

# Guidance

## Carbon Dioxide Transport and Storage – Overview of Regulatory Instructions and Guidance

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This document is a part of the Regulatory Instructions and Guidance (RIGs) for the Carbon Dioxide Transport and Storage Licence (the Licence).

In accordance with Standard Condition B19, the RIGs are the primary means by which Ofgem directs the Carbon Dioxide Transport and Storage Licensee (the Licensee) to collect and provide to it the Information that it needs to administer the special conditions (and such standard conditions as may be relevant) of the Licence.

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### **1.** Introduction

#### **Section Summary**

The purpose of this section is to provide a background, purpose and structure of the reporting obligations placed on the Licensee in accordance with Standard Condition B19 (Regulatory Instructions and Guidance).

#### **Background**

- 1.1 The Licence sets out reporting obligations for the Licensee to provide information, which Ofgem requires to carry out its functions including administering the standard and special conditions (as may be relevant) of the Licence.
- 1.2 The RIGs are the main reporting framework that provide a mechanism for the Licensee to report relevant performance data, cost and financial information. It specifies the information we require and offers guidance on how to provide this information. Alongside other regulatory submissions by the Licensee, Ofgem will monitor and evaluate the Licensee's performance over the regulatory regime through the RIGs.
- 1.3 We collect this information to enable us to:
  - i. monitor the Licensee's discharge of their Licence obligations and associated deliverables;
  - ii. monitor various incentives that the Licensee has received as a result of their performance;
  - iii. monitor compliance with Licence requirements;
  - iv. collect information for use in the Annual Iteration Process (AIP) that uses the Price Control Financial Model (PCFM) to calculate Allowed Revenue for the Licensee);
  - v. have visibility of the Licensee's forecasts on key deliverables and financial variables; and

Appendix 1 inform the assessment of the next Periodic Review.

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- 1.4 This guidance formally applies to the Licensee's reporting to provide Specified Information in accordance with the process outlined in Standard Condition B19. However, where the Licensee is reporting information under other licence conditions, and the nature of reporting (or cost template used) is similar and comparable to the reporting required under the RIGs, the Licensee is required to have regard to this guidance document.
- 1.5 We would expect, unless we have provided specific guidance to the Licensee, similar and comparable reporting under other licence conditions would be reported on a consistent basis with reporting under the RIGs, for example, with respect to accounting policies or the treatment of inflation.

### Legal framework

- 1.6 Under Standard Condition B19 (Regulatory Instructions and Guidance) of the Licence, the scope, contents and common governance arrangements for the RIGs are specified.
- 1.7 The information the Licensee provides through the RIGs process (e.g. Specified Information) must be arranged in a manner to ensure that it can be separately identified and reasonably attributed to its licensed T&S Business and any other Affiliate or Related Undertaking. Part D of the Standard Condition sets out the requirement of the Licensee to comply with the provisions of the RIGs.
- 1.8 Where appropriate, the Specified Information the Licensee provides to us must be in accordance with the requirements under Standard Condition B10 (Agreed Upon Procedures) and B20 (Data Assurance).
- 1.9 In accordance with Part C of Standard Condition B19, the RIGs may be reviewed or modified from time to time either to introduce a requirement to provide a new category of Specified Information or an existing category of Specified Information to a greater detail. In particular, once the regulatory regime is sufficiently established, we expect to review the reporting framework for quarterly reporting obligations that are currently outside the scope of the RIGs. Depending on our assessment of the effectiveness of the quarterly reporting

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framework, and the quality of the licensee’s submissions, we may incorporate these reporting obligations into the RIGs.

### Structure of the RIGs

1.10 The reporting obligations under the RIGs comprise:

- i. instructions and guidance on how to report and, where applicable, derive information, including a list of definitions (‘Overview of the Regulatory Instructions and Guidance’);

Appendix 2 reporting packs, specifically the Regulatory Reporting Pack (RRP), and the Regulatory Financial Performance Reporting (RFPR) template for the submission of numerical information; and

Appendix 3 commentaries for providing information to support the reporting packs.

### Purpose of this document

1.11 The purpose of the Overview of Regulatory Instructions and Guidance document (‘this document’) is to provide the Licensee with the information they need to accurately complete the reporting packs. It provides or signposts, where applicable, information on:

- i. requirements for historical and forecast data;
- ii. reporting units;
- iii. the methodology for calculating or deriving required numbers;
- iv. the format and frequency of the data required;
- v. any audit or examiner requirements;
- vi. reasons for the data requirement; and
- vii. definitions of the terms used in the RIGs.

### Related Documents

1.12 For the avoidance of doubt, if there is a conflict between documents, the following order of precedence applies:

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- i. The Licence and Project-Specific Documents (such as Approved Project Development Plan (APDP)), Financial Settlement Document (FSD), Price Control Financial Model (PCFM), Price Control Financial Handbook (PCFH), List of Approved Contracts, Licence Derogations Document, Technical Details Document.
- ii. RIGs (guidance and reporting packs); and
- iii. Price Control Financial Guidance (PCFG).

1.13 In the event there is a conflict between the documents referred to in 1.12, the Licensee must notify us as soon as possible. If we confirm there is a conflict, we will notify affected Licensees of how we intend to resolve the conflict.

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## 2. Information for completing the reporting packs and commentaries

### Section Summary

This section provides general information to support the Licensee in completing the reporting packs and commentaries.

