Guidance

Sizewell C Regulatory Financial Performance Reporting Guidance

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This document provides instructions and guidance to Sizewell C (the nuclear licensee) to enable it to discharge its obligations arising from Special Condition 21 (Regulatory Instructions and Guidance (RIGs)), which requires the licensee to provide Ofgem with this information.

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Contents

1. Introduction 4
Background 4
Legal Framework 4
Structure of this Document 5
Components of the RFPR 5
Reporting under the RIGs 8
Publication and Sharing of RFPR 9
2. Instructions for completing the RFPR data template 11
Overview 11
Structure of the Template 11
Data Entry 12
Definitions 12
Use of Apportionments and Allocations 13
Additional Information 13
Purpose and Instruction for completion of RFPR template 13
3. Guidance for completing the Tax Reconciliation and Commentary ... 37
Introduction 37
Instructions for Completing the Tax Reconciliation 38
Submission 41
4. Guidance for completing RFPR Commentary 42
Introduction 42
Structure of RFPR Commentary 43
Appendices to the RFPR Commentary 43
Financial Resilience & Corporate Governance 45
5. Appendix - Glossary 50

1. Introduction

1.1 This section sets out the purpose and structure of the Regulatory Financial Performance Reporting (RFPR) which forms part of the Regulatory Instructions and Guidance (RIGs). It also provides guidance on the reporting process under the RIGs and Ofgem's data assurance requirements.

Background

1.2 The RIGs prescribe the information which the nuclear licensee must report and provide. It also offers guidance on how the nuclear licensee should submit this information and establish systems to collect data to the detail required by Ofgem.

1.3 This guidance covers the period from Licence Modification Date until the end of the Pre-Post Construction Review (Pre-PCR) Phase and will be updated periodically.

1.4 Ofgem collects data to administer the licence conditions of the nuclear licensee and to carry out the following activities:

a) monitor the discharge of their licence obligations and associated deliverables;

b) monitor the rewards and penalties that the nuclear licensee has received as a result of their performance;

c) monitor compliance with licence requirements;

d) collect information for use in the Annual Revenue Setting Process (The Annual Revenue Setting Process uses the revised Price Control Financial Model (PCFM) Variable Values to recalculate base revenue);

e) gain insight into the nuclear licensee's forecasts on key deliverables and financial variables; and

f) inform the assessment of the next Periodic Review.

1.5 This RFPR forms part of the RIGs reporting framework, and aims to produce a comprehensive, transparent, accessible, and accurate measure of the nuclear licensee's financial performance.

Legal Framework

1.6 The scope and governance arrangements for the RIGs are set out in Special Condition 21 (Regulatory Instructions and Guidance). This sets out the scope, contents and common governance arrangements for the RIGs. The RIGs may be revised and reissued in accordance with Part C of the condition.

1.7 The information provided by the nuclear licensee must relate to its licensed electricity generation business and any Affiliate or Related Undertaking. Where the nuclear licensee is providing information on unregulated activities these must, in general, be clearly identified in the data provided.

1.8 Where appropriate, the specified information the nuclear licensee provides must be in accordance with the requirements under Special Condition 23 (Data Assurance), or other assurance requirements we place on the licensee.

1.9 The Data Assurance Guidance (DAG) requires the nuclear licensee to perform a risk assessment and carry out data assurance activities on the information it provides.

Structure of this Document

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

a) Section 2 provides instructions for completing the RFPR data template.

b) Section 3 provides guidance for completing the tax reconciliation and commentary.

c) Section 4 provides guidance for completing the RFPR commentary.

Components of the RFPR

1.11 The RFPR forms part of the RIGS and focuses on providing a comprehensive measure of the nuclear licensee's financial performance.

Overall Structure

1.12 The RFPR comprises of two main elements:

a) RFPR template for reporting the data; and

b) RFPR commentary and supporting information.

RFPR Templates

1.13 The data templates have been designed to collect data that shows the nuclear licensee's financial performance. The templates will also reconcile the nuclear licensee's statutory accounts, the PCFM, annual performance reporting, discretionary incentives decisions, corporation tax returns and other directions from Ofgem that impact the nuclear licensee's financial performance. Where the nuclear 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.

1.14 Key points to note when completing the tables are:

a) Some cells in some tables have been designed to link to cells in other tables. These links must be retained by the nuclear licensee in the version submitted to Ofgem. Failure to do so will be considered non-compliance with the RIGs.

b) The RFPR tables are colour coded as follows:

Input cells	
Total cells / averages / calculations	
Link to cells within worksheet	
Referencing to other worksheets	
Referencing to other workbooks	
Check cells	
No Input	
Descriptions and pack data	
Entered values	
Ofgem Input Cell	

c) All financial values should be input in the price base indicated in each table.

d) Unless otherwise indicated in the guidance document or templates, actual financial values should be provided in £ million and displayed to two decimal places, with financial values reconciling with the audited statutory accounts.

e) The nuclear licensee should also disclose any adjustments required to reflect previous or anticipated events not yet reported in incentives (Enduring Value Adjustments), that the nuclear licensee reasonably expects to impact future revenues or the value of the regulatory asset base. These should be reported at the highest reasonable level of accuracy based on information held by the nuclear licensee. These adjustments should be reported in the Enduring Value Adjustments section of the RFPR template.

Instructions and Guidance

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

1.16 For the avoidance of doubt, the following order of precedence applies:

a) The Licence;

b) The Price Control Financial Handbook (PCFH);

c) The Price Control Financial Model (PCFM);

d) Other Licence Instruments;

e) RIGs Guidance;

f) RFPR Guidance; and

g) Price Control Financial Guidance (PCFG).

Provision of Forecast Data

1.17 Where stated in this RFPR guidance and RFPR template, there will be a requirement to provide forecasts for any remaining years in a Regulatory Period.

1.18 It is acknowledged that forecasts will not be as accurate as actual reported data. Nevertheless, the nuclear licensee must provide their best estimate with the information available at the time in accordance with Special Condition 1 (Interpretation and Definitions).

RFPR Commentary

1.19 Alongside the submission of its templates, the nuclear licensee must provide a RFPR commentary and supporting Enduring Value methodologies (if applicable). The guidance for this is set out in chapter 4. A commentary is required to provide an understanding of the nuclear licensee's 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.

1.20 The commentary should also provide a description of significant variances compared to the previous year's submission, except for the first Charging Year where comparators are not available.

Errors

1.21 In the event of any errors in the RFPR templates being identified after they are sent out to the nuclear licensee for completion, the following procedure should be followed:

a) Upon identifying an error, notify Ofgem by email, detailing the nature of the error;

b) Ofgem will respond and, if necessary, provide guidance to the nuclear licensee on correcting the error; and

c) The nuclear licensee and Ofgem log changes that are made to the template e.g. correcting an error in a formula for the following year.

1.22 The nuclear licensee must not change, add or delete any cells, formulae or formatting in the template unless we have instructed them to do so or indicated by other parts of this guidance document. For example, to correct an error or if the guidance allows for additional rows to be added, or to redact information in a manner consistent with paragraph 1.34.

