
Strategic Commentary: Strategic Performance Overview and Costs and Volumes Commentary

Version 1.10

[Enter regulatory year]

[Enter DNO/DNO group name]

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Document purpose, contents and instructions

The overall purpose of the Strategic Commentary is to provide an explanation of DNO performance under the RIIO-ED2 price control and what is driving that performance. To meet this, the Strategic Commentary should:

- provide an executive summary, focussing on key messages about performance (financial, output and cost), and presenting clear strategic insights;
- provide a summary of the key outputs, as detailed in Section 2, that the DNO has delivered during the year, setting them in context of the delivery of overall RIIO-ED2 price control outputs; and
- present the differences between allowances and actual/forecast spend and provide a narrative that explains the drivers of these variances.

The audience for the Strategic Commentary is Ofgem. Information should be appropriately technical and targeted. The Strategic Summary in Section A should be aimed at senior management in Ofgem, with the remainder informing the RIIO-ED2 team who carry out detailed reviews, analysis and benchmarking.

Commentary is required in response to specific questions included in this document. DNOs are welcome to include further comments or analysis to aid Ofgem's understanding of the data presented. This is particularly important where DNOs have identified issues with the reporting pack or how the data could impact upon any analysis or benchmarking of the data.

Where additional comments are included, but there is no pre-defined response template, DNOs should insert an appropriate heading and commentary in the body of this document or appendix.

One Strategic Commentary document is required per DNO group. All comments, data tables, charts etc. should be clearly marked to show whether they relate to all the DNOs in the group or specific DNOs only. All prices reported in this document should be in 2020/21 price base and should be to one decimal place.

Section A

1. Strategic Summary

Guide length: 3 pages

The Strategic Summary should include the following:

Section	Purpose
<p>a) Company performance: summarised company view of performance in RIIO-ED2 by the CEO.</p>	<p>To understand what the CEO sees as important indicators of performance, key highlights, and areas for improvement or focus during the remainder of the price control. This should come from the CEO to ensure accountability and ownership of company performance.</p>
<p>b) Business plan delivery: high-level update on the delivery of the business plan focusing on key management and asset management initiatives, any other relevant updates, and any key risks and associated mitigating actions.</p> <p><u>Risks and Uncertainties</u></p> <p>Where possible, a table should be used to outline key risks and uncertainties being faced in achieving key RIIO-ED2 business plan objectives.</p> <p>The table should have three columns with the headers: "Title", "Risk Description", "Risk Mitigation".</p>	<p>To understand at a high level the key initiatives that will help deliver the business plan, any material changes in approach to deliver it since the business plan was conceived and key risks to delivery as well as risk mitigations.</p>
<p>c) Strategic Priorities: update on overall strategy detailing how the company's strategy and priorities will deliver against performance targets.</p>	<p>To understand if and how performance to date and forecast performance has influenced the company strategy going forward. This should include what the DNO strategy and priorities are delivering for key stakeholders.</p>
<p>d) Board update: brief Chairman's update on Board activities and areas of focus.</p>	<p>To understand the Board's key areas of focus and if and why the focus has changed in the current year. This should come from the Board to ensure accountability and ownership of company performance.</p>

2. Output and incentive performance

Guide length: 6-10 pages

a) Primary output summary

A high-level summary of annual output performance for the primary outputs as set out in the table below, RAG should be provided for each DNO and the DNO Group.

Output	DNO-1	RAG	DNO Group RAG	Comments
Safety	DNO-1			
Safety	DNO-2			
Safety	DNO-3			
Reliability and availability				
Environment				
Connections				
Customer service ¹				

1. This refers only to the customer satisfaction survey and complaints metric.

The overall RAG rating for each output should follow the guidance in Appendix 2, which is consistent with the RAG rating used in Ofgem’s RIIO-ED2 Annual Reports. Where there is no RAG rating guidance set by Ofgem (eg Safety and Environment), DNOs should use and provide an explanation for their own approach.

DNOs should present data in line with the table above, and the tables set out in sub-sections (b) to (g). The tables should be amended to include all DNOs within a group under each output/measure rather than one table per DNO.

DNOs are welcome to present the data or additional data using different graphics, but these should be in addition to the tables set out below. DNOs are also welcome to provide additional commentary in any part of Section A (ie chapters 2-5). ‘Headline’ commentary should be provided in the comments column and further explanations on variations from target should be provided as a narrative in sub-sections (b) to (g).

For the avoidance of doubt in the below sections, RAG rating applies to each DNO and not for each DNO group.

b) Safety

As a minimum, DNOs should report on safety performance using any safety measure they believe appropriate. Any prohibition notices issued by the Health and Safety Executive (HSE) should be reported here.

c) Reliability and availability

As a minimum, DNOs should report on reliability and availability performance using the measures set out in the table below.

The Customer Interruptions (CI) and Customer Minutes Lost (CML) targets are the Ofgem targets, and the associated RAG rating guidance for these is set out in Appendix 2. For all other areas, Ofgem do not set a target but DNOs should note their own individual DNO targets and RAG ratings should they have them and detail their methods under RAG Rating Methodology in Appendix 2.

DNOs can add any further measures of performance they consider appropriate.

Measure	DNO	Target	Actual	RAG	Comments
<u>Customer Interruptions (CI)</u>	<u>DNO-1</u>				
<u>Customer Interruptions (CI)</u>	<u>DNO-2</u>				
<u>Customer Interruptions (CI)</u>	<u>DNO-3</u>				
Customer Minutes Lost (CML) ¹	DNO-1				
Customer Minutes Lost (CML) ¹	DNO-2				
Customer Minutes Lost (CML) ¹	DNO-3				
NARM (% of target)					
Non-connections GSoP (no of failures) ²					
Non-connections GSoP (total payment (£))					

1. This excludes exceptional events

2. This is the number of failures after exemptions

d) Environment

As a minimum, DNOs should report on environment performance using the measures set out in the table below. No targets have been set by Ofgem. Therefore, DNOs should note their own individual DNO targets and RAG ratings should they have them and detail their methods under RAG Rating Methodology in Appendix 2. DNOs can add any further measures of performance they consider appropriate. We would welcome key explanations for contributors and/or drivers of performance in the comments column.