### Filling in the Reporting Packs

- 2.1 The Licensee must use the reporting packs when providing numerical information to us. This ensures that the Licensee submits data in a consistent format.
- 2.2 The reporting packs contain the following common worksheets:
  - i. Contents – provides a reference and link to each table in the reporting pack
 

Appendix 4 Template Change log – for the Licensee and us to log changes that are made to the template, e.g. correcting an error in a formula.

Appendix 5 Data Change log – for the Licensee to record any changes made to historical and previously submitted data.
- 2.3 Licensees must not change, add or delete any cells, formulae or formatting in the reporting packs unless we have instructed them to do so. For example, to correct an error or if the guidance allows, for additional rows to be added.

### *Inputting values and dealing with linking sheets*

- 2.4 Cells in the worksheets are colour coded to reflect the action required. Unless otherwise stated, the Licensee is required to input data in yellow cells.

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**Figure 2.1 Colour Coding of Cells in the RIGs Templates**

| Description                           | Colour            |
|---------------------------------------|-------------------|
| Input cells                           | Yellow            |
| Total cells / averages / calculations | Light Green       |
| Link to cells within worksheet        | Light Blue        |
| Referencing to other worksheets       | Light Cyan        |
| Referencing to other workbooks        | Light Blue        |
| Check cells                           | Orange            |
| No Input                              | Diagonal Hatching |
| Descriptions and pack data            | White             |
| Entered values                        | Grey              |

- 2.5 Cells in worksheets may be linked to other cells either in the same reporting pack or another reporting pack. The Licensee is expected to retain these links, unless we have instructed the Licensee to make a change, or where a Licensee has identified and agreed with Ofgem that an error requires correction. The Licensees is required to note any such changes in the ‘Template Change Log’ for each reporting pack.
- 2.6 If one reporting pack links to another reporting pack, The Licensee is required to save the reporting packs on their own systems and re-establish the links to operate correctly.
- 2.7 Where a reportable value is zero, the cell input should be zero. Where it is not applicable to the Licensee, the cell should be left blank.
- 2.8 All financial values should be input in the price base as indicated in each table of the worksheets.
- 2.9 Unless otherwise indicated in the guidance document or templates, actual financial values should be provided in £ million and displayed to two decimal places.

### *Dealing with errors*

- 2.10 In the event of any errors in the reporting packs, identified after they are sent out to the Licensee for completion, the following procedure should be followed:
- upon identifying an error, notify Ofgem by email, detailing the nature of the error;

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Appendix 6 we will respond in a timely manner, and, if necessary, provide guidance to all Licensees on correcting the error;

Appendix 7 the Licensee and Ofgem log changes that are made to the template e.g. correcting an error in a formula.

- 2.11 Where the Licensee identifies an error close to a submission deadline, they must notify us of the error as soon as possible. If we confirm there is an error, we will notify the Licensee. We will decide whether adequate time exists based on the materiality of the error and following consultation with the Licensee. The change must be logged in the 'Template Change Log' worksheet in the relevant reporting pack.

*Complying with definitions*

- 2.12 In general, the Licensee must comply with the definitions when entering data in the reporting packs. Definitions are included in the appendix section of this document (Appendix II-Glossary).
- 2.13 Where no definition is given for a specific item, definitions in relevant legislation, Standard Licence Conditions and Special Licence Conditions should be applied. Similarly, for standard accounting terms, IFRS/IAS and/or UK GAAP and Companies Act 2006 definitions should be applied, where relevant.
- 2.14 The Licensee may (with agreement from Ofgem) apply non-standard definitions, describing in any RIGs commentary the details of non-standard definitions it has applied, in the event that:
- i. the documents specified in paragraph 2.13 do not contain the relevant definitions; or,
  - ii. it is the first year that the RIGs apply to the Licensee, and it is a partial period of less than 6 months, and the Licensee is unable to comply with the definition in the RIGs.

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### *Accounting policies*

- 2.15 The Licensee is expected to report values in the reporting packs on an accruals basis and in line with relevant accounting standards, with some exceptions for certain types of transactions which are described in paragraph 2.17.
- 2.16 For the purposes of the RIGs, on an accruals basis means inclusive of all accruals and prepayments that are incurred as part of ordinary day-to-day business activities.
- 2.17 The Licensee is required to diverge from accruals-based accounting standards in the costs it reports in its RIGs submissions for the following types of accounting entries:

### **Leases**

- i.in any RIGs submission leases should not be capitalised or expensed in accordance with IFRS 16 requirements;
- ii.instead, all lease costs (including any embedded financing costs) should be reported in the RIGs on a cash basis consistent with the definitions of Actual Ongoing Capex and Actual Opex Costs (excluding any Excluded Project Spend);
- iii.where the Licensee report lease costs in line with IFRS16 in their statutory accounts, they will report the cost of the leased item on a cash basis and report the differences between statutory accounts and the RIGs submission as a reconciling item within the R3A ('Reconciliation to Capex') and R3B ('Reconciliation to Opex') as appropriate, in the RFPR.

### **Provisions**

- i.accounting entries associated with the creation or adjustment of provisions should be excluded from the cost submissions included in the reporting packs;

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Appendix 8 however, the corresponding underlying payments to creditors should be reported on a cash basis in the Charging Year that the payments are made.

### **Atypical Costs**

- i. One-time or unusual cost items ('Atypical Costs') that are significant in nature and materially impact the Licensee's financial statements affecting overall financial position, profitability, liquidity, or credit ratings, will be evaluated on a case-by-case basis.
- ii. Specific guidance on the timing of recognition for Atypical Costs will be provided when the Licensee has incurred such costs. During the Construction Period, Commissioning Period, and the Operational Period, Atypical Costs may include significant, unanticipated expenditures that are not accounted for in the APDP.
- iii. The Licensee is required to proactively engage with us to confirm the relevant accounting policies to apply in the RIGs, where it believes it may have identified Atypical Costs.