Reporting under the RIGs

Time Scale Reporting

1.23 The relevant reporting year for the provision of information under the RIGs is from 1 April to 31 March for each Charging Year with the exception of First Charging Year, Final Pre-PCR Phase Charging Year, First Operations Phase Charging Year and Last Charging Year, where timeframes may be adjusted to reflect a partial year, the templates for reporting should include forecast information for each of the remaining Charging Years, unless otherwise stated in the guidance.

1.24 Unless stated otherwise, the nuclear licensee 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 the nuclear licensee can submit information unless Ofgem has previously consented otherwise in writing.

Form of Submission

1.25 Instructions for the electronic submission of the template will be circulated to the nuclear licensee in advance of each submission deadline. However, if there is any doubt about the method of submission, the nuclear licensee must contact Ofgem.

1.26 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 nuclear licensee confirming that the data has been provided in accordance with Special Condition 21 (Regulatory Instructions and Guidance) and any relevant guidance.

1.27 The RFPR file naming convention for 30 September RFPR submissions, and for any resubmissions for the excel templates should be: "RFPR [Nuclear Licensee name] YYYY_XX" (e.g. RFPR Sizewell C Limited 2025_26). For the commentary document, it should be "RFPR [Nuclear Licensee Name] commentary YYYY_XX" (e.g. RFPR Sizewell C Commentary 2025_26).

Resubmissions

1.28 The nuclear licensee is required to seek the agreement of Ofgem before resubmitting any information in accordance with the RIGs. This may be because the nuclear

licensee has identified an error or as part of Ofgem's review of its submission (see paragraph 1.30).

1.29 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/the nuclear licensee decide such a letter is required. The volume of supporting information the nuclear licensee will be required to submit to support any resubmission will be dependent on the nature of any required resubmission. The nuclear licensee may be required to re-publish its RFPR re-submission (see paragraph 1.35).

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

Review

1.31 Once the nuclear licensee has submitted the information to Ofgem, Ofgem will undertake a detailed review of the information.

Publication and Sharing of RFPR

1.32 It will be a requirement for the nuclear licensee to publish, on their company websites, their full RFPR template and commentary, excluding the following sections:

a) table R5a - Financing input,

b) table R6a - Net Debt input,

c) R8a - Tax Reconciliation,

d) F series input sheets that feed into R5a and R6a; and

e) Financial Resilience requirements at 4.11 - 4.15.

1.33 The information referred to in paragraph 1.32 is required for Ofgem to appropriately monitor the performance of the nuclear licensee during each Charging Year, however, as it is considered commercially sensitive it will not be published.

1.34 Where the nuclear licensee considers there is commercially sensitive information this can be redacted, with agreement from Ofgem.

1.35 The nuclear licensee should publish the RFPR by no later than 30 September following the end of each Charging Year. and engage with Ofgem proactively at least 12 months prior to an anticipated partial year to agree on a publishing date

reflecting the circumstances and timings of the license modification as well as the years surrounding the PCR.

1.36 If Ofgem considers that 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 nuclear licensee in advance of any publication.

2. Instructions for completing the RFPR data template

Section summary

The purpose of this section is to provide the nuclear licensee with instruction for completing the data template(s).

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 the nuclear licensee. It consists of data entry tables and various summary and calculation tables.

2.2 The nuclear licensee is expected to 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, 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, facilitate reconciliations, and allow checking for errors.

Structure of the Template

2.4 The template contains the following tables:

a) RFPR cover

b) Data

c) Content and Version Control

d) Change log

e) R1 - RoRE

f) R2 - Reconciliation to Revenue and Profit

g) R3A - Capex - Reconciliation

h) R3B – Opex - Reconciliation

i) R3C – Totex - Reconciliation

j) R4 - Incentives and Other revenue

k) R5 - Financing

l) R5a - Financing input

m) R6 - Net Debt

n) R6a - Net Debt input

o) R7 - RAB

p) R8 - Tax

q) R8a - Tax Reconciliation

r) R9 - Corporate Governance

s) R10 - Pensions & Other Activities

Input sheets for R5a and R6a

a) F3 – Fixed Rate Debt

b) F4 – Floating Rate Debt

c) F5 – Inflation Linked Debt

d) F6 – Debt Dataset

e) I1 – Universal Data

f) I2 – Monthly Inflation

Data Entry

2.5 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 nuclear licensee is not to change any formulae or formats (including insertion or deletion of rows or columns, move any cells, or alter any text, figures or formulae in any cells not shaded yellow) without instruction from Ofgem first, except where we direct the nuclear licensee to add rows to facilitate the completion of the template. All financial values should be input in the price base indicated.

Definitions

2.6 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.

Use of Apportionments and Allocations

2.7 When populating reconciliations in the RFPR, apportionments should be avoided wherever possible. However, where the nuclear licensee (or any Affiliate or Related Undertaking) must use apportionments to complete the tables, the basis for apportionment or allocation must be clearly provided. Any changes in the apportionment or allocation methodology from one reporting period to the next must be highlighted in the RFPR commentary.

Additional Information

2.8 If the nuclear licensee considers 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.

Purpose and Instruction for completion of RFPR template

RFPR cover

a) In cell C8 input Licence Modification year e.g. 2025

b) In cell C9 select nuclear licensee name from drop-down menu

c) In cell C11 select reporting year from drop-down menu

d) In cell C12 enter version number

e) In cell C13 enter submitted date

Data

a) Ofgem will update relevant data tables prior to the RFPR submission date in each Charging Year t.

b) The nuclear licensee should verify this data and raise any discrepancies with Ofgem.

c) Data on this sheet should align with the latest PCFM where applicable.

The nuclear licensee is required to update the Consumer Prices Index including Owner Occupiers' Housing Costs (CPIH) values in row 55.

The RFPR requires financial year average inflation consistent with the PCFH. Where this information is not available (e.g. for the current financial year), the nuclear licensee is required to use the most recent CPIH value published by the Office of National Statistics.

Owing to the reporting deadlines for the RFPR, this is likely to be the CPIH value released in the month of July, reflecting actuals through June.

For forecast inflation, the nuclear licensee is required to align to the approach outlined in Chapter 2 of the Price Control Financial Handbook (PCFH).

Content & Version Control

In cells C9:C18 enter date of submission as applicable.

In cells D9:D18 as applicable provide a summary of changes from previous version.

Change log

Enter any changes made to the template.

R1 – RoRE

Purpose and Use

This spreadsheet analyses financial performance using a measure of equity investor returns (RoRE), by calculating the returns equity investors are earning inclusive of both baseline equity returns and the impact of incentives.

Instructions for Completion

This is calculated looking at both the nuclear licensee's actual gearing, as well as Ofgem's assumption of notional gearing, and includes the impact of both fines and adjustments for enduring value that may influence the nuclear licensee's returns. This table auto-populates, no input required. Financial data will be displayed in real prices.

R2 - Reconciliation to Revenue and Profit

Purpose and Use

The purpose of this worksheet is for the nuclear licensee to report allowed and actual revenue and reconcile this to its statutory accounts. In addition, the worksheet also provides a reconciliation for regulated nuclear licensee profit to statutory accounts.

