from declaring shares because they do not hold shares at the licensee level, and that the parent group document where shares are disclosed is cross.

<sup>16</sup> Please refer to page 14 of the BEIS Document Template - Standard Numbering - Curve Only Cover Page Image (publishing.service.gov.uk)



## R10 – Pensions &amp; Other Activities

Purpose and Use by Ofgem	The purpose of this worksheet is for the companies to report a summarised position of their pension deficit for their defined benefit schemes, and to capture any Ofgem related fines and penalties.
Instructions for Completion	<p>In row 12 enter the total pension deficit repair payment made by the licensee for its share of any defined benefit schemes.</p> <p>In row 14 enter the element of the total pension deficit repair payment made for defined benefit schemes included in row 12 that relates to the Established Deficit.</p> <p>In row 15 enter the element of total pension deficit repair payment made for defined benefit schemes included in row 12 that relates to the Incremental Deficit.</p> <p>In row 21 enter Established Deficit (EDE) allowance as per the latest PCFM.</p> <p>In row 22 enter the element of EDE allowance that relates to pension payment history allowance (PPH).</p> <p>In cell D28 enter the valuation date for the latest concluded defined benefit pension scheme triennial actuarial valuation.</p> <p>In cell D30 enter the price base for information reported for the latest concluded pension scheme triennial actuarial valuation.</p> <p>In cell D33 enter the total liabilities attributable to the post Cut-off Date notional sub fund from the latest PDAM dataset provided to Ofgem following the triennial actuarial valuation.</p> <p>In cell D34 enter the total liabilities attributable to the pre Cut-off Date notional sub fund from the latest PDAM dataset provided to Ofgem following the triennial actuarial valuation.</p> <p>In cell D36 enter the total assets attributable to the post Cut-off Date notional sub fund from the latest PDAM dataset provided to Ofgem following the triennial actuarial valuation.</p> <p>In cell D37 enter the total assets attributable to the pre Cut-off Date notional sub fund from the latest PDAM dataset provided to Ofgem following the triennial actuarial valuation.</p> <p>In cell D42 enter the licensee element of the Established Deficit from the latest PDAM dataset provided to Ofgem following the triennial actuarial valuation.</p> <p>In cell D43 enter the licensee element of the Incremental Deficit from the latest PDAM dataset provided to Ofgem following the triennial actuarial</p>

	<p>valuation.</p> <p>In rows 57-59 enter any Ofgem (those published on Ofgem's <a href="#">website</a>) related fines and penalties, with description. Add additional rows as necessary.</p> <p>In row 61 enter any adjustments for tax, relating to Ofgem fines and penalties, if any fine or penalty is tax deductible</p> <p>In rows 65 enter total guaranteed standard payments if applicable. Ex-gratia payments to be excluded.</p> <p>In row 66 enter any adjustments for tax if applicable, relating to GS payments, if any GS payment is tax deductible.</p>
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### Input Sheets for R5a and R6a – General instructions

Purpose and Use by Ofgem	F series sheets are the input and calculation sheets for R5a and R6a sheets. These comprise of F3 – Fixed Rate Debt; F4 – Floating Rate Debt; F5 – Inflation Linked Debt; F6 – Debt Dataset; I1 - Universal Data; and I2 - Monthly Inflation. Detailed instructions for these sheets are provided in the separate individual sections of F3 -F6.
Instructions for Completion	<p>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.</p> <p>Financial values should reconcile with audited regulatory accounts for historical years for which audited regulatory accounts have been produced.</p> <p>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.</p> <p>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.</p> <p>F3 – Fixed Rate Debt, F4 – Floating Rate Debt, F5 – Inflation Linked Debt, and F6 – Debt Dataset are reported in nominal prices.</p>

### F3 – Fixed Rate Debt

Purpose and Use by Ofgem	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
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	subsequently aggregated and utilised in tab R5a and R6a.
Instructions for Completion	Calculations derived automatically. Licensees should not make any changes to this worksheet.

#### F4 – Floating Rate Debt

Purpose and Use by Ofgem	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
Instructions for Completion	Calculations derived automatically. Licensees should not make any changes to this worksheet.

#### F5 – Inflation Linked Debt

Purpose and Use by Ofgem	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
Instructions for Completion	Calculations derived automatically. Licensees should not make any changes to this worksheet.