- 2.18 The Licensee should ensure that actual expenditure is allocated consistently to the appropriate underlying cost category (or building block) in the RRP, in line with the definitions set out in the Licence.
- 2.19 The Licensee may report expenditure in the reporting packs recognised as stock or prepayments within its statutory accounts. Where these balances relate to payments for items that are not Excluded Project Spend, these will be permitted to be capitalised on the Regulatory Asset Value (RAV) or Shadow Regulatory Asset Value (SRV) within the regulatory framework during either the Construction Period, Commissioning Period, or the Operational Period, in line with the recognition of the prepayment or stock balance in the Licensee's statutory accounts.
- 2.20 The Licensee will be required to provide brief supporting commentary alongside its RIGs submission that the expenditure is incurred in a manner consistent with the Licence, associated Project-Specific Documents, and Approved Contracts.

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- 2.21 Once any prepayments or stock items are capitalised on the SRAV or RAV, no ‘double counting’ of these items as SRAV or RAV additions is permitted if, for example, the balance is subsequently recognised as fixed assets or expensed into the Income Statement in the Licensee’s statutory accounts.
- 2.22 The Licensee is required to proactively engage with us to agree on the recognition of SRAV or RAV additions where it decides to materially accelerate payments to suppliers in excess of the terms specified in the Approved Contracts (or otherwise), in relation to stock or prepayment balances.
- 2.23 The Licensee is required to ensure costs reported in the reporting packs exclude any items of expenditure that have been classified as Excluded Project Spend (except for expenditure disallowed).

*Reporting Timelines*

**Table 2.1: RIGs documents, reporting frequency and submission deadlines**

| <b>RIGs Documents</b> | <b>Type of Document</b> | <b>Reporting Period</b> | <b>Submission frequency</b> | <b>Submission deadline</b> |
|-----------------------|-------------------------|-------------------------|-----------------------------|----------------------------|
| RFPR commentary       | PDF                     | Charging Year           | Annually                    | 30 September               |
| RRP - Annual          | Excel Spreadsheet       | Charging Year           | Annually                    | 31 July                    |
| RFPR                  | Excel Spreadsheet       | Charging Year           | Annually                    | 30 September               |

- 2.24 The Licensee is required to submit completed reporting packs and commentaries no later than the deadline specified in Table 2.1 above, which lists the various RIGs documents, type of document, reporting period, frequency and submission deadline.
- 2.25 Specified Information is normally required to be provided annually or for each Charging Year. However, during the first Charging Year after Licence Award and where the duration of the first Charging Year after Licence Award is less than 6 months, we will collaborate with the Licensee to agree on the reporting timelines.

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### *Submission of completed reporting packs and commentaries*

- 2.26 Instructions for the electronic submission of the template will be circulated to the Licensee in advance of each submission deadline. However, if there is any doubt about the method of submission, the Licensee must contact Ofgem.
- 2.27 In accordance with relevant licence conditions, the Licensee is required to on an annual basis:
- i. submit completed reporting packs, undertaking internal assurance on the accuracy and integrity of the submitted data consistent with Licensee's obligations under Standard Conditions B10, B19, B20 (Regulatory Accounts, Regulatory Instructions and Guidance, Data Assurance) and in line with the Agreed Upon Procedures (AUPs).
  - ii. accompany all annual submissions with a written letter (or part of an overall RIGs sign-off letter) signed by a director, on behalf of the Licensee (confirming that the data is accurate and that the Specified Information meets the requirements of the RIGs), to Ofgem.
- 2.28 Where the first Charging Year is a partial period of less than 6 months, we may agree on bespoke timings and approach for assurance activities with individual Licensees.
- 2.29 The file naming convention for RFPR and RRP submissions, and for any resubmissions for the excel templates should be: 'Licensee name\_RRP or RFPR\_YYYY' (e.g. XXXX\_RRP\_2026 or XXXX\_RFPR\_2026 or XXXX\_RRP\_2026). For Charging Year 2025/26, the file name should reflect only 2026 as shown above. For the commentary document, the file naming convention is 'Licensee Name\_RFPR (e.g. XXXX\_RFPR\_Commentary\_2026 or XXXX\_RRP\_Commentary\_2026) in the event the licensee decides to produce a standalone commentary for the RRP.
- 2.30 For RFPR Tax reconciliation submissions, due to the timing of CT600 submissions, the Tax Reconciliation is to be submitted with a one-year lag, i.e., the tax reconciliation worksheet (R8a) containing the reconciliation data e.g. the 24/25 Charging Year should be submitted to Ofgem as part of the September

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2026 submission. Unless otherwise indicated, the Tax Reconciliation should be presented in £m to one decimal place and in a nominal price base.

### *Review of Submissions*

- 2.31 Once the Licensee has submitted the information to us, we will undertake a detailed review of its submission.

### *Resubmission*

- 2.32 The Licensee is required to seek the agreement of Ofgem before resubmitting any information, this may be because the Licensee has identified an error or as part of Ofgem's review of its submissions.
- 2.33 In any such instance, the template 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 decides such a letter is required.
- 2.34 The volume of Supporting Information the Licensee is required to submit to support any resubmission is dependent on the nature of the required resubmission. For each resubmission a detailed explanation must be provided on the Data Change Log in the latest reporting pack, listing every cell that has been amended. The explanation must include sufficient detail to explain the reasons for the changes.
- 2.35 Where Ofgem requires a Licensee to resubmit the information, we will inform the Licensee of the actions it must take and the timelines over which they must be taken. The Licensee may be required to re-publish its re-submission (in the case of the RFPR).