Instructions for Completion

a) Inputs for rows 13, 14, and 15 should be populated based on the PCFM calculated Allowed Revenue following Licence modification. There is no requirement to forecast the values in this sheet.

b) In row 21 enter the value of Recovered Revenue as per the Recovered Revenue (RRt) consistent with the latest PCFM, however, where this value is not present in the PCFM, it should be entered manually.

c) In rows 24-32, enter other turnover items and any additional rows as needed, with descriptions.

d) In rows 36-51, enter any other adjustments required to reconcile collected revenue with Turnover per the profit and loss statement, include descriptions.

e) In row 55 enter Turnover/Revenue as per the profit and loss statement from the statutory accounts.

f) In row 72 enter an adjustment to reflect atypical costs as reported in the RRP. This data should be presented on a cash basis.

g) In row 83, enter the depreciation and amortisation adjustments related to capex adjustments (-ve), not related to the regulated business.

h) In rows 84 enter any costs (-ve) not related to the price control Regulated business adding additional rows and descriptions as required.

i) In row 111 nuclear licensee to provide supporting comments or narrative.

R3A – Capex Reconciliation

Purpose and Use

The purpose of this worksheet is to enable the nuclear licensee to reconcile the Capex expenditure reported in its statutory accounts with the Capex reported in the PCFM.

Instructions for Completion

a) Information for forecast years is required in the table 'Capex as per latest PCFM'.

b) Rows 13-14 should be populated directly from the latest PCFM.

c) In rows 23-29, add any enduring value adjustments required to Capex performance

d) In table 'Capex Reconciliation', information for forecast years is not needed.

e) In rows 55-61, enter values, where applicable, reconciling items, in a manner consistent with the reporting of these costs in the RRP.

f) In row 65, enter costs as reported in latest RRP submission i.e. 'Total costs per latest RRP submission

g) In row 69-93 enter items not recognised in Capex, to reconcile from 'Total net costs after non-price control allocations' to allowable Capital spend in the latest PCFM.

h) In row 100 nuclear licensee may enter any supporting comments or narrative and include a cross-reference to the latest submitted RRP.

R3B – Opex Reconciliation

Purpose and Use

The purpose of this worksheet is to enable the nuclear licensee to reconcile the Opex expenditure reported in its statutory accounts with the Opex reported in the PCFM.

Instructions for Completion

a) Information for forecast years is required in the table 'Opex as per latest PCFM'.

b) Rows 13-14 should be populated directly from the latest PCFM.

c) In rows 23-29, add any enduring value adjustments required to Opex performance

d) In table 'Opex-Reconciliation', information for forecast years is not needed.

e) In rows 41-48 enter values, where applicable, for the identified cost items (which are used in the PCFM) in a manner consistent with the reporting of these costs in the statutory accounts.

f) Where these costs are not disaggregated in the statutory accounts, the licensee is to provide evidence for the breakdown provided in the RFPR in the supporting commentary.

g) Where the statutory accounts contain additional costs which cannot be readily allocated to these line items, nuclear licensee should include these and provide descriptions.

h) In rows 54-60, enter Opex adjustments to reconcile total expenditure per the statutory accounts to Allowable Opex in the RRP.

i) In row 64, enter costs as reported in latest RRP submission i.e. Total costs per latest RRP submission.

j) In row 68-92 enter items not recognised in Opex, to reconcile from 'Total net costs after non-price control allocations' to allowable Opex spend in the latest PCFM.

k) In row 99 nuclear licensee may enter any supporting comments or narrative and include a cross-reference to the latest submitted RRP.

R3C – Totex - Reconciliation

Purpose and Use

The purpose of this worksheet is to enable the nuclear licensee to reconcile the Totex expenditure reported in its statutory accounts with the Totex reported in the PCFM.

This schedule is only required to be completed in the operations period following the PCR

Instructions for Completion

a) Information for forecast years is required in the table 'Totex as per the latest PCFM'.

b) Rows 13-14 should be populated directly from the first year's PCFM and relate to Totex allowances.

c) In rows 23-29, add any enduring value adjustments required to Totex performance.

d) In table 'Reconciliation to Totex', information for forecast years is not needed.

e) In rows 42-50 enter values, where applicable, for the identified cost items in a manner consistent with the reporting of these costs in the statutory accounts.

f) Where these costs are not disaggregated in the statutory accounts, the licensee is to provide evidence for the breakdown provided in the RFPR in the supporting commentary.

g) Where the statutory accounts contain additional costs which cannot be readily allocated to these line items, nuclear licensee should include these and provide descriptions.

h) In rows 55-61, enter Totex adjustments to reconcile total expenditure per the statutory accounts to ''Total net costs after non-price control allocations" in the RRP.

i) In row 65, enter costs as reported in latest RRP submission i.e. Total costs per latest RRP submission.

j) In row 69-93 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.

k) In row 101 nuclear licensee may enter any supporting comments or narrative and include a cross-reference to the latest submitted RRP.

R4 – Incentives and Other Revenue

Purpose and Use

The purpose of this worksheet is for the nuclear licensee to report its annual actual and forecast performance against incentives.

Instructions for Completion

a) Incentive revenues should relate to the Charging Year the incentive has been (or is forecast to be) operationally earned.

b) In rows 14-19 enter the Pre-PCR Phase incentives per the latest PCFM.

c) In rows 24-30 enter any additional commentary relating to the relevant incentives.

R5 – Financing

Purpose and Use

The purpose of this worksheet is for the nuclear licensee to report annual actual and forecast net interest. This is then adjusted to remove inflation, include early redemption costs and compared against the cost of debt allowances published in the latest PCFM.

The nuclear licensee is also required to reconcile actual net interest with the interest charge included in the statutory accounts.

Instructions for Completion

a) In row 30 enter forecast new financing/refinancing Net Interest (per glossary definition) costs.

b) The "Net Interest including forecast new financing/refinancing costs" on row 31 will be used as an input to calculate the tax clawback adjustment in the latest PCFM through the relevant variable value.

c) In rows 32, 33 and 34 disaggregate Net Interest including forecast new financing/refinancing costs (row 31) between Government Debt Net Interest, Non-Government Debt Net Interest and Intra -company Debt Net Interest

d) In row 36 enter, as a memo, the element of Net Interest per glossary definition that relates to non- cash principal inflation accretion on bonds and loans.

e) In row 48 enter new/refinanced debt issuance expenses.

f) In row 64 the nuclear licensee to enter actual gearing, using a definition consistent with the licence.

g) In row 78, the nuclear licensee to estimate the Cost of Debt Adjustment (CDA) building block, based on operating the CDA model.

R5a - Financing Input

Purpose and Use

The purpose of this worksheet is to compile nuclear licensee's debt costs for each debt type, segregating each type between the income statement and the cash flow statement. This should reconcile with information presented in the latest statutory accounts.

Interest payments are aggregated by debt category in the two tables – `Income Statement (P&L) charge' plus Interest Capitalised in Charging Year and `Cash Flow' - at the top of the sheet. Interest costs per the income statement and cash flow statement are then further analysed in detail.

The data from 'Analysis of financing costs per income statement' feeds into R5 sheet. The final table summarises interest payments amounts by debt types from the debt calculation sheets (F3 to F5), derived from inputs in F6 - Debt Dataset sheet.