#### F6 – Debt Dataset

Purpose and Use by Ofgem	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.
Instructions for Completion	<p>Column DF (Identifier by type) generates indices used to automatically populate tabs F3 to F5 and must not be amended.</p> <p>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.</p> <p>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</p>

	<p>in R6).</p> <p>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.</p> <p>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.</p> <p>Columns A to DD of the worksheet should be populated according to the following guidance:</p> <ul style="list-style-type: none"> <li>• Sector: choose from the drop-down validation list.</li> <li>• Licensee: choose from the drop-down validation list.</li> <li>• Category: choose from the drop-down validation list.</li> <li>• Rank: choose from the drop-down validation list.</li> <li>• Type: choose from the drop-down validation list.</li> <li>• Maturity Type: choose from the drop-down validation list.</li> <li>• Core Debt / Liquidity: choose from the drop-down validation list.</li> <li>• Identifier: type instrument identifier code if available.</li> <li>• Pricing date: insert in date format (dd/mm/yyyy) if available.</li> <li>• Issue date: insert in date format (dd/mm/yyyy). This column <b>MUST</b> be populated as it is used in the calculations as the instrument issuance date.</li> <li>• Maturity date: insert in date format (dd/mm/yyyy). This column <b>MUST</b> be populated as it is used in the calculations as the instrument maturity date.</li> <li>• Early repayment date: insert in date format (dd/mm/yyyy) if applicable. If inserted, Early repayment date overrides the Maturity date in the calculations.</li> <li>• 1st Call Date: insert in date format (dd/mm/yyyy) if available.</li> <li>• Currency: choose from the drop-down validation list.</li> <li>• Amount Issued on Issue Date / Max loan amount: insert amounts in the original currency of issuance, including amounts issued in pound sterling (GBP).</li> </ul>
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	<ul style="list-style-type: none"> <li>• Current Amount Outstanding: insert amounts in the original currency of issuance, including amounts issued in pound sterling (GBP).</li> <li>• 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.</li> <li>• 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.</li> <li>• 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. If the bond is issued at a premium or discount to par, this value should be the discounted or premium amount received at issue.</li> <li>• Coupon / Margin: insert in percentage format (%) if available.</li> <li>• Issue Price: insert index value (base index = 100) if available.</li> <li>• Yield to Maturity at Issue Date: insert in percentage format (%) if available.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• Inflation_Base_Index: for Inflation Linked instruments,</li> </ul>
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	<p>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.</p> <ul style="list-style-type: none"> <li>• Commitment Fee: insert in percentage format (% issued amount) if available.</li> <li>• LT Issue Rating at Issue Date (S&amp;P/Moodys/Fitch): insert rating information if available.</li> <li>• Current LT Issue Rating (S&amp;P/Moodys/Fitch): insert rating information if available.</li> <li>• Counterparty: insert counterparty (type "Market" if not identified).</li> <li>• Transaction expenses: if available, insert amount in GBP (£m).</li> <li>• 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 further guidance on amortising instruments.</li> <li>• 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.</li> <li>• Commentary: insert any additional commentary if needed.</li> <li>• 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.</li> <li>• 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-</li> </ul>
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	<p>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.</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul> <p><b>Supplementary guidance</b></p> <p><u>Debt instruments if "licensee lender"</u></p> <p>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.</p> <p>If "licensee lender", an analogous sign reversion is required for annual issuance and repayment amounts for amortising instruments, in columns AK to BB and BU to CL.</p> <p><u>Debt instruments with margin changes</u></p> <p>If the applicable interest rate changes during the repayment period, the instrument can be modelled by splitting into three entries in the dataset:</p> <ol style="list-style-type: none"> <li>1. First period instrument <ul style="list-style-type: none"> <li>• issue_date = actual date of issuance</li> <li>• maturity_date = date of interest rate switch</li> <li>• Amount for use = actual volume</li> <li>• Rate for use = interest rate in period 1</li> <li>• Split flag = "Y" (to denote entry relation to a composite instrument, FYI only)</li> </ul> </li> <li>2. Second period instrument <ul style="list-style-type: none"> <li>• issue_date = actual date of issuance</li> </ul> </li> </ol>
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	<ul style="list-style-type: none"> <li>• maturity_date = actual date of maturity</li> <li>• Amount for use = actual volume</li> <li>• Rate for use = interest rate in period 2</li> <li>• Split flag = "Y" (to denote entry relating to a composite instrument, FYI only)</li> </ul> <p>3. Offset for second period instrument</p> <ul style="list-style-type: none"> <li>• issue_date = actual date of issuance</li> <li>• maturity_date = date of interest rate switch</li> <li>• Amount for use = - (actual volume) =&gt; if actual amount is borrowed, this value is negative (and vice versa if amount is lent)</li> <li>• Rate for use = interest rate in period 2</li> <li>• Split flag = "Y" (to denote entry relating to a composite instrument, FYI only) 10</li> </ul> <p>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).</p> <p><u>Amortising instruments</u></p> <p>If "Fixed" or "Floating" rate, amortising instruments are inputted as a single row entry as follows:</p> <ul style="list-style-type: none"> <li>• Amount for use = volume at issuance date or opening balance for 2016</li> <li>• issue_date = actual date of issuance</li> <li>• maturity_date = actual date of maturity</li> <li>• 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</li> <li>• Issue/RepayDate_2016 to Issue/RepayDate_2033: insert annual dates for emissions and repayments, matching annual issuance and repayment amounts</li> <li>• Amortising profile = "Y" (flag essential to trigger bespoke calculations)</li> </ul>
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	<p>If “Inflation linked”, amortising instruments are decomposed into separate row entries, one for each annual emission and repayment. These are populated as follows:</p> <p>1. Initial issuance</p> <ul style="list-style-type: none"> <li>• issue_date = actual date of issuance</li> <li>• maturity_date = actual date of maturity</li> <li>• Amount for use = actual volume at issuance</li> <li>• Rate for use = applicable interest rate</li> <li>• inflation_ref_rate = applicable inflation index</li> <li>• Inflation_lag = applicable inflation lag</li> <li>• Inflation_Base_Index = applicable base index</li> <li>• Amortising profile = “N” (to denote the initial issuance, FYI only)</li> <li>• Split flag = “Y” (to denote entry relating to composite instrument, FYI only) • Issue/RepayAmount_2016 to Issue/RepayAmount_2033: NOT IN USE</li> <li>• Issue/RepayDate_2016 to Issue/RepayDate_2033: NOT IN USE</li> </ul> <p>2. Annual issuance / repayments 11</p> <ul style="list-style-type: none"> <li>• issue_date = actual date of issuance / repayment</li> <li>• maturity_date = final repayment date</li> <li>• Amount for use = actual volume issued / repaid (negative amount for repayment)</li> <li>• Rate for use = NI</li> <li>• inflation_ref_rate = same as initial issuance (1)</li> <li>• Inflation_lag = same as (1)</li> <li>• Inflation_Base_Index = same as (1)</li> <li>• Amortising profile = “Y” (to denote additional issuance/repayment, FYI only)</li> <li>• Split flag = “Y” (to denote entry relating to composite instrument, FYI only)</li> <li>• Issue/RepayAmount_2016 to Issue/RepayAmount_2033: NOT IN USE</li> </ul>
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	<ul style="list-style-type: none"> <li>• Issue/RepayDate_2016 to Issue/RepayDate_2033: NOT IN USE</li> </ul>
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## I1 – Universal Data and I2 – Monthly Inflation