Measure	DNO	Target	Actual	RAG	Comments
Business carbon footprint, excl. losses (BCF) (tCO ₂ e)	DNO-1				
Business carbon footprint, excl. losses (BCF) (tCO ₂ e)	DNO-2				
Business carbon footprint, excl. losses (BCF) (tCO ₂ e)	DNO-3				
SF ₆ emissions (kg)					
Oil leakage (fluid filled cable top up) (litres)					
Length of overhead line undergrounded in designated areas (km) ¹					

1. Cumulative kilometres in RIIO-ED2 to date

e) Connections

As a minimum, DNOs should report on connections performance using the measures set out in the table below.

The Time to Quote (TTQ) and Time to Connect (TTC) targets are the Ofgem targets and the associated RAG rating guidance for these set out in Appendix 2. For all other areas, Ofgem do not set a target but DNOs should note their own individual DNO targets and RAG ratings should they have them and detail their methods under RAG Rating

Methodology in Appendix 2. For Guaranteed Standards of Performance (GSoP) (% of cases), DNOs should also use the RAG method as set out in Appendix 2. DNOs can add any further measures of performance they consider appropriate.

Measure	DNO	Target	Actual	RAG	Comments
Time to Quote (LVSSA)	DNO-1				
Time to Quote (LVSSA)	DNO-2				
Time to Quote (LVSSA)	DNO-3				
Time to Quote (LVSSB)					
Time to Connect (LVSSA)					
Time to Connect (LVSSB)					
GSoP failures (no. of cases)					
GSoP failures (% of cases) ¹					
GSoP connections payments (£)					

1. % of connection cases where the relevant Standard was applied but was not met.

f) Customer satisfaction

As a minimum, DNOs should report on customer satisfaction performance using the measures set out in the table below and the associated RAG ratings in Appendix 2. DNOs can add any further measures of performance they consider appropriate.

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Measure	DNO	Target	Actual	RAG	Comments
Customer Satisfaction Survey Interruptions	DNO-1	9.01			
Customer Satisfaction Survey Interruptions	DNO-2	9.01			
Customer Satisfaction Survey Interruptions	DNO-3	9.01			
Customer Satisfaction Survey Connections		9.01			
Customer Satisfaction Survey General Enquiries		9.01			
Customer Satisfaction Survey Overall ¹		9.01			
Complaints metric		2.80			

1. Overall should be calculated using the following weightings: interruptions (30%), connections (50%) and general enquiries (20%).

3. Innovation performance

Guide length: 1-2 pages

DNOs should provide details of:

- The high-level vision for innovation and what innovation is aiming to achieve;
- The innovation stimulus funding awarded as set out in the table below;
- The impact of innovation to date in the RIIO-ED2 price control at a high level, where possible linking innovation projects to primary outputs outlined in part 2 of section A in the below title 'Innovation Activity in Primary Output Areas', eg reduced costs due to avoided reinforcement, achieving environmental targets; and
- Examples of innovative solutions adopted in the reporting year and during RIIO-ED2 outlining their impact. Examples should be provided in the below title 'Innovation Activity in Primary Output Areas', eg this includes those incorporated into company policy and solutions implemented on the network.

	£m awarded to date in RIIO-ED2	£m spent to date in RIIO-ED2	Number of projects	Brief description of projects
Network Innovation Allowance (NIA)				
Network Innovation Competition (NIC)				
Carry-over Network Innovation Allowance (CNIA)				
Strategic Innovation Fund (SIF)				

Innovation Activity in Primary Output Areas

Please provide a brief explanation on how DNOs' innovation projects that are in progress/completed impact primary output areas outlined in part 2 of section A.

4. Whole systems progress

Guide length: 1 page

DNOs should provide details of their approach to delivering whole system outcomes. When considering the scope of their response they should, in the first instance, consider actions taken where the primary driver, or significant benefits, were for the wider electricity system, or where they engaged with stakeholders, including other licensees, to enable benefits for their own network. This could further include activities undertaken in relation to other sectors such as gas, heat or transport.

As a minimum, this overview should provide a summary of:

- Key engagement, coordination and planning activities undertaken with stakeholders, including with other licensees, to identify and assess whole system impacts and opportunities, and develop corresponding solutions. This may include the provision of relevant data to stakeholders,
- key actions undertaken with the aim of delivering whole system benefits that resulted in changes to network assets or network operation,
- the processes used to evaluate that key actions taken were the most efficient solutions available, and
- information on DNOs' approaches to contributing to whole system benefits, recognising that these may evolve as more information becomes available.

5. Cost and volume performance: actual and forecast costs vs. allowance¹

Guide length: 6-12 pages

Expenditure in this section should be reported:

- in 2020/21 prices;
- including Real Price Effects (RPE); and
- after indirect allocation.

a) Totex performance summary

As a minimum, DNO groups should provide for each DNO a high-level summary of Totex performance to date and forecasts, split by the eight aggregate cost categories set out in the table below. This can be presented as per the table below for each DNO and DNO group. A high-level summary of the key variances should be provided, with the detail in section (b).

There should be a complete table produced for each DNO and DNO group. DNOs are welcome to present the data or additional data using different graphics, but these should be in addition to the tables set out below.

¹ The forecast costs are current forecasts presented in T3 of the CVR pack and not business plan forecasts.