Instructions for Completion

a) Columns M:V for the "Income statement (P&L) charge" table will automatically populate from the details in sheets F3 to F5.

b) Columns M:V for the Cash Flow table should be manually input for each debt type. Report historical and expected costs for embedded debt & associated products only (i.e. do not forecast refinancing or new debt issuance costs) for each Charging Year.

c) In section titled `Analysis of Financing Costs as Per Income Statement' enter financing costs as per income statement of the statutory accounts for each Charging Year. Blue cells are automatically populated from the Income statement (P&L) charge table at the top of the sheet.

d) In the yellow 'Other Adjustment' rows in cells C49-C58 and C87 enter the name of any other adjustments.

e) In rows 67-73 enter the value for any other adjustments not included within the sub total for `Debt Interest Expense plus Interest Capitalised in Charging Year'.

f) In row 75 enter the (-ve) value for capitalised interest, which is summed up to give the Total Interest Expense and Finance Costs as per Income statement.

g) In rows 109-117 enter adjustments to convert finance costs as per income statement to Net Interest as per glossary definition.

h) In rows 123-126 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.

i) Row 120 adds back debt issuance expenses for performance assessment purposes.

j) Row 121 adds back costs associated with early redemption of long-term debt for performance assessment purposes.

k) Only buyback costs that are incurred in the normal course of business should be included here.

l) Buyback costs associated with Merger and Acquisitions (M&A) activity or preparing for M&A activity should be excluded from this line as these are considered exceptional costs that should not form part of financing performance assessment.

m) Row 122 allows the annual accrued principal inflation on inflation linked swaps to be included for performance assessment if this cost has been otherwise excluded from regulatory interest.

n) We would expect Net Interest per glossary 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 account.

o) 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.

p) Nuclear licensees should ensure not to double count and should only include derivative principal inflation accrual costs in this row if not already included in row 118 or if periodic principal inflation cash payments are excluded through an adjustment in one of the other rows 123-126.

q) In rows 130 and 177 enter allocation (%) of net interest (per income statement and cashflow statement respectively) for nuclear licensee.

r) In the 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 Charging Year. Blue cells are automatically populated from the Cash Flow table at the top of the sheet.

s) In rows 150 and 168 enter any other adjustments.

t) 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 regulatory definition of Net Interest within sheets R5 and R5a.

R6 - Net Debt

Purpose and Use

The purpose of this worksheet is for the nuclear licensee to report its annual actual and forecast Regulatory Net Debt. The nuclear licensee is also required to reconcile the Regulatory Net Debt with Net Debt in the statutory accounts.

The nuclear licensee is also required to reconcile the net debt per the RFPR with any other definitions of net debt used in the licence, for example, used in the operation of the CDA Financial Model.

Instructions for Completion

a) In cell D9 enter opening cash, short term deposits and overdrafts (per Balance Sheet) less restricted cash balances.

b) In row 41 enter forecast new debt/refinancing.

c) In cell D45 enter opening Regulatory Net Debt including forecast new debt/refinancing at licence modification.

d) In rows 49-58, enter adjustments required to convert Regulatory Net Debt to Net Debt per Statutory Accounts.

e) Cells B54-B58 should be re-labelled as appropriate.

R6a - Net Debt input

Purpose and Use

The purpose of this worksheet is to compile general information for each type of embedded debt only (i.e. do not forecast refinancing or new debt issuance). Actual values should

reconcile with information in the latest statutory accounts.

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.

Instructions for Completion

a) Schedule of cash, short term deposits and overdrafts (per Balance Sheet)

b) Enter the following in rows 14-19
   i. Cash at bank and in hand (-ve)
   ii. Amounts posted with banks as collateral under derivative arrangements (-ve)
   iii. Short term deposits (-ve)
   iv. Overdrafts (+ve)
   v. Amounts posted as collateral by banks under derivative arrangements (+ve)
   vi. Restricted cash balances (-ve)

c) Complete adjustment rows 20-29 as required.

d) Schedule of debt instruments: cells will automatically populate from the details in sheets F3 to F5.

e) In rows 48-57 enter additional commentary on individual instruments (for most recent year ended).

f) In rows 60-76 convert the net debt (as per statutory accounts) to the regulatory definition of Net Debt.

g) Complete adjustment rows D65-76 as required.

h) In row 80 enter regulated business net debt allocation.

i) Pre/post derivative average exposure to interest rate and inflation changes – tables automatically populated from information elsewhere in sheet R6a.

j) Pre/post derivative average exposure to currency rates – tables automatically populated form details in debt calculation sheets F3 to F5.

k) Summary of debt amounts by debt types – tables automatically populated from details in debt calculation sheets F3 to F5.

R7 – RAB

Purpose and Use

The purpose of this worksheet is to identify the nuclear licensee's annual Regulatory Asset Base (RAB) position using the annual actual and forecast RAB as per the latest PCFM.

This sheet also reconciles the closing RAB balance per the latest PCFM to the calculated closing RAB. The average of this adjusted closing RAB is used in deriving actual gearing percentage for R6-Net Debt worksheet.

The NPV neutral equity element of RAB on row 40 is then used to calculate the RoRE in table R1 - RoRE.

Instructions for Completion

a) In rows 12, 16, 18, 21 and cell F15 enter values per the latest PCFM.

b) In row 19 enter the enduring value adjustment relating to Net additions (after disposals).

c) In row 22 enter the enduring value adjustment relating to depreciation.

R8 – Tax

Purpose and Use

The purpose of this worksheet is to calculate the tax out or underperformance of the nuclear licensee against the tax allowance at actual and notional levels of gearing.

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.

Instructions for Completion

a) 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.

b) The values in R8 feed into the RoRE calculation in the R1 sheet. Where the actual CT600 is unavailable, nuclear licensee should input a forecast tax liability in row 35 for RoRE calculation purposes.

c) For the RFPR submission in Charging Years 2 and onward, in rows 16-19 and rows 23-32, the nuclear licensee should enter any adjustments to remove the non-regulated tax liability.

d) Nuclear licensee to provide a description of any such adjustments.

e) Where the actual CT600 is unavailable, nuclear licensee should input a forecast tax liability in row 40 for RoRE calculation purposes and not enter any values into rows 11 to row 32.

f) In row 56 enter the TAXt values shown in the 'Revenue' sheet per the latest PCFM.

R8a – Tax Reconciliation

Purpose and Use

See Chapter 3 of this document.

Instructions for Completion

See Chapter 3 of this document.

R9 – Corporate Governance

Purpose and Use

The purpose of this worksheet is for the nuclear licensee to report the executive directors' remuneration. Additionally, the nuclear licensee is to report actual dividends paid that relate to the regulated business. This should reconcile with information in the statutory accounts.