Purpose and Use by Ofgem	<p>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.</p> <p>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).</p> <p>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.</p> <p>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.</p>
Instructions for Completion	<p>Licensees should not make any changes to this worksheet. Ofgem will update this table prior to the RFPR submission date in each regulatory year t. Licensees should verify this data and raise any discrepancies with Ofgem. This data should align with the latest PCFM.</p>

### 3. Guidance for completing the Tax Reconciliation and Commentary

#### Section summary

This section sets out the guidance for the completion of the sheet 'R8a – Tax Reconciliation' ("the Tax Reconciliation") and for completing the accompanying commentary.

#### Introduction

3.1. The primary objective of the reconciliation is to highlight differences between a licensee's CT600 actual corporation tax liability and the calculated tax allowance in the 'Finance & Tax'<sup>17</sup> sheet of the Latest PCFM.

3.2. The reconciliation is intended to bring together data from the Latest PCFM and the CT600 to enable Ofgem to review the data in the context of each other and in a consistent format.

3.3. The reconciliation is set out in four key sections:

- Profit/(Loss) before taxation;
- Regulatory Adjustments;
- Tax Adjustments; and
- Tax Loss Adjustments.

Each section is further sub-divided by reference to typical adjustment types.

3.4. All material differences must be identified and explained within the Tax Reconciliation section of the RFPR commentary<sup>18</sup> at a minimum. If a licensee has differences between their CT600 and calculated tax allowances that are not covered by the headings above, the onus is on them to identify this and include it in the tax reconciliation template.

3.5. A material difference is one that is greater than the £m "deadband" threshold values shown in the 'Finance & Tax' sheet of the Latest PCFM, for the licensee. These values are shown at Table 1 from row 303 the 'Data' sheet of the RFPR. They are then grossed-up at Table 2 to be used to measure the materiality of the differences between the revenue and cost lines shown in the tax reconciliation.

3.6. If there is a material, unexplained difference between the calculated tax allowance and the actual corporation tax liability per the CT600 on row 95 of R8a, Ofgem may consider triggering a tax review under Chapter 6 of the Price Control Financial Handbook.<sup>19</sup>

#### Instructions for completing the Tax Reconciliation

##### Format of R8a

3.7. The Tax Reconciliation template follows the flow of numbers between a licensee's Profit/(Loss) before taxation and adjustments made for its CT600 to the Latest PCFM to enable the tracking of differences from the licensee's submitted (and ultimately agreed) CT600 corporation tax return and accompanying tax computations filed with HMRC and to the calculated tax allowance in the Latest PCFM.