### *Publication and sharing of information*

- 2.36 On the submission deadline, the Licensee is required to publish, on its company websites, its full, completed RFPR reporting pack and commentary, excluding the following sections which we consider commercially sensitive:
- i. table R5a - Financing input,
  - ii. table R6a - Net Debt input,

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- iii. R8a - Tax Reconciliation,
  - iv. F series input sheets that feed into R5a and R6a; and
  - v. Financial Resilience requirements at paragraph 5.11 - 5.16.
- 2.37 The information referred to in paragraph 2.36 is required for Ofgem to appropriately monitor the performance of the Licensee during each Charging Year, however, as it is considered commercially sensitive it will not be published. Where the Licensee considers there is commercially sensitive information in addition to the items in paragraph 2.36, this can be redacted, with prior agreement from Ofgem.
- 2.38 If Ofgem considers that previously redacted information should no longer remain redacted, it may publish this information, after considering the views of the Licensee and informing the Licensee in advance of any publication.

*Data Assurance and Agreed Upon Procedures*

- 2.39 The Licensee is required to comply with obligations in relation to Data Assurance and Agreed Upon Procedures in accordance with Standard Conditions B10, B19 and B20.
- 2.40 The Licensee is expected to submit accurate information for the relevant period, i.e. data should be correctly derived from source documents and systems.

*Provision of historical data*

- 2.41 All historical expenditure should be recorded in nominal terms, consistent with accounting policies guidance.
- 2.42 When a previously submitted value has been changed, the Licensee must notify us of the change and the reason for it by recording in the 'Data Change Log' in the relevant reporting pack.

*Provision of forecast data*

- 2.43 In accordance with Special Condition E2 (Interpretation), the Licensee is required to ensure that any values provided on an interim basis reflect the most accurate forecast available at that time, until such a time as the provisional value has been substituted for an actual value.

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- 2.44 In addition to using the reporting templates to report actual data, the Licensee is required (notwithstanding specific Licence obligations, and information we may collect to inform Periodic Reviews) to provide as part of the annual RRP submissions, expenditure forecasts for each remaining Charging Year of the Construction Period and Commissioning Period, using the most accurate forecast available at that time.
- 2.45 Forecasts are required to be entered into the reporting templates as input data, in nominal prices. The Licensee is also required to provide a forecast of general consumer inflation and should align to the process for this set out in the PCFH.

### *Use of estimates, apportionments and allocation*

- 2.46 In circumstances where the Licensee is not able to measure and record actual information, for example, if we request ‘counterfactual’ information about alternatives, they may estimate the information they provide in the relevant reporting pack. Individual data entries containing a combination of actual data and data based on material forecasts or estimates (e.g. accruals) should be documented in supporting commentaries.
- 2.47 Where estimated data is submitted, the Licensee must provide the reason why the information could not be measured or recorded, and the method it used to derive any estimate.
- 2.48 When populating reconciliations in the RFPR, apportionments (for example, between the regulated and non-regulated business) should be avoided wherever possible. However, where the Licensee (or any Affiliate or Related Undertaking) must do this to complete the tables, the basis of apportionment or allocation must be provided including where they have been used.
- 2.49 Changes in the apportionment or allocation methodology from one reporting period to the next must be highlighted in the RFPR commentary.

## **Overview of Commentaries**

### *General guidance on Commentaries and Supporting Information*

- 2.50 The purpose of commentaries is for the Licensee to provide evidence and explanation of the information they are submitting in the relevant reporting

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packs. The commentaries guidance includes specific instructions on what should be included. Not all reporting packs have associated commentaries.

- 2.51 The Licensee should exercise their judgment in determining whether providing commentaries would aid in understanding the information submitted. Where Licensees consider it appropriate, they should include any other relevant information that supports further explanation of their submissions. In particular, commentaries provided by the Licensee should be focussed on areas material (by size or nature) to the Licensee's financial and regulatory performance.
- 2.52 For RFPR submissions, Licensees are required to provide a high-level commentary that provides a strategic overview of the regulated business for the preceding Charging Year. The Licensee must also provide the methodology used for making Enduring Value Adjustments (if applicable) as part of its Supporting Information. The guidance for providing RFPR commentaries is set out in paragraph 5.1 to 5.30 of this document.
- 2.53 For Tax Reconciliation submissions, the Licensee is required to provide a commentary that includes any applicable supporting models and underlying workings, detailed explanations of the input values in the reconciliation section of the worksheet, and explanations for any resulting differences required to understand the reconciliation. Where 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 the respective cell in the worksheet.

*Treatment of Foreign Exchange Transactions*

- 2.54 Where Licensees incur non-GBP denominated costs, these costs must be reported in the RRP at the realised hedged rates, as well as the underlying non-GBP currency.

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### 3. Guidance for completing the Regulatory Reporting Pack

#### Section Summary

The purpose of this section is to provide guidance for completing the RRP template, by Licensees.

#### Purpose of Regulatory Reporting Pack

- 3.1 The purpose of this reporting pack is to enable the Licensee to provide historic, current, and forecasted cost data. The RRP also calculates various inputs and incentives required to calculate the SRAV or RAV and the Allowed Revenue by the PCFM.