Instructions for Completion

a) In row 11 enter dividend paid as per the statutory accounts.

b) In rows 13-15 enter adjustments to remove dividends paid that are not related to the regulated business, add additional rows as required.

c) In row 18 enter any shareholder loan interest.

d) In row 25 insert the names of the executive directors. If there are more than 5 directors, extra columns can be added as applicable.

e) 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 nuclear licensee should add any further fixed pay categories and add new rows as necessary.

f) In row 35 nuclear licensee should input the allocation of fixed pay that pertains to the regulated business.

g) In rows 38-41 enter the variable pay relating to executive directors, where applicable this should reconcile with the statutory accounts. In row 39 and 41,

nuclear licensee should add any further variable pay categories and add new rows as necessary.

h) In row 43 nuclear licensee should input the allocation of the variable pay that pertains to the regulated business.

i) In rows 49-56[1], the nuclear licensee should input information relating to share ownership and share discounts for the executive directors.

j) In row 49 enter the number of shares owned by the executive directors.

k) In row 50 insert additional rows, as appropriate, relating to share ownership.

l) In row 51 enter the percentage (%) discount on the shares purchased.

m) In row 52 enter the percentage of shares held compared to total authorised shares.

n) In row 53 enter the value of shares held.

o) In row 54 enter the number of options held.

p) In row 55 enter the exercise price of the options held.

q) In row 56 enter the number of options exercised.

r) In row 59 enter the value of dividends paid.

s) In row 62 enter the allocation of shares, options and dividends that relate to the regulated business.

t) In rows 68-70, insert the CEO's total remuneration to company's UK employee's remuneration at 25th, 50th and 75th percentile.

u) To calculate pay ratios we expect the nuclear licensee 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.

v) Where the nuclear licensee is reporting this information to other public sector stakeholders, the nuclear licensee may make representations to Ofgem to

[1] If directors do not hold shares at the licensee level, this data can be omitted. However, the nuclear licensee 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-referenced.

change this approach, to facilitate the reporting of this information consistently.

w) In rows 77-82 enter any relevant supporting comments.

R10 – Pensions & Other Activities

Purpose and Use

The purpose of this worksheet is for nuclear licensee to report a summarised position of any share of defined-benefit pension scheme pension deficits, and to report any Ofgem related fines and penalties.

Instructions for Completion

a) In row 12 enter the total pension deficit repair payment made by the nuclear licensee for its share of any defined benefit schemes.

b) In cell D17 enter the valuation date for the latest concluded defined benefit pension scheme triennial actuarial valuation for any defined benefit pension schemes.

c) In cell D19 enter the price base for information reported for the latest concluded pension scheme triennial actuarial valuation.

d) In cell D22 enter the total liabilities attributable to the nuclear licensee.

e) In cell D24 enter the total assets attributable to the nuclear licensee.

f) In cell D28 enter the proportion of the total deficit attributable to the nuclear licensee.

g) In cell D29 enter the proportion of any increase in the total deficit since the last valuation to the nuclear licensee.

h) In rows 43-45 enter any Ofgem (those published on Ofgem's website) related fines and penalties, with description. Add additional rows as necessary.

i) In row 47 enter any adjustments for tax, relating to Ofgem fines and penalties, if any fine or penalty is tax deductible.

j) In rows 51-52 enter any other fines and penalties with description.

Input Sheets for R5a and R6a – General Instructions

Purpose and Use

The 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

a) 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.

b) Once the economic regulatory regime has been established, we expect that financial values should reconcile with audited regulatory accounts for historical years for which audited regulatory accounts have been produced.

c) The nuclear licensee is 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.

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

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

F3 – Fixed Rate Debt

Purpose and Use

This worksheet identifies fixed rate debt instruments from the F6 – Debt Dataset sheet and calculate annual embedded debt volumes and interest payments for each instrument. This information is subsequently aggregated and utilised in tab R5a and R6a.

Instructions for Completion

a) Calculations derived automatically. The nuclear licensee should not make any changes to this worksheet.

F4 – Floating Rate Debt

Purpose and Use

This worksheet identifies floating rate debt instruments from the F6 – Debt Dataset sheet and calculates 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

a) Calculations derived automatically. The nuclear licensee should not make any changes to this worksheet.

F5 – Inflation Linked Debt

Purpose and Use

The worksheet identifies 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

a) Calculations are derived automatically. The nuclear licensee should not make any changes to this worksheet.

F6 – Debt Dataset

Purpose and Use

The purpose of this worksheet is to collect granular information related to actual debt and derivative products issued or borrowed by the nuclear licensee.

For illustrative purposes, the worksheet is pre-populated with example data, which nuclear licensee should overwrite with actuals. The nuclear licensee 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

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

b) 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. The nuclear licensee 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.

c) This worksheet should be completed taking into consideration the debt and derivatives outstanding at the time of submission. The worksheet should only

include embedded debt (i.e. debt existing at the time of completion of the worksheet) and should not forecast new debt or derivatives instruments (which are to be included in R6).

d) 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 Charging Year end.

e) The nuclear licensee 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 5 of the worksheet for guidance on the data format to use in each column.

f) Columns A to DD of the worksheet should be populated according to the following guidance:

   i. Sector: choose from the drop-down validation list.
   ii. Licensee: choose from the drop-down validation list.
   iii. Category: choose from the drop-down validation list.
   iv. Rank: choose from the drop-down validation list.
   v. Type: choose from the drop-down validation list.
   vi. Maturity Type: choose from the drop-down validation list.
   vii. Core Debt / Liquidity: choose from the drop-down validation list.
   viii. Identifier: type instrument identifier code if available.
   ix. Pricing date: insert in date format (dd/mm/yyyy) if available.
   x. Issue date: insert in date format (dd/mm/yyyy). This column MUST be populated as it is used in the calculations as the instrument issuance date.
   xi. Maturity date: insert in date format (dd/mm/yyyy). This column MUST be populated as it is used in the calculations as the instrument maturity date.
   xii. Early repayment date: insert in date format (dd/mm/yyyy) if applicable. If inserted, Early repayment date overrides the Maturity date in the calculations.
   xiii. 1st Call Date: insert in date format (dd/mm/yyyy) if available.
   xiv. Currency: choose from the drop-down validation list.

xv. Amount Issued on Issue Date / Max loan amount: insert amounts in the original currency of issuance, including amounts issued in pound sterling (GBP).

xvi. Current Amount Outstanding: insert amounts in the original currency of issuance, including amounts issued in pound sterling (GBP).

xvii. Amount Issued on Issue Date / Max loan amount GBP equivalent: 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.

xviii. Current Amount Outstanding equivalent: populate with the GBP conversion (£m) of Current Amount Outstanding. For instruments issued in GBP the two amounts will be the same.

xix. 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. For instruments with Type = Fixed Rate if the bond is issued at a premium or discount to par, this value should be the discounted or premium amount received at issue. For instruments with Type = Floating or Index Linked, this column should be using the nominal amount.

xx. Coupon / Margin: insert in percentage format (%) if available.

xxi. Issue Price: insert index value (base index = 100) if available.

xxii. Yield to Maturity at Issue Date: insert in percentage format (%) if available.

xxiii. 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. For instruments with Type = Fixed, this column should be populated using values from Yield to Maturity at Issue Date, rather than from the Coupon/Margin column. For instruments with Type = Floating or Inflation Linked, this column should be populated using the "Coupon/Margin" column.

xxiv. floating_ref_rate: for Floating instruments, nuclear licensee MUST select the relevant SONIA options from the validation list. For Fixed and Inflation-Linked instruments nuclear licensee MUST select "N/A" from the validation list.

xxv. inflation_ref_rate: for Inflation Linked instruments, nuclear licensee MUST use the validation list to specify if linked to RPI, or CPIH. For Fixed and

Floating rate instruments nuclear licensee MUST select "N/A" from the drop-down.