<sup>17</sup> In the case of the ESO PCFM, the calculated tax allowance is shown on the "System Operator" sheet.

<sup>18</sup> See Chapter 4 of this document for more information on the RFPR commentary.

<sup>19</sup> Chapter 4 for the Electricity System Operator.

### 3.8. The column structure is as follows:

- Column C notes the price base for values.
- Column D, contains entries from the original filed CT600.
- Where the CT600 is re-filed, updated data should be input in column E.
- Column G provides source information and labels for the data in column H
- Column H shows the Calculated Tax Allowance with values to be taken directly from the Latest PCFM.
- Column J calculates the difference between the values that make up the calculated tax allowance (column H) and the values in the CT600 that make up the actual corporation tax liability (column D or E).
- Column K checks the materiality of the difference calculated at column J, with reference to the licensee's deadband threshold.

3.9. For certain input rows, there is also a bordered explanation cell at column L for the licensee to provide a short summary explanation or comment relating to the entry, adjustment or difference shown in column J. This is in addition to the RFPR narrative commentary, which includes a section on the Tax reconciliation, in which licensees should include more detail and where licensees must provide explanations for any differences in column J. Note, where there is no bordered explanation cell in column L, no explanations are required. For the rows above row 31, covering Profit and Loss lines before PBT, there are optional explanation cells, which may be helpful in explaining the difference in PBT generated at J31, although are not mandatory.

3.10. Where there is no direct comparison of values in column J, ie if only one or the other of columns H and columns D or E are populated, the licensee should provide the source data for or a description of the input entered. This is different from a difference between two values, which would require an explanation in the commentary. These types of differences will not lead to a tax review if they can be clearly traced back to source data, e.g. the relevant section of the submitted CT600.

3.11. For example, some differences may arise because the tax base assumptions on which the calculated tax allowance was calculated may differ to those used for the purposes of the CT600. For example, the treatment of pension contributions may differ. Differences may also arise because non-regulated items are excluded from the PCFM but included in the CT600. There may be other timing differences, for example, relating to provisions.

3.12. Inputs to columns D or E, should be taken from the CT600 and related Corporation Tax computation. The inputs to column H, should be taken from the 'Finance & Tax' sheet of the PCFM (or 'System Operator' sheet for ESO) that comprise the 'Tax Base' (before capital allowances) in the PCFM. There are also additional yellow input cells in column H for any other adjustments required.

### **In the event of a re-filing**

3.13. Where following an enquiry, there are subsequent changes made to the self-assessed CT600 and the CT600 is re-filed, those changes should be retrospectively entered in the yellow input cells in column E.

3.14. The reconciliation includes a switch for cases where a CT600 is re-filed and the values have changed. The switch is based on the original filing date and re-filing date. The date format to use is shown in cell A11. The original filing date should be entered in cell D11 and any re-filing date should be entered in cell E11. Note that in the case of a re-filing, the original filing date should remain in cell E11. Where no filing date is entered an error message is displayed in cell B11 and column J.

### **Profit/(loss) before tax (PBT)**

3.15. The logical flow of the Tax Reconciliation Template (left to right) begins in column D.

3.16. The template starts with the Turnover value from the licensee's statutory accounts, which is auto-populated from the 'R2 - Rec to Revenue and Profit' sheet.

3.17. The licensee should input the relevant values from its Profit and Loss statement ('PL') in its statutory accounts in cells D24:D30. If the labelling used in the PL differs to that in the reconciliation, the labels and sub-headings in column A may be amended, where appropriate.

3.18. In cells H16:25 the licensee should input the relevant values from the Latest PCFM Finance & Tax sheet that go into calculating the Tax Base, except for capital allowances, which are input in the "Tax Adjustments" section of R8a. In H16, the licensee should input the sum of the values in the "calculated revenue (except tax allowance)" and "Tax allowance (including adjustment)" lines of the Finance&Tax sheet of the PCFM. This will compare the Calculated Revenue including the tax allowance, against the Turnover figure from the CT600.

3.19. Additional input rows may also be entered in this section, as required- where additional rows are entered, please update any relevant calculation cells, to ensure that the calculation of the EBITDA, PBT, and PCFM Tax Base values remain correct and complete.

### **Regulatory Adjustments**

3.20. In this section, the licensee should include any values or adjustments in column D that are required to remove amounts relating to non-regulated activity from the calculation of PBT and any other adjustments relating to timing differences. These are yellow input cells.

3.21. We usually would expect to see adjustments made in cells D36:E42, as required. Additional rows can also be added in this section if needed.