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Total DNO Group	Cumulative RIIO-ED2 to Date Actuals <i>minus</i> Allowance	Cumulative RIIO-ED2 to Date Actuals <i>minus</i> Allowance	Forecast Actuals <i>minus</i> Allowance for whole of RIIO-ED2	Forecast Actuals <i>minus</i> Allowance for whole of RIIO- ED2
	£m	%	£m	%
Load Related				
Non Load Capex (excluding Non-Operational Capex)				
High Value Projects (HVPs)				
Network Operating Costs (NOCs)				
Closely Associated Indirects (CAIs)				
Business Support Costs (BSCs)				
Non-Operational Capex				
Other costs within the Price Control (primarily Atypicals)				
Totex adjustments (eg disallowed party margin, scrap/disposal proceeds, DRS10/16)				
Totex				

DNO-1	Cumulative RIIO-ED2 to Date Actuals minus Allowance	Cumulative RIIO-ED2 to Date Actuals minus Allowance	Forecast Actuals minus Allowance for whole of RIIO- ED2	Forecast Actuals minus Allowance for whole of RIIO- ED2
	£m	%	£m	%
Load Related				
Non Load Capex (excluding Non-Operational Capex)				
High Value Projects (HVPs)				
Network Operating Costs (NOCs)				
Closely Associated Indirects (CAIs)				
Business Support Costs (BSCs)				
Non-Operational Capex				
Other costs within the Price Control (primarily Atypicals)				
Totex adjustments (eg disallowed party margin, scrap/disposal proceeds, DRS10/16)				
Totex				

b) Aggregated cost category performance and drivers

For each of the eight listed aggregated cost categories, DNOs should:

1. Complete the 'Overview,' 'Variances by Cost Category' and 'Variances by Driver' tables, following the format of the load-related example. The 'Variances by Cost Category' table should clearly distinguish between fixed allowances and volume drivers / reopeners.
- 1.2. Provide narrative if they have experienced/will experience upward and/or downward cost pressures to date as well as what is anticipated in the rest of RIIO-ED2. Purpose of this section is to gain insight and information to DNO's upward and/or downward cost pressures.
- 2.3. Explain the driver(s) of any under- or overspend to date (actual costs minus allowances) using the following categories:

(a) **Efficiency:** deliberate management actions that result in underspend. For example, innovation and efficient working practices that have resulted in reduced unit costs or volumes.

Example 1 - negotiation of external contracts for the delivery of High Value Projects, with strong commercial incentives to deliver efficiencies.

Example 2 - for a gas cable replacement scheme, installing a new cable into the pipe previously occupied by old cable, saving on excavation costs.

Example 3 - use of demand-side response contracts to defer a traditional reinforcement scheme to a date beyond RIIO-ED2.

Example 4 - redeployment of Closely Associated Indirect (CAI) staff to directly remunerated services.

(b) **Service enhancement:** deliberate management actions that result in overspend. For example, through increased volumes or unit costs.

Example 1 - increase in overhead clearance activity following an inspection programme which revealed greater levels of non-compliance than anticipated at the start of the price control.

(c) **External factors:** over/underspend caused by factors outside the management control of the DNO that are not expected to unwind during the price control period.

Example 1 - load demand is lower than forecast due to slower than expected economic growth. (gains)

Example 2 - unexpected and unprecedented external reaction to recent storms has led to greater investment than expected in storm resilience. (losses)

Example 3 - shortage of skilled tree-clearing operatives due to high demand increasing the costs at an industry level. (losses)

(d) **Provision in price control settlement:** instances where the DNO requested a different level of costs to that in the settlement, where at least part of this difference of view has persisted in actual costs.

Example 1 - business support costs are in line with business plan submission, but allowances were higher than business plan submission. (underspend)

Example 2 - the allowance to deliver the volumes in the 132kV tower replacement programme was significantly lower than the submission and not achievable. The unit cost of a tower replacement is 20% higher than allowances. (overspend)

(e) **Re-phasing or timing of work:** Over/underspend caused by changes in the phasing of costs that is expected to unwind during the period.

Example 1 - use of demand-side response contracts to defer a traditional reinforcement scheme to a later date but still within RIIO-ED2. Note: if this will also save costs in RIIO-ED2, the cost efficiency savings should be noted in category (a) when work is complete.

Example 2 - delay in rising and lateral mains expenditure due to longer than expected negotiations with landlords and council on scope of works.

Example 3 - active deferral of reinforcement spend while demand forecasts are updated and reviewed.

(f) **Other:** where over/underspend cannot reasonably be reported under (a) to (e) above, they can be reported under 'other' provided the drivers are clearly explained in narrative.

Example 1 - storm resilience Engineering Technical Report (ETR) 132 activity delivered separate to general overhead line rebuild programme. In hindsight, costs would have been in line with allowances if delivered together. (inefficient)

DNOs should give their best estimate of the amount of under- or overspend allocated to each of the above categories of driver.

Ofgem accepts that the amounts applied to each category of driver is subjective and any interpretation should reflect this. The amounts allocated should still be subject to data assurance under the Network Data Assurance Report (NetDAR), but we accept that the level of assurance for this part of the Strategic Commentary may be different to the overall assurance applied to the other parts.

The tables in the Costs, Volumes and Revenue Reporting pack relating to each of the eight cost categories are listed in Appendix 3.

Example cost category tables outlining over/underspend

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DNOs are welcome to present the data or additional data using different graphics, but these should be in addition to the example table for over/underspend Cost Categories for Load Related set out below:

Aggregated cost category performance and drivers

Load related Capex

Overview

<u>£m</u> <u>2020/21 prices</u>	<u>Unit</u>	<u>ED2 Period-to-Date</u> <u>(2024/25)</u>	<u>ED2 Period Forecast</u>
<u>Expenditure</u>	<u>£m</u>		
<u>Allowances</u>	<u>£m</u>		
<u>Variance to Allowances</u>	<u>£m</u>		
	<u>%</u>		