xxvi. Inflation lag: for Inflation Linked instruments, nuclear licensee 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 licensee must select "N/A" from the drop-down.

xxvii. Inflation Base Index: for Inflation Linked instruments, insert reference base index applied at issuance. If not available, this will be automatically determined in tab F5 from the monthly inflation dataset in I2 - Monthly Inflation, using information on issue date, inflation reference rate and monthly lag.

xxviii. Commitment Fee: insert in percentage format (% issued amount) if available.

xxix. LT Issue Rating at Issue Date (S&P/Moodys /Fitch): insert rating information if available.

xxx. Current LT Issue Rating (S&P/Moodys/Fitch): insert rating information if available.

xxxi. Counterparty: insert counterparty (type "Market" if not identified).

xxxii. Transaction expenses: if available, insert amount in GBP (£m).

xxxiii. 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.

xxxiv. Split flag: For "Inflation Linked" amortising instruments that are split into 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.

xxxv. Commentary: insert any additional commentary if needed.

xxxvi. 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. This range will be revised periodically as the nuclear licensee progresses through construction.

xxxvii. IssueDate_2016 to IssueDate_2033: to be used for "Fixed" or "Floating" amortising instruments. Input dates for annual issued amounts, including the date of the initial debt emission if this occurs in the FY2016-2033 period. If issuance dates are omitted or inserted in the wrong column, the amounts from "IssueAmount_2016" to "IssueAmount_2033" will not be captured correctly in the calculation sheets. This range will be revised periodically as the nuclear licensee progresses through construction.

xxxviii. 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. This range will be revised periodically as the nuclear licensee progresses through construction.

xxxix. 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. This range will be revised periodically as the nuclear licensee progresses through construction.

Supplementary guidance

<u>Debt instruments if nuclear licensee is the lending party.</u>

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

For instruments where the nuclear licensee is the lending party, an analogous change in sign convention is required for annual issuance and repayment amounts for amortising instruments, in columns AK to BB and BU to CL.

Debt instruments with margin changes

If the applicable interest rate changes during the repayment period, the instrument can be modelled by splitting into multiple entries in the dataset. The worked example below assumes an instrument with two applicable margins over the relevant period.

a) First period instrument
   i. issue_date = actual date of issuance
   ii. maturity date = date of interest rate switch
   iii. Amount for use = actual volume
   iv. Rate for use = interest rate in period 1
   v. Split flag = "Y" (to denote entry relation to a composite instrument, FYI only)

b) Second period instrument
   i. issue date = actual date of issuance
   ii. maturity date = actual date of maturity
   iii. Amount for use = actual volume
   iv. Rate for use = interest rate in period 2
   v. Split flag = "Y" (to denote entry relating to a composite instrument, FYI only)

c) Offset for second period instrument
   i. issue date = actual date of issuance
   ii. maturity date = date of interest rate switch
   iii. Amount for use = - (actual volume) => if actual amount is borrowed, this value is negative (and vice versa if amount is lent)
   iv. Rate for use = interest rate in period 2
   v. Split flag = "Y" (to denote entry relating to a composite instrument, FYI only)

The overall impact of these data entries ensures that Instrument (1) models the first period (from issuance to interest rate change), the combined instruments (2) and (3) model the second period.

(2) starts at issuance date, so that the principal accretion is calculated correctly when the interest rate switch occurs; however, any debt volume or interest payment calculated for (2) before the switch date has to be zeroed and this is achieved by using the offsetting instrument (3).

Amortising instruments

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

a) Amount for use = volume at issuance date or opening balance for 201

b) issue date = actual date of issuance

c) maturity date = actual date of maturity

d) 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. This range will be revised periodically as the nuclear licensee progresses through construction.

e) Issue/RepayDate_2016 to Issue/RepayDate_2033: insert annual dates for emissions and repayments, matching annual issuance and repayment amounts. This range will be revised periodically as the nuclear licensee progresses through construction.

f) Amortising profile = "Y" (flag essential to trigger bespoke calculations)

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

a) Initial issuance
   i. issue date = actual date of issuance
   ii. maturity date = actual date of maturity
   iii. Amount for use = actual volume at issuance
   iv. Rate for use = applicable interest rate
   v. inflation_ref_rate = applicable inflation index
   vi. Inflation_lag = applicable inflation lag
   vii. Inflation_Base_Index = applicable base index
   viii. Amortising profile = "N" (to denote the initial issuance, FYI only)
   ix. Split flag = "Y" (to denote entry relating to composite instrument, FYI only)
   x. Do not enter data in columns Issue/RepayAmount_2016 to Issue/RepayAmount_2033
   xi. Do not enter data in columns Issue/RepayDate_2016 to Issue/RepayDate_2033

b) Annual issuance / repayments

i. issue date = actual date of issuance / repayment

ii. maturity date = final repayment date

iii. Amount for use = actual volume issued / repaid (negative amount for repayment)

iv. Rate for use = NI

v. inflation_ref_rate = same as initial issuance (1)

vi. Inflation_lag = same as (1)

vii. Inflation_Base_Index = same as (1)

viii. Amortising profile = "Y" (to denote additional issuance/repayment, FYI only)

ix. Split flag = "Y" (to denote entry relating to composite instrument, FYI only)

x. Do not enter data in columns Issue/RepayAmount_2016 to Issue/RepayAmount_2033

xi. Do not enter data in columns Issue/RepayDate_2016 to Issue/RepayDate_2033

I1 – Universal Data I1 and I2 – Monthly Inflation

Purpose and Use

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

Worksheet I1 uses monthly inflation data from I2 to calculate the accretion of indexed linked debt instruments, and to calculate a hypothetical RPI-CPIH index, to enable long-run historical comparisons between the nuclear licensee and other regulated sectors (noting that other regulated sectors have previously utilised RPI as a price index).

Interest rate data (rows 28-32) is used in worksheet F4 for calculating interest payments on floating rate debt. The interest rate data covers: SONIA 1 Month; SONIA 3 Month; SONIA 6 Month; SONIA 12 Month; SONIA (Compounded).

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

Nuclear licensee is required to update the values in "I1 – Universal data" tab on row 16 (using the OBR forecast consistent with the guidance in the PCFH) and "I2 – Monthly inflation" tab, column C and D based on the most recent available inflation data at the time of submission.

Instructions for Completion

a) Nuclear licensee should not make any changes to the layout of this worksheet.

b) Ofgem will update this table prior to the RFPR submission date in each Charging Year t.

c) Nuclear licensee should verify this data and raise any discrepancies with Ofgem. This data should align with the latest PCFM.

3. Guidance for completing the Tax Reconciliation and Commentary

Section summary

This chapter 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 the nuclear licensee's CT600 actual corporation tax liability and the calculated tax allowance in the 'Finance & Tax' 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 Each section is further sub-divided by reference to typical adjustment types. The reconciliation is set out in four key sections:

a) Profit/(Loss) before taxation;

b) Regulatory Adjustments;

c) Tax Adjustments; and

d) Tax Loss Adjustments

3.4 All material differences must be identified and explained within the Tax Reconciliation section of the RFPR commentary (see chapter 4) at a minimum. If the nuclear licensee has differences between their CT600 and calculated tax allowances that are not covered by the headings above, the responsibility is on the nuclear licensee 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 nuclear licensee. These values are shown at Table 1 from row 113 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 5 of the Price Control Financial Handbook.