#### Description of Regulatory Reporting Pack

- 3.2 The RRP contains a range of worksheets data flows. Broadly, split into the following categories:
- i. Cost data (annual inputs); and
  - ii. Incentives and PCFM Input data (annual inputs)
  - iii. Other reporting.

#### Principal data flows

- 3.3 Annual cost data (Capex, Opex and Devex) submitted by the Licensee in the RRP is deflated to 2021/22 prices ('Base Year' prices) using CPIH.
- 3.4 Cost data from multiple years is deflated to Base Year prices, and parameters set at Licence Award are used to calculate the value of incentives. The main incentive calculated during the Construction Period and the Commissioning Period are the SRAV Capex and Opex Incentives (SRCOI).
- 3.5 The output data from the Incentives and PCFM Input section of the workbook are subsequently used by the PCFM to calculate the SRAV or RAV and the Allowed Revenue.

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### List of worksheets

3.6 A list of RRP worksheets and guidance for completion is given below:

#### *Cover Worksheets*

##### *Cover Sheet*

This worksheet contains cell inputs and colouring guidance. It also includes options to change the base year and the current year.

#### *Cost data Worksheets*

##### *1, 2a, 3a - Nominal Cost Inputs (GBP, USD, EUR)*

The Licensee is required to report expenditure in the relevant underlying cost currency (GBP, USD or EUR).

##### *2b USD - conv, 3b – Euro conv*

The Licensee is required to report expenditure incurred in USD or GBP, converted to the GBP equivalent at the realised hedged rate.

##### *4 - Inflation*

The Licensee is required to populate this with general consumer inflation data using CPIH outturn and forecast values.

##### *5a, 5b - Implied FX (US, EUR)*

These worksheets calculate implied FX rates for each reporting area.

##### *6a - Tot Nominal Costs*

This worksheet is automatically populated to calculate the total nominal expenditure.

##### *6b - Tot Real Costs (CPIH) Costs*

This worksheet is automatically populated from the by deflating total nominal expenditure by CPIH.

##### *7a - Cost Summary (annual)*

This worksheet summarises expenditure annually.

#### *Incentives and PCFM inputs*

##### *R1a\_SRCOI\_Constr*

This worksheet calculates the annual value of the SRAV Capex and Opex incentive for the Licensee during the Construction Period.

##### *R1b\_SRCOI\_Comm*

This worksheet calculates the annual value of the SRAV Capex and Opex incentive for the Licensee during the Commissioning period.

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### **R2\_Pass Through Costs**

This worksheet is populated by the Licensee to calculate the value of the Pass-Through Costs Building Block. These costs should be reported, and if necessary, restated, after any adjustments resulting from the Pass-Through Costs Audit.

### **R3a\_Devox**

This worksheet is populated by the Licensee to calculate the On-going Devox during both the Construction Period and Commissioning Period.

### **R3b\_EDA UIOLIA**

This worksheet is populated by the Licensee to calculate the SRAV additions in relation to the 'Early Development Activities Use it or Lose it Allowance' for the Construction and Commissioning Periods.

### **R4\_SRAV additions**

This worksheet calculates the value of the SRAV additions, using information in other worksheets in the RRP template.

### **R5\_Tax**

This worksheet requires the Licensee to report the historic value of the tax building block and provides other relevant PCFM inputs required for tax.

### **R6\_Event\_timing\_data**

This worksheet includes various information required to populate timing flags included in the PCFM.

### *Other worksheets*

### **R7\_Other Inputs**

This worksheet is populated by the Licensee and includes various data required to operate the PCFM. It includes a requirement to report information to facilitate the calculation of recovered revenue and other miscellaneous reporting requirements such as information relating to buybacks, curtailments, disposals and insurance proceeds.

### **R8\_Related Parties**

This worksheet is populated by the Licensee to facilitate the disclosure of material transactions (expenditure and profit margins including disposals) with related parties, as defined by relevant accounting standards.

## **Non-Financial Reporting**

Whilst this document largely focusses on financial and cost reporting, the Licensee has certain requirements to report further information in accordance with the RIGs and as set out further in this section.

Licence Conditions C4.4 and D4.4 require the Licensee to report on the quantity of carbon dioxide not contained in and/or vented from the T&S Network in the previous Charging Year.

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The Licensee must submit this information to Ofgem in a separate document to the other templates provided under the RIGs.

In this version of the RIGs, Ofgem is not specifying any template that the Licensee is required to use to fulfil this obligation, however Ofgem may specify a particular format for this reporting in the future.

The Licensee must submit this information to Ofgem within the timeframes set out in the Licence.

## 4. Guidance for completing the RFPR data template

### Section Summary

The purpose of this section is to provide guidance for completing the RFPR templates, by Licensees.

### Purpose of the RFPR template

- 4.1 The RFPR template aims to provide a comprehensive, transparent, accessible and accurate measure of Licensees' financial performance.
- 4.2 The reporting pack also includes reconciliation between different data sources, such as the Licensees' statutory accounts, PCFM, annual performance reporting, corporation tax returns and other areas that impact the Licensee's financial performance.

### Description of the RFPR Template

- 4.3 The data template includes a series of tables that facilitate the submission of uniform and comparable financial information from Licensees.
- 4.4 It consists of data entry tables and various summary and calculation tables. The template is designed to have single data entry where possible to avoid duplication, facilitate reconciliations, and allow checking for errors.
- 4.5 The RFPR comprises of two main elements:
  - i. RFPR template for reporting the data; and
  - ii. RFPR commentary and Supporting Information.