### **Tax Adjustments**

3.22. In this section, the licensee should include all adjustments that are made in the CT600 to get from PBT to Profits Chargeable to Corporation Tax in column D.

3.23. These values should be taken directly from the corporation tax computations on which the CT600 is based. This section is sub-divided into disallowable / allowable items, capital allowances, and interest adjustments. Some commonly used adjustments have been pre-populated, however, not all of these will apply to every licensee. Additional input rows may also be entered in this section, as required.

3.24. In cells H16:91 the licensee should input the equivalent values from the Latest PCFM Finance & Tax sheet eg the notional capital allowance values.

### **Tax Loss Adjustments**

3.25. In this section, the licensee should include losses that are included in the CT600 in arriving at the Profits Chargeable to Corporation Tax value in column D.

3.26. Where tax losses are recorded for tax allowance purposes in the Latest PCFM, those values should be input in cells H86:H90.

### **Submission**

3.27. Due to the timing of CT600 submissions, the Tax Reconciliation is to be submitted with a one-year lag, ie, the R8a sheet containing the reconciliation data for the 2021/22 regulatory year should be submitted to Ofgem as part of the September 2023 submission.

3.28. The first submission date for the R8a Tax Reconciliation, the accompanying commentary, the Tax Reconciliation assurance statement and the documents referred to in Part A of Special Condition 9.8, paragraph 9.8.3(b) is 30 September 2023.

3.29. Unless otherwise indicated, the Tax Reconciliation should be presented in £m to one decimal place and in a nominal price base.

## 4. Guidance for completing RFPR commentary

### Section summary

This section sets out the guidance for the completion of a commentary that supports the licensee's RFPR.

### Introduction

4.1. This licensee's RFPR submission should be accompanied by supporting commentary. The licensees will also publish the RFPR template and commentary (including appendices).

4.2. The main purpose of the RFPR commentary is to provide:

- a useful summary of the licensee's financial and operational performance against RIIO-2, focusing attention on distilling key messages of the drivers of performance and presenting clear strategic insights;
- an understanding of executive pay/remuneration and how this reflects the performance of the regulated business, and of the regulated business' approach to dividends;
- a narrative that explains any Enduring Value Adjustments and their impact on the licensee RIIO-2 Financial Performance;
- any other information the licensee considers is appropriate to develop a complete understanding of the information presented in the tables, e.g, reconciling adjustments.
- a data assurance statement;
- an explanation where there has been a material change in the licensee RIIO Financial Performance from the previous year published RFPR;
- an explanation of how costs have been allocated across the company/licensee for the purposes of RFPR reporting; and
- any other information the licensee considers is appropriate to explain its RIIO-2 Financial Performance.

### Structure of RFPR commentary

4.3. The outline structure of the commentary is as follows:

- Executive summary
- Key Financial Performance measures
- Key operational performance measures
- Overview of regulatory performance
  - RoRE
  - Reconciliation to Revenue and Profit
  - Totex - Reconciliation
  - Incentives and Other Revenue
  - Financing and Net Debt position
  - RAV
  - Taxation and Tax Reconciliation
  - Corporate Governance
  - Pensions and Other Activities
- Data assurance statement

- Appendices
  - Reconciliation where licensees have a different statutory reporting year from the Regulatory Year (not required if reconciling to audited regulatory accounts)
  - Enduring Value Adjustments
  - Basis of any estimates and allocations
  - Other relevant information

## **Appendices to the RFPR commentary**

### **Enduring Value Adjustments**

4.4. Where Enduring Value Adjustments are made the licensee must provide appendices to the commentary that sets out the following:

- Summary of the Enduring Value Adjustment;
- The methodology used in arriving at the Enduring Value Adjustment;
- Assumptions; and
- Reconciliation with the RFPR template

### **Basis of estimates and allocations**

4.5. Apportionments should be avoided wherever possible. However, where licensees (and any affiliate or related undertaking of the licensees) have to do this to complete the tables, the basis of apportionment/allocation must be provided. Changes in apportionment/allocation should also be highlighted in the RFPR commentary.

### **Other relevant information**

4.6. Where the licensee considers it appropriate, it should include any other relevant information that supports its RFPR to further explain its Financial Performance.

### **Completion of RFPR commentary**

4.7. A RFPR commentary is required from all licensees. Where a licensee is part of a company or group of companies that includes more than one licence within a sector, it may submit only one commentary.

4.8. The RFPR commentary should reconcile with the RFPR template. Any narrative or tables in the RFPR commentary should be clearly disaggregated by licence (network for Cadent and by TO/SO for NGGT).