Variances by cost category

<u>Load related</u>	<u>2024/25</u> <u>Actual</u>	<u>2024/25</u> <u>Allowance</u>	<u>2024/25</u> <u>Actual minus</u> <u>allowance</u>	<u>2024/25</u> <u>Actual minus</u> <u>allowance</u>
<u>2020/21</u> <u>prices</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>%</u>
<u>Fixed allowances</u>				
<u>Connections within the price control</u>				
<u>Primary Reinforcement</u>				
<u>Secondary Reinforcement</u>				
<u>Fault Level Reinforcement</u>				
<u>New Transmission Capacity Charges</u>				
<u>Volume drivers and reopeners</u>				
<u>SRVD</u>				
<u>LVSVD</u>				
<u>TOTAL</u>				

Variances by driver

<u>£m</u>	<u>Efficiency</u>	<u>Service</u> <u>Enhancement</u>	<u>External</u> <u>Factors</u>	<u>Provision</u> <u>in the</u> <u>Price</u> <u>Control</u> <u>Settlement</u>	<u>Re-</u> <u>phasing</u> <u>or</u> <u>timing</u> <u>of work</u>	<u>Other</u>	<u>Total</u>
<u>DNO-1</u>							
<u>DNO-2</u>							
<u>Total</u> <u>DNO</u> <u>Group</u>							

c) Forecasting methodology and assumptions

DNOs should:

- explain how forecasts were prepared and the key assumptions used;
- document any significant changes in forecasts from last year (+5% or – 5%) and the reasons for these if further detail than that provided in 5a and 5b is necessary; and
- explain any issues in comparing actual and forecast totex to allowed totex (with reference to tab T3 – PCFM Forecast Totex in the Costs, Volumes and Revenue Reporting pack).

Section B

6. Revenue commentary

a) Revenue tables

R1 – PCDs

For relevant PCDs include high level information on the status of each PCD including:
progress towards delivery of the relevant PCD output;
likely date of project completion;
any external factors that may impact delivery;
the use of alternative specifications to deliver the PCD output.

R2 – UIOLI

For relevant UIOLI allowances: include high level information on expenditure to date and forecasted.

R3 – Re-openers

For relevant re-openers: include the following information:

- **Trigger for application (eg change in legislation)**
- **Outline of needs case**
- **Methodology used to arrive at preferred option**
- **Outline of preferred option**
- **Evidence used to justify level of costs requested**
- **Any broader regulatory/policy issues.**

Information should be brief and provide more detail for those applications expected in the next 12 months/regulatory year.

R4 – Volume Drivers and Other

Include a high level summary of volumes to date and forecasts along with any detail of key variances.

R5 – ODI

Include a high level summary of performance against relevant incentives.

R6 – PT

For relevant pass-through items: include high level information on expenditure to date and forecasted.

R7 – ORA

For ORAs: include high level information on expenditure to date and forecasted.

Section C

7. Cost performance: volume variations

Guide length: 2-4 pages

For the worksheets listed below, ~~DNOs should detail significant variations to agreed RIIO-ED2 volumes that have not already been covered in Section 5 above, are required to provide a summary of changes between the volumes submitted in the BPDTs and actual delivery. This should include:~~

- ~~• A general overview of progress outlining where delivery stands compared to the forecasts in BPDTs~~
- ~~• A summary of key variances, explaining significant differences between forecasted and delivered volumes~~
- ~~• A brief explanation of these variances, including any external factors or changes in circumstances~~

Worksheet	Reprioritisation of volumes
CV1 - Primary Reinforcement	
CV2 - Secondary Reinforcement	
CV3 - Fault Level Reinforcement	
CV4 - New Transmission Capacity Charges (NTCC)	
CV5 - Diversions	
CV6 - Diversions Rail Electrification	
CV7a – Asset Replacement NARM	
CV7b – Asset Replacement Non NARM	
CV7c – Asset Replacement Civils Driven	
CV8 - Refurbishment Non NARM)	
CV9 - Refurbishment NARM	
CV10 - Civil Works Condition Driven	
CV11 - Operational IT and Telecoms	
CV12 - Electricity System Restoration (ESR)	
CV13 - BT 21st Century (BT21CN)	
CV14 - Legal and Safety	
CV15 - QoS and North of Scotland Resilience	

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Worksheet	Reprioritisation of volumes
CV16 - Flood Mitigation	
CV17 - Rising and Lateral Mains (RLMs) In particular report what calculation method has been used to determine km of mains length.	
CV18 - Overhead Clearances	
CV19 - Worst Served Customers (WSC)	
CV20 - Visual Amenity	
CV21 - Losses	
CV22 - Environmental Reporting	
CV23 - DPR5 & RIIO-ED1 High Value Projects (HVP)	
CV24 - RIIO-ED2 High Value Projects (HVP)	
CV26 - Faults	
CV27 - Severe Weather 1 in 20	
CV28 - Occurrences Not Incentivised (ONIs)	
CV29 - Tree Cutting	
CV30 - Inspections	
CV31 - Repairs and Maintenance	
CV32 - Dismantlement	
CV33 - Substation Electricity	
CV34 - Smart Meter Intervention DNO	
CV35 - Operational Training (CAI)	
CV39 - Directly Remunerated Services (DRS)	

8. Cost and volume performance: additional C&V table-by-table commentary

Guide length: 10 pages

b) Cost tables

C4 - Non-Operational IT and Telecoms

Change to Non-Operational IT and Telecoms strategy: detail any significant change in strategy since submission of business plan and note the effect on IT and Telecoms (Non-Op) expenditure. Please also note here any cost impacts due to a change strategy as set out in C13 – IT and Telecoms (Business Support) and CV11 – Operational IT and Telecoms.

C5 – Property (Non-Op)

NGED only – ‘New Depots’ evaluative PCD: include high level information on the status of this PCD including: progress towards delivery of the relevant PCD output; likely date of project completion; any external factors that may impact delivery; the use of alternative specifications to deliver the PCD output.

C7 - STEPM (Non Op)

Additions to list in the definition: detail any small tools, plant or equipment that are not listed in the current definition but are in your costs.