Instructions for Completing the Tax Reconciliation

Format of R8a

3.7 The Tax Reconciliation template follows the flow of numbers between the nuclear licensee's Profit/(Loss) before taxation and adjustments made for its CT600 to the latest PCFM to enable the tracking of differences from the nuclear 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.

3.8 The column structure is as follows:

a) Column C notes the price base for values.

b) Column D contains entries from the original filed CT600.

c) Where the CT600 is re-filed, updated data should be input in column E.

d) Column G provides source information and labels for the data in column H.

e) Column H shows the Calculated Tax Allowance with values to be taken directly from the Latest PCFM.

f) 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).

g) Column K checks the materiality of the difference calculated at column J, with reference to the nuclear licensee's deadband threshold.

3.9 For certain input rows, there is also a bordered explanation cell at column L for the nuclear 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 the nuclear licensee should include more detail and where the nuclear licensee 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 not mandatory.

3.10 Where there is no direct comparison of values in column J, i.e. if only one or the other of column H and column D or E are populated, the nuclear licensee should provide the source data 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 that comprise the Tax Base (before capital allowances) in the 'tax allowances' section of 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 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 nuclear licensee's statutory accounts, which is auto-populated from the 'R2 - Rec to Revenue and Profit' sheet.

3.17 The nuclear licensee should input the relevant values from its Profit and Loss statement in its statutory accounts in cells D24:D29. If the labelling used in the

Profit and Loss Statement 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 nuclear licensee should enter 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.

3.19 In H16, the nuclear licensee should input the sum of the following cells in the PCFM:

a) the values in the "Add calculated revenue (except tax allowance)" line of the Finance & Tax sheet (row 306);

b) the "Add Tax allowance" (TAXt) line of the Finance & Tax sheet (row 308); and,

c) the "Tax allowance adjustment" (TAXAt) line of the Revenue sheet (row 38)

This will compare the Calculated Revenue including the tax allowance, against the Turnover figure from the CT600.

3.20 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

3.21 In this section, the nuclear 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.

3.22 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

3.23 In this section, the nuclear licensee should include all adjustments that are made in the CT600 to get from PBT to Profits Chargeable to Corporation Tax in column D (row 93).

3.24 These values should be taken directly from the corporation tax computations on which the CT600 is based. This section is sub-divided into disallowable or allowable items, capital allowances, and interest adjustments. Some commonly used

adjustments have been pre-populated; however, not all of these will apply in every year. Additional input rows may also be entered in this section, as required.

3.25 In cells H16:91 the nuclear licensee should enter the equivalent values from the latest PCFM Finance & Tax sheet e.g. the notional capital allowance values.

Tax Loss Adjustments

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

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

Submission

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

3.29 The first submission date for the R8a Tax Reconciliation, the accompanying commentary, the Tax Reconciliation assurance statement and the documents referred to in Part D of Special Condition 33, paragraph 14 is to be submitted with a one-year lag e.g. the 24/25 Charging Year should be submitted to Ofgem as part of the September 2026 submission. Unless otherwise indicated, the Tax Reconciliation should be presented in £m to one decimal place and in a nominal price base.

3.30 Reflecting the circumstances and timings of licence modification, we expect to collaborate with the nuclear licensee to finalise arrangements for the initial submission of these schedules.

3.31 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 chapter sets out the guidance for the completion of a commentary that supports the nuclear licensee's RFPR.

Introduction

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

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

a) a useful summary of the nuclear licensee's financial and operational performance, focusing attention on distilling key messages of the drivers of performance and presenting clear strategic insights;

b) an understanding of executive pay/remuneration and how this reflects the performance of the regulated business, and of the regulated business' approach to dividends;

c) an understanding of the nuclear licensee's debt instruments and any debt instruments held within the nuclear licensee's corporate group where the debt service obligations rely on distributions from the nuclear licensee;

d) a narrative that explains any Enduring Value Adjustments and their impact on the nuclear licensee's financial performance;

e) any other information the nuclear licensee considers is appropriate to develop a complete understanding of the information presented in the tables, e.g., reconciling adjustments;

f) a data assurance statement;

g) an explanation where there has been a material change in the nuclear licensee's financial performance from the previous Charging Year's published RFPR;

h) an explanation of how costs have been allocated across the company/nuclear licensee for the purposes of RFPR reporting; and

i) any other information the nuclear licensee considers is appropriate to explain its financial performance.

Structure of RFPR Commentary

4.3 The outline structure of the commentary is as follows:

a) Executive summary;

b) Key financial performance measures;

c) Key operational performance measures;

d) Overview of regulatory performance:

i. RoRE

ii. Reconciliation to Revenue and Profit

iii. Capex- Reconciliation

iv. Opex - Reconciliation

v. Totex - Reconciliation

vi. Incentives and Other Revenue

vii. Financing and Net Debt position

viii. RAB

ix. Taxation and Tax Reconciliation

x. Financial Resilience & Corporate Governance

xi. Pensions and Other Activities

e) Data assurance statement; and

f) Appendices.

i. Reconciliation where nuclear licensee has a different statutory reporting year from the Charging Year

ii. Enduring Value Adjustments

iii. Basis of any estimates and allocations

iv. Other relevant information

Appendices to the RFPR Commentary

Enduring Value Adjustments

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

a) Summary of the Enduring Value Adjustment;

b) The methodology used in arriving at the Enduring Value Adjustment;

c) Assumptions; and

d) Reconciliation with the RFPR template

Other Relevant Information

4.5 Where the nuclear 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

4.6 An RFPR commentary is required from the nuclear licensee. The RFPR commentary should reconcile with the RFPR template. Any narrative or tables in the RFPR commentary should be clearly disaggregated by the nuclear licensee.

Cross-referencing

4.7 Where appropriate the nuclear 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 e.g. through hyperlinks. The nuclear licensee must also ensure that any user of the RFPR can find the relevant section within any cross-referenced publication e.g. 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 nuclear licensee level.

Tax Reconciliation

4.8 The nuclear 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.

4.9 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 J.

4.10 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 L of R8a.

Financial Resilience & Corporate Governance

Financial Resilience

4.11 In this sub-section Financial Resilience (4.11 to 4.15) The nuclear licensee is required to provide information that may not be in the public domain as it may be considered commercially sensitive. If the information requested is not in the public domain and the nuclear licensee wants it to remain private the licensee can redact the relevant sections in their public disclosure.

4.12 The nuclear licensee must provide details of the financial covenants, if any, contained within debt instruments issued or contracted by the nuclear licensee or the nuclear licensee's associated finance company with conditions that apply to the nuclear licensee or to any or all of the nuclear licensee's subsidiaries or holding companies, including the following information:

a) default or event of default ratios, including interest coverage and regulatory gearing and any rights for equity cures; and

b) restrictions on distributions including interest coverage and regulatory gearing and any documented remedies for breaches, for example equity cures.

4.13 The nuclear licensee must provide details of any obligations, if any, contained within debt instruments issued or contracted by the nuclear licensee or the nuclear licensee's associated finance company with conditions that apply to the nuclear licensee to declare dividends or distributions from the nuclear licensee.