### **Cross-referencing**

4.9. Where appropriate the licensee can cross-reference to other publicly available information that supports its RFPR. Any cross-referencing should clearly direct any user of the RFPR to the source data eg through hyperlinks. The licensee must also ensure that any user of the RFPR can find the relevant section within any cross-referenced publication eg page number, paragraph, chapter. Please note that cross-referencing should be used only to support an explanation within the commentary rather than to replace it. Where cross-references lead to documents published by parent/group companies, there must be an explanation attached of how this information applies to the licensee level.

### **Tax Reconciliation**



4.10. The licensee's tax reconciliation submission should be accompanied by supporting commentary as well as any applicable supporting models and underlying workings, required to understand the reconciliation.

4.11. The commentary should provide detailed explanation of the input values entered in columns D:H of the reconciliation and explanations for any resulting differences shown in column L.

4.12. Where the inputs are taken from an external source e.g., the audited statutory accounts or CT600 and/or corporation tax computations, this should be cross-referenced either within the commentary or in column M of R8a.

## Corporate Governance

### Corporate Ownership and Governance Framework

4.13. References to 'board directors' in this chapter means all directors who have served on the regulated company board during the reporting period.

4.14. References to 'executive directors' and 'executive remuneration' in this chapter mean all executive directors who have served on the regulated company board during the reporting period, for example the CEO and CFO. For the avoidance of doubt, reporting on executive remuneration does not include non-executive directors..

4.15. Licensees must provide an overview of their corporate ownership structure (by diagram or narrative means) including the following information:

- Ownership stakes in the licensee expressed as a percentage
- Names (both registered and trading) of all companies in the ownership structure between the licensee and the ultimate parent
- All of the licensee's current board committees, and all of the board directors that serve on each one, and
- Whether decision-making responsibility for the following matters is reserved to a parent/group company, and if so, which company:
  - i) purpose, values and strategy,
  - ii) board director nominations,
  - iii) board director evaluation,
  - iv) executive remuneration, and
  - v) dividend policy

4.16. Licensees must list the following information about all their board directors:

- Full names
- Whether they are an executive director, a shareholder-appointed non-executive director, an independent non-executive director or a sufficiently independent director (SID)<sup>20</sup>
- Appointment dates

### Executive Remuneration Policies

4.17. Licensees must provide an overview and explanation of their remuneration policies for executive directors, including details of short-term and long-term remuneration. This should include:

<sup>20</sup> As per the requirements on the relevant license conditions - Condition B22 of the Electricity Transmission Standard Conditions and Standard Special Condition A42 of the Gas Transporter Licence

- 
- reward at risk;
  - detail and weightings of targets; and
  - gateway/clawback provisions

4.18. Licensees must explain the roles of executive directors in relation to the regulated business, and, where executive directors are remunerated for services across multiple group companies, licensees must explain the allocation of executive director remuneration to the regulated business.

4.19. Where executive directors' responsibilities are substantially focused on the licensee but they receive remuneration for these responsibilities from another entity other than the licensee, including from a parent company, policies relating to this remuneration must be disclosed as part of paragraph 4.17.

4.20. Licensees must provide commentary to explain how executive director remuneration policies are designed to ensure alignment with:

- customer and stakeholder interests;
- the purpose, culture and values of the organisation; and
- long-term delivery of the licensee's strategy.

4.21. Licensees must provide commentary to explain how their reported CEO pay ratios are consistent with their policies on remuneration.

4.22. Licensees must provide an explanation of the process for determining and implementing executive director remuneration policies, including:

- role and composition of the remuneration committee;
- assessment of performance against targets; and
- use of discretion to override formulaic outcomes

## **Dividend Policies**

4.23. Licensees must provide an explanation of dividend policies and dividends declared and paid, and how these take account of long-term financial sustainability, including delivery for customers and other stakeholder obligations. This should cover all dividends which licensees declare, and pay, including those which may be retained within the corporate group, including to service group debt or cover other costs, and not immediately paid up to external shareholders.

# Appendices

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## Appendix 1 – RFPR template reporting requirements for system operators

1.1. The table below sets out what RFPR tables are required to be completed by the system operator for 2022-23 reporting, only tables required should be published:

Table A1.1: Tables required to be completed

Table	Requirement for ESO	Requirement for GSO
RFPR cover	Required	Required
Data	No input required for submission	No input required for submission
Content and version control	Required	Required
Change log	Required	Required
R1 - RoRE	No input required.	Only required to be completed to show Operational Performance.
R2 – Rec to Revenue and Profit	Required.	Required.
R3 - Totex Reconciliation	Required	Required
R4 – Incentives and Other Rev	No input required	Required
R5 - Financing	Required	Not required. The SO element is an allocation of TO net debt and financing cost and is reported in the TO RFPR.
R5a - Financing input		
R6 - Net Debt		
R6a - Net Debt input		
R7 - RAV	Required	Required
R8 - Tax	Required	Required
R8a – Tax Reconciliation	Required	Required
R9 – Corporate Governance	Required	Required.
R10 – Pensions and Other Activities	Required	Required
F3 – Fixed Rate Debt	No input required	Not required. The SO element is an allocation of TO net debt and financing cost and is reported in the TO RFPR.
F4 – Floating Rate Debt	No input required	
F5 – Inflation Linked Debt	No input Required	
F6 – Debt Dataset	Required	
I1 – Universal Data	No input required	
I2 – Monthly Inflation	No input required	

## Appendix 2 - Glossary

1.1. This appendix provides definitions of key terms included in this document and in the templates. Where no definition is given for a specific item, those in the Gas Act 1986 (as amended) or Electricity Act 1989 (as amended), standard conditions, standard special conditions and special licence conditions applicable to the licensees should be applied. Similarly, for standard accounting terms, IFRS/IAS and/or UK GAAP and Companies Act 2006 (or 1985 where still relevant) ("CA85") definitions should be applied.

1.2. In the circumstance where no definition is given, the licensee should include in explanatory notes details of the treatment it has applied and inform Ofgem of the omission. Where a definition set out in this appendix is not the same, as that applied by a licensee for other purposes<sup>21</sup>, the definition set out herein must be used.

Actual Gearing	The ratio of the licensee's Average Regulatory Net Debt to the Average RAV
Adjusted Closing RAV	The opening RAV at the start of the Regulatory Year adjusted for in-year transfers, net additions, depreciation and Enduring Value.
Allowed Revenues	The amount of money that a network company can earn on its regulated business. The components of allowed revenue are detailed in the licence and its supporting documents, including the PCFM.
Consumer Price Index (CPI)	A measure of the aggregate change in consumer prices over time, published by the Office for National Statistics.
Cut-off Date	See definition in <a href="#">Energy Network Operators' Price Control Pension Costs - Regulatory Instructions and Guidance: Triennial Pension Reporting Pack</a>
Enduring Value	The true value of the regulated business over the course of the price control. The enduring value of the business factors in the financial impact of any decisions or future events, which have yet to be reflected in Revenue and RAV but are known at the time of estimation. The enduring value represents the establishment of sustained long-term value to the regulatory network or to its operation.

<sup>21</sup> Except for where the definition can be found within the Gas Act 1986 (as amended) or Electricity Act 1989 (as amended), standard conditions, standard special conditions, special licence conditions, price control financial handbooks and PCFM guidance applicable to the licensees.

Enduring Value Adjustment	<p>Adjustments made to a licensee's financial or operational performance. These adjustments include the impact on the companies' return and RAV. Examples of Enduring Value Adjustments include:</p> <ul style="list-style-type: none"> <li>• Adjustments that cannot be recorded in the PCFM, eg overspend on 'use it or lose it' allowances;</li> <li>• any rephasing of allowances that cannot be done through the PCFM</li> <li>• timing differences of delivery of outputs (eg volume drivers);</li> <li>• known changes to future output delivery (eg volume drivers); and</li> <li>• known adjustments not yet made to the PCFM (eg mid- period review decisions).</li> </ul>
Established Deficit	See definition in <a href="#">Energy Network Operators' Price Control Pension Costs - Regulatory Instructions and Guidance: Triennial Pension Reporting Pack</a>
Equity RAV	The value obtained by multiplying the RAV by (1 – the Actual Gearing) percentage.
Incremental Deficit	See definition in <a href="#">Energy Network Operators' Price Control Pension Costs - Regulatory Instructions and Guidance: Triennial Pension Reporting Pack</a>
Latest PCFM	This refers to the PCFM from the latest dry run of the current year annual iteration process, that should include latest forecast and actual data for the reporting year in question.
Latest Published PCFM	This refers to the PCFM that was most recently published following the annual iteration process.

## Net Debt

Net Debt is the net borrowing of a business at a given date.

Net Debt includes:

- Cash at bank;
- Bank overdrafts;
- Short term investments;
- 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);
- Inter-company borrowings;
- Short term loans to related parties (except where they have demonstrated the characteristics of being long term in nature, for example by repeated renewal); and
- 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.

Inter-company debtors/creditors/working capital: where 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.