C13 - IT and Telecoms (Business Support)

Change to IT and Telecoms (Business Support) strategy: detail any significant change in strategy since submission and business plan and note the effect on IT and Telecoms (Business Support) expenditure. Please note any interdependencies with C4 – Non-Operational IT and Telecoms and CV11 – Operational IT and Telecoms.

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C15a, b, c - Atypicals

Description of atypical event: list and provide a brief description of all added atypical events in the worksheet.

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C19 - Other Consented Activity

Description of Other Consented Activity: provide a brief description of all listed Other Consented Activities in the worksheet.

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C24 - Related Party Margin

Other related parties: the worksheet allows DNOs to report data for up to twenty related parties that transact with the DNO. Where the DNO transacts with more than twenty related parties, the tables in the worksheet must be completed for those related parties that have the highest turnover from the DNO. For other related parties, report names and the details in the worksheet below.

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Recharges from group affiliates and related undertakings: provide a detailed explanation of the margins included in recharges from group affiliates and related undertakings that do not directly trade with the DNO to each of the listed related parties.

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C25 – Shetland (SSEH only)

SSEH only – Shetland: include high level information on the costs incurred under this category and any key variations.

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c) Cost and volume tables

CV1 - Primary Reinforcement

Description of "Other" reinforcement activities: provide a brief description of all listed "Other" reinforcement activities in the worksheet.

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CV2 - Secondary Reinforcement

Description of "Other" reinforcement activities: provide a brief description of all listed "Other" reinforcement activities in the worksheet.

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CV3 - Fault Level Reinforcement

Description of "Other" fault level constraint schemes: provide a brief description of all listed "Other" fault level constraint schemes in the worksheet.

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CV5 - Diversions

Description of projects: provide a brief description of key diversion projects.

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CV6 - Diversions Rail Electrification

Description of projects: provide a brief description of all rail electrification projects (by rail line).

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CV9 - Refurbishment Non NARM

Description of projects: provide a brief description of key refurbishment projects/programmes.

CV11 - Operational IT and Telecoms

Change to Operational IT and Telecoms strategy: detail any significant change in strategy since submission and business plan and note the effect on IT and Telecoms Operational expenditure. Please note any interdependencies with C4 – Non-Operational IT and Telecoms and C13 – IT and Telecoms (Business Support).

CV14 - Legal and Safety

Description of "Other" legal and safety activity: provide a brief description of all listed "Other" legal and safety activities in the worksheet.

CV15 - QoS and North of Scotland Resilience

QoS costs: detail the additional equipment that reduces the impact of faults on customers and confirm that they could not be reported elsewhere in the pack.

CV26 - Faults

Emerging trends: note any emerging trends in the fault rate data for the asset categories and reasons for these trends.

Variation in fault rates: note any significant variations in the fault rates from forecast and reasons for these.

CV27 - Severe Weather 1 in 20

Severe weather 1-in-20 events: list all the severe weather events, including the dates, included in the worksheet.

CV33 - Substation Electricity

Contract price and usage: note any material change to contract prices and/or usage.

CV36 - NIA

Description of projects: provide a brief description of all NIA projects if not outlined in previous regulatory year.

CV37 - NIC

Description of projects: provide a brief description of all NIC projects if not outlined in the previous regulatory year.

CV40 - SIF

Description of projects: provide a brief description of all SIF projects if not outlined in the previous regulatory year.

CV43 – Smart Street

Summary of:

- the number of customers connected to a Smart Street Substation at the reporting date or the date compiled
- a summary of the MWhr reductions achieved by Smart Street, using a representative sample, and the estimated cost savings to customers as a result

d) Memo tables

M2 – ED2 WSC Projects

Scheme overview: provide an overview of key WSC schemes.

M3 - ED1 WSC Projects

Scheme overview: provide an overview of key WSC schemes.

M4 - Vulnerability Deliverables

Deliverables overview: provide further detail of the activities and deliverables that contribute to supporting consumers in vulnerable situations, as well as how these activities and deliverables meet the baseline expectations.

M14 - Drivers

Growth factor: explain the growth factor applied.

M19 – DSO

Incremental costs associated with DSO: provide further detail of the types of costs incurred and activities undertaken in the current reporting year

M20 – LCTs

Costs associated with LCTs: provide further detail of the types of costs incurred and activities undertaken in the current reporting year

M29 – D&D

Incremental costs associated with Data and Digitalisation: provide further detail of the types of costs incurred and activities undertaken in the current reporting year

9. Cost and volume performance: allocation and estimation methodologies

Guide length: 4-6 pages

For the worksheets listed below, DNOs should detail estimates, allocations or apportionments used in reaching the numbers submitted in the worksheets. This needs to be completed for all worksheets where an allocation or estimation technique was used. Not all tables will have used allocation or estimation methods to reach the numbers. Where this is the case, simply note "NA".

Note: this only concerns the methodology and assumptions and is not about the systems in place to check their accuracy (that is for the NetDAR).

For the C1 Cost Summary sheet, detail estimates, allocations or apportionments used in reaching the numbers submitted (not covered by a specific table explanation), including:

- the allocation of shared indirect costs across DNOs in group;
- allocation of income relating to CAIs;
- allocation of income relating to business support costs (BSCs) and non-operational capex;
- indirect activity allocations to connections outside of price control; and
- indirect activity allocations to non-distribution (excluding connections).