### Principal data flows

- 4.6 Data from the various worksheets such as (Net Debt, Financing, Tax, Capex, Opex, etc.) are used in calculating the Return on Regulatory Equity (RoRE).
- 4.7 The RoRE is a measure of financial performance that reflects the Licensees' returns on the portion of its SRAV or RAV that is financed by equity. It is calculated using a Notional Gearing, this allows for comparison of financial performance between Licensees.

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- 4.8 The RoRE de-emphasises Licensees' actual financing structure and focuses on operational and financial performance using the assumed capital structure.

### List of Worksheets, and RFPR template guidance

#### *Overview of list of Worksheets*

A list of worksheets contained in the Regulatory Financial Performance Report (RFPR) and guidance for completion is given below:

#### *List of worksheets*

##### **RFPR cover**

This worksheet guides Licensees on the colour codes of cells within the workbook. It also allows the Licensee to input some basic information, such as 'name' and 'Licence Award year'.

##### **Data**

This worksheet allows the Licensee to verify and input relevant financial data required in the calculation of the Allowed Revenue in the PCFM. The data recorded in this worksheet must align with the latest PCFM. Licensees are required to notify Ofgem if they observe any discrepancies.

##### **Content and Version Control**

The provision of forecast or counterfactual data usually requires Licensees to update previous submissions with outturn or actual values. This worksheet ensures that all Licensee submissions are accurately recorded. This worksheet also captures the summary of changes made and submission dates.

##### **R1 – RoRE**

This spreadsheet analyses financial performance by calculating the returns equity investors earn inclusive of both baseline equity returns and the impact of incentives. The calculation includes comparisons between the Licensee's actual gearing and Notional Gearing. It also incorporates the impact of both incentives and adjustments for enduring value that may influence the Licensee's returns.

##### **R2 - Rec to Revenue and Profit**

This worksheet is designed to record Licensee (calculated and allowed) revenue. In addition, the worksheet also provides a reconciliation for regulated Licensee profit to statutory accounts.

##### **R3A - Capex – Reconciliation**

This worksheet reconciles Licensees' Capex items reported in Licensee statutory accounts with the Capex reported in the PCFM.

##### **R3B – Opex – Reconciliation**

This worksheet enables the Licensee to reconcile Opex items reported in its statutory accounts with the Opex reported in the PCFM.

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### **R4 - Incentives and Other revenue**

This worksheet allows Licensee to submit annual actual and forecast performance against both output and expenditure incentives.

### **R5 – Financing**

The Licensee reports forecast and actual net interest in this worksheet. This is then adjusted to remove inflation, including early redemption costs, and compares net interest against the cost of debt allowances published in the latest PCFM costs. The Licensee is also required to reconcile actual net interest with the interest charge in statutory accounts.

#### **R5a - Financing input**

This worksheet is used to compile 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.

### **R6 - Net Debt**

This worksheet is designed to enable the Licensee report annual actual and forecast Regulatory Net Debt. The Licensee is also required to reconcile the Regulatory Net Debt with its statutory accounts. The Licensee is expected to reconcile the Regulatory Net Debt definition per the RFPR with the Licence definition (i.e. Indebtedness).

#### **R6a - Net Debt input**

The Net Debt input worksheet compiles general information for each type of embedded debt only. Licensees are not required to include forecast of refinancing or new debt issuance but ensure that actual Net Debt values reconcile with the latest statutory accounts.

### **R7 – RAV**

This worksheet is designed to identify the Licensee's annual RAV position consistent with the latest PCFM. This sheet also reconciles the closing RAV per the latest PCFM to the calculated closing RAV. The average of this adjusted closing RAV is used to derive actual gearing percentage for worksheet R6 (Net Debt input).

### **R8 – Tax**

This worksheet calculates the Licensee's tax out or underperformance 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.

#### **R8a - Tax Reconciliation**

The primary objective of the tax reconciliation worksheet is to highlight differences between the Licensee's CT600 actual corporation tax liability and the calculated tax allowance in the 'Finance & Tax' sheet of the latest PCFM. The reconciliation is intended to use data from the latest PCFM and the CT600 to enable Ofgem to review the data in

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the context of each other and in a consistent format. The Licensee is expected to reflect material differences identified and explain them within the Tax Reconciliation section of the RFPR commentary at a minimum.

### **R9 - Corporate Governance**

The corporate governance worksheet is used to report executive directors' remuneration in the regulated business. Additionally, the Licensee is required to report actual dividends paid that relate to the regulated business. This should reconcile with information in the statutory accounts.

### **R10 - Pensions & Other Activities**

This worksheet helps the Licensee report a summarised position of any share of defined-benefit pension scheme pension deficits of the regulated business. The Licensee is also required to report any related fines and penalties in this worksheet.

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

Worksheets R5a and R6a are input sheets to the financing (R5) and Net Debt (R6) worksheets in the RFPR template.

### **Input Sheets F3 to F5**

Worksheets F3 to F5 collate data for various types of debt from the Debt Dataset input sheet (F6).

### **F3 – Fixed Rate Debt**

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

### **F4 – Floating Rate Debt**

This worksheet identifies and aggregates floating rate debt instruments from the F6 – Debt Dataset sheet. It also calculates annual embedded debt volumes and interest payments for each floating rate debt instrument. This information is subsequently utilised in tab R5a and R6a

### **F5 – Inflation Linked Debt**

The worksheet identifies and aggregates Inflation Linked debt instruments from the F6 – Debt Dataset sheet. It also calculates the annual embedded debt volumes and interest payments (including principal inflation accretion) for each instrument. This information is utilised in tab R5a and R6a input sheets.