Net Debt excludes:

- Year end balances of fair value adjustments on derivatives in statutory accounts (or regulatory accounts if still completed) (except cross currency swaps);
- Unamortised issue costs;
- Fixed asset investments where not readily converted to cash;
- Preference shares;
- Long term loans to related parties except where they can be demonstrated as for the benefit of the regulated business and are not in the nature of a distribution; and
- Short term loans to related parties except where they have characteristics of long-term loans.
- Debt used to finance TNUoS assets/liabilities

Net Interest	<p>Net Interest includes actual Net Interest (payable less receivable) for the price controlled business extracted from statutory accounts (or regulatory accounts if still completed), used on an accruals basis and total interest on index-linked debt based on the charge to the income statement in statutory accounts.</p> <p>Interest includes:</p> <ul style="list-style-type: none"> <li>• Actual Net Interest (payable less receivable) for the price controlled business extracted from statutory accounts, used on an accruals basis; and</li> <li>• Interest on index-linked debt based on the charge to the income statement in statutory accounts (i.e. on an accruals basis).</li> </ul> <p>Interest excludes:</p> <ul style="list-style-type: none"> <li>• Any interest that would otherwise be included, but which does not qualify for corporation tax relief;</li> <li>• Movements relating to pension fund liabilities reported in the statutory accounts within Net Interest;</li> <li>• Fair value adjustments (e.g. losses on derivatives);</li> <li>• Dividends on preference shares;</li> <li>• The cost of retiring long term debt early (including exceptional debt redemption costs);</li> <li>• Debt issuance expenses (including amortisation charges relating to discounts on debt issuance that had previously benefitted from a deduction against taxable profits); and</li> <li>• The cost of maintaining committed undrawn liquidity backup lines (i.e. commitment fees).</li> <li>• Interest relating to the financing of TNUoS assets/liabilities</li> </ul>
PCFM (Price Control Financial Model)	The financial model used to calculate Allowed Revenue figures for the licensee for the price control period.
Regulatory Asset Value (RAV)	A financial balance representing expenditure by the licensee that has been capitalised under regulatory rules. The licensee receives a return and depreciation on their RAV in their price control Allowed Revenues.
Regulatory Debt	Regulatory Net Debt adding back cash at bank, short-term investments and short term to related parties and loan terms loans to related parties as included in Regulatory Net Debt.
Regulatory Instructions and Guidance (RIGs)	The collective term for documents issued to licensees under their licence by the Authority:



- Standard Condition B15: Regulatory Instructions and Guidance of the electricity transmission licence
- Standard Condition 46: Regulatory Instructions and Guidance of the electricity distribution licence
- Standard Special Condition A40: Regulatory Instructions and Guidance of the gas transporters licence

that include:

instructions regarding data and information that the licensee must report to Ofgem;

- guidance on the way in which data and information should be reported and the timing requirements for submissions; and
- templates, including workbooks in Microsoft Excel® format, for use by the licensee in making submissions. See also 'Regulatory Reporting Pack (RRP)'

Regulatory Net Debt	See Net Debt
Regulatory Net Interest	See Net interest
Regulatory Reporting Pack (RRP)	Information provided to Ofgem, in accordance with the RIGs, to enable it to administer the Special Conditions of the relevant licence and, where not referenced in the licence, the Final Determinations.
Regulatory Year	See also 'Regulatory Instructions and Guidance (RIGs)' A period of 12 months beginning on the 1st of April of the year within the price control and ending on the 31st of March of the following year.
Retail Prices Index (RPI)	A measure of the aggregate change in retail prices over time, published by the Office for National Statistics.
Return on Regulatory Equity (RoRE)	RoRE is the financial return achieved by shareholders in a licensee during a price control period from their actual performance under the price control.
Totex	The term used to describe the licensee's total expenditure (with limited exceptions) on regulated business activities. It includes both capital and operating expenditure items. The Totex approach facilitates the equalisation of incentives (between capital and operating expenditure solutions) under the Totex Incentive Mechanism.

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Totex Incentive Mechanism (TIM)	TIM is the mechanism under which adjustments are made to reflect differences between the licensee's allowed Totex and actual expenditure. The licensee's Opening Base Revenue Allowances have been modelled on the basis that actual Totex expenditure levels are expected to equal allowed Totex expenditure levels (allowances). If actual (outturn) expenditure differs from allowances, for any Regulatory Year during the Price Control Period, the TIM provides for an appropriate sharing of the incremental amount (whether an overspend or under spend) between consumers and the licensee in accordance with the licensee's Totex Incentive Strength Rate.
Totex Capitalisation Rate	The percentage values set down against the licensee's name relating to actual Totex expenditure for Totex Incentive Mechanism Adjustments). It is the percentage of Totex which is added to RAV.
Uncertainty Mechanisms	Where significant cost changes are expected to be outside the company's control, Uncertainty Mechanisms are in place to allow changes to base revenue during the price control period. Examples include volume drivers and certain specified costs, including security.
Valuation Date	See definition in <a href="#">Energy Network Operators' Price Control Pension Costs - Regulatory Instructions and Guidance: Triennial Pension Reporting Pack</a>