Strategic Commentary: Strategic Performance Overview and Costs and Volumes
 Commentary

Worksheet	Allocation/estimation methodologies
C1 - Cost Matrix	
C2 - Connections Inside the Price Control	
C3 - Physical Security	
C4 - IT and Telecoms (Non-Op)	
C5 - Property (Non Op)	
C6 - Vehicles and Transport (Non Op)	
C7 - STEPM (Non Op)	
C8 - Remote Generation Opex	
C9 - Core Closely Associated Indirects (CAI)	
C10 - Wayleaves (CAI)	
C11 - Vehicles and Transport (CAI)	
C12 - Core Business Support	
C13 - IT and Telecoms (Business Support)	
C14 - Property Management (Business Support)	
C15a, b, c - Atypicals tabs	
C16 - Smart Meter Outside the Price Control	
C17 - Legacy Meters	
C18 - De minimis	
C19 - Other Consented Activity	
C20 - Connections Outside the Price Control	
C21 - Out of Area Networks	
C22 - Pass Through	
C23 - Other Non Activity Based Costs (NABC)	
C24 - Related Party Margin	
CV1 - Primary Reinforcement	
CV2 - Secondary Reinforcement	

Strategic Commentary: Strategic Performance Overview and Costs and Volumes
 Commentary

Worksheet	Allocation/estimation methodologies
CV2a – Off Gas Grid PCD (ENWL)	
CV3 - Fault Level Reinforcement	
CV4 - New Transmission Capacity Charges (NTCC)	
CV5 - Diversions	
CV6 - Diversions Rail Electrification	
CV7, 7a, 7b, 7c - Asset Replacement	
CV8 - Refurbishment Non NARM	
CV9 - Refurbishment NARM	
CV10 - Civil Works Condition Driven	
CV11 - Operational IT and Telecoms	
CV12 – Electricity System Restoration (ESR)	
CV13 - BT 21st Century (BT21CN)	
CV14 - Legal and Safety	
CV15 - QoS and North of Scotland Resilience	
CV16 - Flood Mitigation	
CV17 - Rising and Lateral Mains (RLMs) In particular report what calculation method has been used to determine km of mains length.	
CV18 - Overhead Clearances	
CV19 - Worst Served Customers (WSC)	
CV20 - Visual Amenity	
CV21 - Losses	
CV22 - Environmental Reporting	
CV23 – DPCR5 and RIIO-ED1 High Value Projects (HVP) Summary	

Strategic Commentary: Strategic Performance Overview and Costs and Volumes
 Commentary

Worksheet	Allocation/estimation methodologies
CV24 – RIIO-ED2 High Value Projects	
CV26 - Faults	
CV27 - Severe Weather 1 in 20	
CV28 - Occurrences Not Incentivised (ONIs)	
CV29 - Tree Cutting	
CV30 - Inspections	
CV31 - Repairs and Maintenance	
CV32 - Dismantlement	
CV33 - Substation Electricity	
CV34 - Smart Meter Intervention DNO	
CV35 - Operational Training (CAI)	
CV36 - Network Innovation Allowance (NIA)	
CV37 - Network Innovation Competition (NIC)	
CV38 - Low Carbon Network (LCN) Fund	
CV39 - Directly Remunerated Services (DRS)	
CV40 – Strategic Innovation Fund (SIF)	
CV41 – Carry-over Network Innovation Allowance (CNIA)	
CV42 – West Coast of Cumbria	
CV43 – Smart Street	
V1 - Total Asset Movements	
V2 - Cleansing	
V3 - Connections	
V4 - Other Asset Movements	
AP1 - Age Profile	

Strategic Commentary: Strategic Performance Overview and Costs and Volumes
 Commentary

Worksheet	Allocation/estimation methodologies
M1 - Flood Mitigation (site)	
M2 – RIIO-ED2 Worst Served Customer (WSC) Schemes	
M3 – RIIO-ED1 Worst Served Customer (WSC) Schemes	
M4 – Vulnerability Deliverables	
M6 – SRVD & LVSVD	
M7 – SRVD Flexibility	
M9a - Street Works	
M11a - Subsea Cables Proactive	
M11b - Subsea Cables Reactive	
M12 – West Cost of Cumbria	
M14 - Drivers	
M18 - FTE	
M19 - DSO	
M20 – LCT	
M29 – D&D	
M31 – Dig, Fix & Go (ENWL)	

Appendix 1: List of C&V worksheets and commentary requirements

Worksheet	Commentary required	Performance against allowance and drivers	Allocation/estimation methodologies (at table level)	Table specific
Cover Sheet	No			
Changes Log	No			
Data change log	No			
Navigation	No			
Check Sheet	No			
PCFM Interface				
T1 - PCFM Inputs 20-21	No			
T2 - PCFM Actual Totex	No			
T3 - PCFM Forecast Totex	No			
T4 - PCFM Cap Rate 2 Totex	No			
T5 - Forecasts C1	No			
R1 - PCDs	Yes	Yes	No	No
R2 - UIOLI	Yes	Yes	No	No
R3 - Re-openers	Yes	Yes	No	No
R4 - Volume Drivers and Other	Yes	Yes	No	No
R5 - ODI	Yes	Yes	No	No
R6 - PT	Yes	Yes	No	No
R7 - ORA	Yes	Yes	No	No
I3 - Licence Values	No			
I5 - Theft Recovery	No			
I6 - Inflation	No			
SI1 - Performance Summary	No			
S1 - Summary of C1s	No			
S2 - Summary of C1s (Real)	No			
S3 - C1 Movements (Real)	No			
C1 - Cost Matrices	Yes	No	Yes	No
Load Related	Yes	Yes	No	No

Strategic Commentary: Strategic Performance Overview and Costs and Volumes
Commentary