### **F6 – Debt Dataset**

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

### **I1-Universal Data**

The Universal Data sheet uses data from the inflation sheet to calculate the accretion

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of index linked debt instruments and to calculate a hypothetical RPI-CPIH Index for long run comparisons between the Licensee and other regulated sectors (noting that other regulated sectors have previously utilised RPI as a price index). Interest rate data is also used 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).

**I2 – Monthly Inflation**

This worksheet provides outturn and forecasted values for CPIH price indices. These indices are obtained from the Office of National statistics (CPIH outturn values) and the Office of Budget Responsibility (CPI forecast values) publications. Monthly indices from I2 are used in the Inflation linked debt input sheet (F5) to calculate principal inflation accretion on index-linked debt instruments.

Appendix I provides detailed cell-by-cell instructions to Licensees for completing the RFPR worksheets.

## 5. Guidance for completing RFPR Commentary

### Section summary

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

### Introduction

- 5.1 The Licensee is required to submit, in addition to its completed RFPR template, a supporting RFPR commentary.
- 5.2 The RFPR commentary should explain and reconcile the data presented in the RFPR template, highlighting any key changes, assumptions or deviations from expected financial outcomes.
- 5.3 The Licensee is required to publish the RFPR template and commentary (including appendices) on its company website.
- 5.4 The main purpose of the RFPR commentary is to provide:

- i. a useful summary of the Licensee's financial and operational performance, focusing attention on distilling key messages of the drivers of performance and presenting clear strategic insights;

Appendix 9 an understanding of executive pay or remuneration and how this reflects the performance of the T&S Business, and of the T&S Business' approach to dividends;

Appendix 10 an understanding of the Licensee's debt instruments, and any debt instruments held within the Licensee's corporate group where the debt service obligations rely on distributions from the Licensee;

Appendix 11 a narrative that explains any Enduring Value Adjustments and their impact on the Licensee's financial performance;

Appendix 12 any other information the Licensee considers is appropriate to develop a complete understanding of the information presented in the tables, e.g., reconciling adjustments;

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Appendix 13 a data assurance statement;

Appendix 14 an explanation where there has been a material change in the Licensee's financial performance from the previous Charging Year's published RFPR;

Appendix 15 an explanation of how costs have been allocated across the company or Licensee for the purposes of RFPR reporting; and

Appendix 16 any other information the Licensee considers appropriate to explain its financial performance.

## Structure of RFPR Commentary

5.5 The Licensee shall structure the RFPR commentary as follows:

i. Executive summary;

Appendix 17 Key financial performance measures;

Appendix 18 Key operational performance measures;

Appendix 19 Overview of regulatory performance:

RoRE

- Reconciliation to Revenue and Profit
- Capex- Reconciliation
- Opex - Reconciliation
- Incentives and Other Revenue
- Financing and Net Debt position
- RAV
- Taxation and Tax Reconciliation
- Financial Resilience & Corporate Governance
- Pensions and Other Activities

Appendix 20 Data assurance statement; and

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### Appendix 21 Appendices.

#### Reconciliation of Charging Year and statutory accounting year mismatch

- Enduring Value Adjustments;
- Basis of any estimates and allocations; and
- Other relevant information.

## Appendices to the RFPR Commentary

### *Reconciliation of charging year and statutory accounting year mismatch*

5.6 Where the Licensee's statutory accounting year and Charging Year are misaligned, and where this mismatch leads to significant deviations, (i.e. affects the comparability, transparency and interpretability of submissions) the Licensee is required to:

- a) prepare the reporting packs in alignment with the Charging Year by utilising management accounts for forecasts where actual data is unavailable (e.g. January to March forecast data for unavailable actual data for the last quarter if the Licensee's statutory accounting year end is 31 December);
- b) clearly describe the methodology e.g. estimation methods, apportionment or allocation methodology used to derive the Charging Year figures; and be consistent in the use of the selected methodology, unless otherwise justified;
- c) flag any material differences that may impact the interpretation of financial performance; and reconcile where appropriate between statutory account values and the RFPR values presented on a Charging Year basis; and
- d) ensure that any adjustments, allocations or reconciliation made to address the timing mismatch have been subjected to internal review consistent with paragraph 2.39.

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### *Enduring Value Adjustments*

- 5.7 The Licensee is required to disclose any Enduring Value Adjustments. These are previous or anticipated events that are not yet reflected in the calculation SRAV or RAV, or Allowed Revenue, that the Licensee reasonably expects to impact future revenues or the value of the RAV or SRAV.
- 5.8 The Licensee is required to report these adjustments at the highest reasonable level of accuracy based on available information. These adjustments should be reported in the Enduring Value Adjustments section of the RFPR template.
- 5.9 Where Enduring Value Adjustments are made, the Licensee must provide appendices to the commentary that sets out the following:
- a) Summary of the Enduring Value Adjustments;
  - b) The methodology used in arriving at the Enduring Value Adjustment;
  - c) The assumptions underpinning the calculation of the Enduring Value Adjustment; and
  - d) Reconciliation with the RFPR template

### *Cross-referencing*

- 5.10 Where appropriate the Licensee can cross-reference to other publicly available information that supports its RFPR. Any cross-referencing should clearly direct any user of the RFPR to the source data e.g. through hyperlinks. The 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 and group companies, there must be an explanation attached of how this information applies to the Licensee.