4.14 The nuclear licensee shall use all reasonable endeavours to provide information on companies within the corporate group that have a material economic reliance on distributions and dividends from the nuclear licensee, including companies that sit above the nuclear licensee in the group structure. We consider it reasonable for the nuclear licensee to be able to provide information that they share with the credit rating agencies for the purposes of obtaining a credit rating for the nuclear licensee. By material economic reliance we mean:

a) if the company is incorporated in the UK and distributions from the nuclear licensee are required to pay 50% or more of the external debt (provided by third parties) interest costs of the company over a twelve-month period; or

b) if the company or any economic or financial counterparty to the company has a security interest or fixed or floating charge over the shares of the nuclear licensee.

4.15 The information that we require, for the companies defined in 4.14, is:

a) details of the debt held by the company: amount, interest cost (fixed or margin plus the underlying rate), tenor and financial covenants; and

b) details of the interest and debt service costs for the last Charging Year and the percentage that was paid by distributions from the nuclear licensee; and

c) a forecast of the interest and debt service costs for the next Charging Year and the percentage that is forecast to be paid via distributions from the nuclear licensee; and

d) details of alternative sources to meet debt service absent of distributions from licensed entities including retained liquidity, debt service reserve facilities or support from other non-licensed entities.

Corporate Ownership and Governance Framework

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

4.17 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.

4.18 The nuclear licensee must provide an overview of their corporate ownership structure (by diagram or narrative means) including the following information:

a) Ownership stakes in the nuclear licensee expressed as a percentage;

b) Names (both registered and trading) of all companies in the ownership structure between the nuclear licensee and the ultimate parent;

c) All the nuclear licensee's current board committees, and all the board directors that serve on each one; and

d) 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.

4.19 The nuclear licensee must list the following information about all their board directors:

a) Full names;

b) Whether they are an executive director, a shareholder-appointed non-executive director, an independent non-executive director or a sufficiently independent director (SID); and

c) Appointment dates.

Executive Remuneration Policies

4.20 The nuclear licensee 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:

a) reward at risk;

b) detail and weightings of targets; and

c) gateway/clawback provisions.

4.21 The nuclear licensee 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, the nuclear licensee must explain the allocation of executive director remuneration to the regulated business.

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

4.23 The nuclear licensee must provide commentary to explain how executive director remuneration policies are designed to ensure alignment with:

a) customer and stakeholder interests;

b) the purpose, culture and values of the organisation; and

c) long-term delivery of the nuclear licensee's strategy.

4.24 The nuclear licensee must provide commentary to explain how their reported CEO pay ratios are consistent with their policies on remuneration.

4.25 The nuclear licensee must provide an explanation of the process for determining and implementing executive director remuneration policies, including:

a) role and composition of the remuneration committee;

b) assessment of performance against targets; and

c) use of discretion to override formulaic outcomes.

Dividend Policies

4.26 In this sub-section, the nuclear licensee is required to provide information that may not be in the public domain as it may be considered commercially sensitive. Notwithstanding paragraph 1.32, if the information requested is not in the public domain and the nuclear licensee wants it to remain private the nuclear licensee can redact the relevant sections in their public disclosure.

4.27 The nuclear licensee must provide a copy of its dividend or distribution policy. Ofgem's expectation is that the dividend or distribution policy would consider an array of factors including long-term financial sustainability, delivery for customers, long-term investment needs, other stakeholder obligations and (if relevant) previously deferred distributions.

4.28 The nuclear licensee must provide an explanation of dividend policies and dividends declared and paid in the previous regulatory reporting years; this information should include:

a) The governance process by which the distribution decisions were arrived at, including details of the board meetings at which the distribution was decided, the members of the board present for the meetings and any other observer.

b) Rationale for the level of the distribution, specifically including any information used in this decision regarding:

   i. delivery for consumers (including any customer or consumer satisfaction measurements and other performance benchmarking);

   ii. future investment requirements; and

   iii. impact of the distribution on financial resilience (e.g. credit rating, gearing, interest cover and liquidity).

c) Reference to any internal or external benchmarks used to make the decision, which may include reference to the level of dividend proposed vs previous years, any external benchmarks from similar regulated businesses and with reference to the dividend yield in comparison to the cost of equity agreed for the price control period.

4.29 This should cover all dividends and other forms of distributions (such as shareholder loan payments) which the nuclear licensee declares, and pays, 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.

5. Appendix - Glossary

5.1 This appendix provides definitions of key terms included in this document and in the templates. Where no definition is given for a specific item, definitions in relevant legislation, standard licence conditions and special licence conditions applicable to the nuclear licensee should be applied. Similarly, for standard accounting terms, IFRS/IAS and/or UK GAAP and Companies Act 2006 (or 1985 where still relevant) definitions should be applied.

5.2 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.

Actual Gearing	The ratio of the nuclear licensee's Average Regulatory Net Debt to the Average RAB.
Adjusted Closing RAB	The opening RAB at the start of the Charging Year adjusted for in-year transfers, net additions, depreciation, and Enduring Value, and used to measure certain types of out or under performance.
Atypical costs	These are expenses that are not part of the normal costs of the regulated business and could not have been reasonably anticipated at licence modification or at subsequent periodic reviews. These are usually one-time or unusual costs that can significantly impact a regulated business financial statements.
Charging Year	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, or where the relevant Charging Year is less than 12 months, the relevant partial period share of that 12-month period.
Consumer Price Index including Owner Occupiers' Housing Costs (CPIH)	A measure of the aggregate change in consumer prices over time that includes owner occupiers Housing Costs (CPIH), published by the Office for National Statistics.

Enduring Value Adjustment	Adjustments made to the nuclear licensee's financial or operational performance to analyze the licensee for reporting purposes. These adjustments include the impact on the companies' return and RAB. Examples of Enduring Value Adjustments include: • Adjustments that cannot be recorded in the PCFM, such as overspend on 'use it or lose it' allowances; • any rephasing of allowances that cannot be done through the PCFM; • timing differences of delivery of outputs; • known changes to future output delivery; and • known adjustments not yet made to the PCFM (for example, mid-period review decisions)
Regulatory 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 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. • Liabilities and assets relating to decommissioning.
Net Interest	Net Interest includes actual Net Interest (payable less receivable) for the regulated business extracted from statutory accounts, used on an accruals basis and total interest on index-linked debt based on the charge to the income statement in statutory accounts. Interest includes: • Actual Net Interest (payable less receivable) for the regulated business extracted from statutory accounts, used on an accruals basis; and • Interest on index-linked debt based on the charge to the income statement in statutory accounts (on an accruals basis). Interest excludes: • Any interest that would otherwise be included, but which does not qualify for corporation tax relief; • Movements relating to pension fund liabilities reported in the statutory accounts within Net

	Interest; • Fair value adjustments (such as losses on derivatives); • Dividends on preference shares. • The cost of retiring long-term debt early (including exceptional debt redemption costs); • Debt issuance expenses (including amortisation charges relating to discounts on debt issuance that had previously benefitted from a deduction against taxable profits); and • The cost of maintaining committed undrawn liquidity backup lines (for example, commitment fees).
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 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.
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.