Worksheet	Commentary required	Performance against allowance and drivers	Allocation/estimation methodologies (at table level)	Table specific
Non Load Capex (excluding Non-Operational Capex)	Yes	Yes	No	No
Non-Operational Capex	Yes	Yes	No	No
High Value Projects	Yes	Yes	No	No
Network Operating Costs (NOCs)	Yes	Yes	No	No
Closely Associated Indirects (CAIs)	Yes	Yes	No	No
Business Support Costs (BSCs)	Yes	Yes	No	No
Other costs within the price control	Yes	Yes	No	No
C2 - Connections Inside the Price Control	Yes	No	Yes	No
C3 - Physical Security	Yes	No	Yes	No
C4 - IT and Telecoms (Non-Op)	Yes	No	Yes	Yes
C5 - Property (Non Op)	Yes	No	Yes	No
C6 - Vehicles and Transport (Non Op)	Yes	No	Yes	No
C7 - STEPM (Non Op)	Yes	No	Yes	Yes
C8 - Remote Generation Opex	Yes	No	Yes	No
C9 - Core Closely Associated Indirects (CAI)	Yes	No	Yes	No
C10 - Wayleaves (CAI)	Yes	No	Yes	No
C11 - Vehicles and Transport (CAI)	Yes	No	Yes	No
C12 - Core Business Support	Yes	No	Yes	No
C13 - IT and Telecoms (Business Support)	Yes	No	Yes	Yes
C14 - Property Management (Business Support)	Yes	No	Yes	No
C15a, b, c - Atypicals	Yes	No	Yes	Yes
C16 - Smart Meter Outside the Price Control	Yes	No	Yes	No
C17 - Legacy Meters	Yes	No	Yes	No

Strategic Commentary: Strategic Performance Overview and Costs and Volumes
Commentary

Worksheet	Commentary required	Performance against allowance and drivers	Allocation/ estimation methodologies (at table level)	Table specific
C18 - De minimis	Yes	No	Yes	No
C19 - Other Consented Activity	Yes	No	Yes	Yes
C20 - Connections Outside the Price Control	Yes	No	Yes	No
C21 - Out of Area Networks	Yes	No	Yes	No
C22 - Pass Through	Yes	No	Yes	No
C23 - Other Non Activity Based Costs (NABC)	Yes	No	Yes	No
C24 - Related Party Margin	Yes	No	Yes	Yes
C25 - Shetland (SSEH only)	Yes	No	Yes	Yes
CV1 - Primary Reinforcement	Yes	No	Yes	Yes
CV2 - Secondary Reinforcement	Yes	No	Yes	Yes
CV2a - Off Gas Grid	Yes	No	Yes	Yes
CV3 - Fault Level Reinforcement	Yes	No	Yes	Yes
CV4 - New Transmission Capacity Charges (NTCC)	Yes	No	Yes	No
CV5 - Diversions	Yes	No	Yes	Yes
CV6 - Diversions Rail Electrification	Yes	No	Yes	Yes
CV7 - Asset Replacement	Yes	No	Yes	No
CV8 - Refurbishment (Non NARM)	Yes	No	Yes	Yes
CV9 - Refurbishment (NARM)	Yes	No	Yes	No
CV10 - Civil Works Condition Driven	Yes	No	Yes	No
CV11 - Operational IT and Telecoms	Yes	No	Yes	Yes
CV12 - Electricity System Restoration	Yes	No	Yes	Yes
CV13 - BT 21st Century (BT21CN)	Yes	No	Yes	Yes
CV14 - Legal and Safety	Yes	No	Yes	Yes
CV15 - QoS and North of Scotland Resilience	Yes	No	Yes	Yes

Strategic Commentary: Strategic Performance Overview and Costs and Volumes
 Commentary

Worksheet	Commentary required	Performance against allowance and drivers	Allocation/ estimation methodologies (at table level)	Table specific
CV16 - Flood Mitigation	Yes	No	Yes	Yes
CV17 - Rising and Lateral Mains (RLMs)	Yes	No	Yes	No
CV18 - Overhead Clearances	Yes	No	Yes	Yes
CV19 - Worst Served Customers (WSC)	Yes	No	Yes	No
CV20 - Visual Amenity	Yes	No	Yes	No
CV21 - Losses	Yes	No	Yes	No
CV22 - Environmental Reporting	Yes	No	Yes	No
CV23 - DPCR5 and RIIO-ED1 High Value Projects (HVP)	Yes	No	Yes	No
CV24 - RIIO-ED2 High Value Projects	Yes	No	Yes	No
CV26 - Faults	Yes	No	Yes	Yes
CV27 - Severe Weather 1 in 20	Yes	No	Yes	Yes
CV28 - Occurrences Not Incentivised (ONIs)	Yes	No	Yes	No
CV29 - Tree Cutting	Yes	No	Yes	Yes
CV30 - Inspections	Yes	No	Yes	No
CV31 - Repairs and Maintenance	Yes	No	Yes	No
CV32 - Dismantlement	Yes	No	Yes	No
CV33 - Substation Electricity	Yes	No	Yes	Yes
CV34 - Smart Meter Intervention DNO	Yes	No	Yes	No
CV35 - Operational Training (CAI)	Yes	No	Yes	No
CV36 - Network Innovation Allowance (NIA)	Yes	No	Yes	Yes
CV37 - Network Innovation Competition (NIC)	Yes	No	Yes	Yes
CV38 - Low Carbon Network (LCN) Fund	Yes	No	Yes	No
CV39 - Directly Remunerated Services (DRS)	Yes	No	Yes	Yes
CV40 - Strategic Innovation Fund (SIF)	Yes	No	Yes	No

Strategic Commentary: Strategic Performance Overview and Costs and Volumes
Commentary

Worksheet	Commentary required	Performance against allowance and drivers	Allocation/estimation methodologies (at table level)	Table specific
CV42 – West Coast of Cumbria	Yes	No	Yes	No
CV43 – Smart Street (ENWL only)	Yes	No	Yes	No
V1 - Total Asset Movements	Yes	No	Yes	No
V2 - Cleansing	Yes	No	Yes	No
V3 - Connections	Yes	No	Yes	No
V4 - Other Asset Movements	Yes	No	Yes	No
V5 - Volume Matrix	No			
AP1 - Age Profile	Yes	No	Yes	No
M1 - Flood Mitigation (site)	Yes	No	Yes	No
M2 – RIIO-ED2 Worst Served Customer (WSC) Projects	Yes	No	Yes	No
M3 - ED1 Worst Served Customer Projects	Yes	No	Yes	Yes
M4 – Vulnerability Deliverables	Yes	No	Yes	Yes
M6 – SRVD & LVSVD	Yes	No	Yes	Yes
M7 – SRVD Flexibility	Yes	No	No	Yes
M9 - Streetworks	Yes	No	Yes	No
M11a - Subsea Cables Proactive	Yes	No	Yes	No
M11b - Subsea Cables Reactive	Yes	No	Yes	No
M12 – West Coast of Cumbria (ENWL)	Yes	No	Yes	No
M14 - Drivers	Yes	No	Yes	Yes
M18 - FTE	No	No	No	Yes
M19 - DSO	Yes	No	Yes	No
M20 – Low Carbon Technologies (LCTs)	Yes	No	Yes	No
M29 - D&D	Yes	No	Yes	No
M31 – Dig, Fix and Go (ENWL only)	Yes	No	Yes	No

Appendix 2: RAG rating guidance

RAG and ranking instructions				
Incentive	Green	Amber	Red	Overall RAG (for section 2a)
Average Duration of interruptions (CMLs)	Actual performance is lower than or equal to regulatory target	Actual performance is higher than the regulatory target but less than 105% of the regulatory target	Actual performance is higher than 105% of regulatory target	For DNO’s overall reliability and availability RAG status in annual report we applied a scoring system: Both green = Green overall Both red = Red overall Any other combination = Amber overall
Number of interruptions (CIs)	Actual performance is lower than or equal to the regulatory target	Actual performance is higher than the regulatory target but less than 105% of the regulatory target	Actual performance is higher than 105% of regulatory target	
Complaints	Performance is lower than or equal to regulatory target (score <= 2.8)		Performance is higher than regulatory target (score>2.8)	Weight performance as follows: 50% connections, 30% interruptions; and 20% general enquiries.
Customer Satisfaction Survey (CSS)	Performance is higher than the reward threshold (> 9.12)	Performance is lower than or equal to the reward threshold and higher than or equal to the penalty threshold (8.90<=score<9.12)	Performance is lower than the penalty threshold (<8.9)	For DNO’s overall customer satisfaction RAG status in annual report we applied a scoring system: Both green = Green overall Both red = Red overall Any other combination = Amber overall
Time to Quote and Time to Connect	Actual time is lower than or meeting regulatory target in all 4 of the categories	Actual time is higher than 105% of regulatory target for no more than 2 categories	Actual time is higher than 105% of regulatory target for 3 or 4 categories	For DNO’s overall connections RAG status in annual report we applied a scoring system for 5 areas: Both green = Green overall Both red = Red overall Any other combination = Amber overall
Connection GSoPs	0% to < = 2% total connection standards missed	>2% and <=5% of total standards missed	>5% of total standards missed	
Major Connections	Actual MCCSS score does not result in financial penalty		Actual MCCSS score results in financial penalty	
DSO	Performance is higher than or equal to regulatory target (> 7.90)	Performance is lower than regulatory target but higher than or equal to 95% of regulatory target (7.9<=score<7.5)	Performance is lower than regulatory target (<7.5)	

RAG Rating Methodology

Where Ofgem does not set a target, please provide a brief explanation on how targets were decided and the resulting DNO RAG rating awarded.

Reliability and availability

Environment

Connections

Appendix 3: List of C&V worksheets in eight main cost categories

Cost category	Associated tables
Load-related	C2 - Connections Inside the Price Control CV1 - Primary Reinforcement CV2 - Secondary Reinforcement CV2a – Off Gas Grid PCD CV3 - Fault Level Reinforcement CV4 - New Transmission Capacity Charges (NTCC)
Non Load Capex (excluding Non-Operational Capex)	CV5 - Diversions CV6 - Diversions Rail Electrification CV7 - Asset Replacement CV7a – Asset Replacement NARM CV7b – Asset Replacement Non NARM CV7c – Asset Replacement Civils Driven CV8 - Refurbishment Non NARM CV9 - Refurbishment NARM CV10 - Civil Works Condition Driven CV11 - Operational IT and Telecoms CV12 – Electricity System Restoration (ESR) CV13 - BT 21st Century (BT21CN) CV14 - Legal and Safety CV15 – QoS and North of Scotland Resilience CV16 - Flood Mitigation CV17 - Rising and Lateral Mains (RLMs) CV18 - Overhead Clearances CV19 - Worst Served Customers (WSC) CV20 – Visual Amenity CV21 – Losses CV22 – Environmental Reporting C3 - Physical Security
High Value Projects (HVPs)	CV23 – DPCR5 and RIIO-ED1 High Value Projects (HVP) CV24 – RIIO-ED2 High Value Projects (HVP)
Network Operating Costs (NOCs)	CV26 - Faults CV27 - Severe Weather 1 in 20 CV28 - Occurrences Not Incentivised (ONIs) CV29 - Tree Cutting CV30 – Inspections

Strategic Commentary: Strategic Performance Overview and Costs and Volumes
 Commentary

Cost category	Associated tables
	CV31 - Repairs and Maintenance CV32 - Dismantlement CV33 - Substation Electricity CV34 - Smart Meter Intervention DNO C8 - Remote Location Generation
Closely Associated Indirects (CAIs)	C9 - Core Closely Associated Indirects (CAI) C10 - Wayleaves (CAI) C11 - Vehicles and Transport (CAI) CV35 - Operational Training (CAI)
Business Support Costs (BSCs)	C12 - Core Business Support C13 - IT and Telecoms (Business Support) C14 - Property Management (Business Support)
Non-Operational Capex	C4 - IT and Telecoms (Non-Op) C5 - Property (Non Op) C6 - Vehicles and Transport (Non Op) C7 - STEPM (Non Op)
Other costs within the Price Control	C15a, b, c - Atypicals CV36 - Network Innovation Allowance (NIA) CV37 - Network Innovation Competition (NIC) CV38 - Low Carbon Network (LCN) Fund CV40 - Strategic Innovation Fund (SIF)