## **Financial Resilience & Corporate Governance**

### *Financial Resilience*

- 5.11 In this sub-section “Financial Resilience” (5.11-ii the Licensee is required to provide information that may not be in the public domain as it may be

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considered commercially sensitive. If the information requested is not in the public domain and the Licensee wants it to remain private the Licensee can redact the relevant sections in their public disclosure, while still sharing commercially sensitive materials with Ofgem.

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

- i. default or event of default ratios, including interest coverage and gearing and any rights for equity cures; and

Appendix 22 restrictions on distributions including interest coverage and gearing and any documented remedies for breaches, for example equity cures.

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

- 5.14 The 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 Licensee, including companies that sit above the Licensee in the group structure. By material economic reliance we mean:

- i. if the company is incorporated in the UK and distributions from the 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

Appendix 23 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 Licensee.

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5.15 The information that we require, for the companies defined in 5.14, is:

- i. details of the debt held by the company: amount, interest cost (fixed or margin plus the underlying rate), tenor and financial covenants;
- ii. details of the interest and debt service costs for the last Charging Year and the percentage that was paid by distributions from the Licensee;
- iii. 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 Licensee; and
- iv. 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.

5.16 If the Licensee attempts to obtain a credit rating, we consider it reasonable for the Licensee to:

- i. provide to Ofgem any information that they share with the credit rating agencies.
- ii. include within the yearly RFPR submission the most recent information submitted to credit rating agencies for the purposes of obtaining a credit rating.

*Corporate Ownership and Governance Framework*

5.17 References to ‘board directors’ in this chapter means all directors who have served on the Licensee board during the reporting period.

5.18 References to ‘executive directors’ and ‘executive remuneration’ in this chapter mean all executive directors who have served on the Licensee 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.

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

- i. Ownership stakes in the Licensee expressed as a percentage;

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

5.20 The Licensee must list the following information about all their board directors:

- i. Full names;
- ii. Whether they are an executive director, a shareholder-appointed non-executive director, an independent non-executive director or a sufficiently independent director (SID); and
- iii. Appointment dates.

*Executive Remuneration Policies*

5.21 The 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:

- i. reward at risk;
- Appendix 24 detail and weightings of targets; and
- Appendix 25 gateway or clawback provisions.

5.22 The Licensee must explain the roles of executive directors in relation to the T&S Business and, where executive directors are remunerated for services across

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multiple group companies, the Licensee must explain the allocation of executive director remuneration to the T&S Business.

- 5.23 Where executive directors' responsibilities are substantially focused on the Licensee, but they receive remuneration for these responsibilities from another entity other than the Licensee, including from a parent company, policies relating to this remuneration must be disclosed.
- 5.24 The Licensee must provide commentary to explain how executive director remuneration policies are designed to ensure alignment with:
- i. Users and potential future Users and stakeholder interests;
  - Appendix 26 the purpose, culture and values of the organisation; and
  - Appendix 27 long-term delivery of the Licensee's strategy.
- 5.25 The Licensee must provide commentary to explain how their reported CEO pay ratios are consistent with their policies on remuneration.
- 5.26 The Licensee must provide an explanation of the process for determining and implementing executive director remuneration policies, including:
- i. role and composition of the remuneration committee;
  - Appendix 28 assessment of performance against targets; and
  - Appendix 29 use of discretion to override formulaic outcomes.

### *Dividend Policies*

- 5.27 In this sub-section, the Licensee is required to provide information that may not be in the public domain as it may be considered commercially sensitive. Notwithstanding paragraph 2.36, if the information requested is not in the public domain and the Licensee wants it to remain private, the Licensee can redact the relevant sections in their public disclosure with prior agreement from Ofgem.
- 5.28 The 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 Users, long-term

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investment needs, other stakeholder obligations and (if relevant) previously deferred distributions.

5.29 The Licensee must provide an explanation of dividend policies and dividends declared and paid in previous Charging Years; this information should include:

- i. 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.

Appendix 30 Rationale for the level of the distribution, specifically including any information used in this decision regarding:

delivery for Users (including any satisfaction measurements and other performance benchmarking);

- future investment requirements; and
- impact of the distribution on financial resilience (e.g. credit rating, gearing, interest cover and liquidity).

Appendix 31 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 set for the Operational Period.

5.30 This should cover all dividends and other forms of distributions (such as shareholder loan payments) which the Licensee declares, and pays, including those which may be retained within the corporate group, including those used to service group debt or cover other costs, and not immediately paid up to external shareholders.

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# 6. Appendices

## Appendix I

### *Instruction for completion of RFPR template*

#### RFPR cover

- a) In cell B5 input Licence Award year e.g. 2026
- b) In cell B6 select Licensee name from drop-down menu
- c) In cell B8 select reporting year from drop-down menu
- d) In cell B9 enter version number
- e) In cell B10 enter submitted date

#### Data

- a) Ofgem will update relevant data tables prior to the RFPR submission date in each Charging Year t.
- b) The Licensee should verify this data and raise any discrepancies with Ofgem.
- c) Data on this sheet should align with the latest PCFM where applicable.
- d) The Licensee is required to update the CPIH values in row 53.
- e) 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 Licensee is required to use the most recent CPIH value published by the Office of National Statistics (ONS).
- f) 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.
- g) For forecast inflation, the Licensee is required to align to the approach outlined in Chapter 2 of the Price Control Financial Handbook (PCFH).

#### Content & Version Control

- a) In cells B6:B15 enter date of submission as applicable.
- b) In cells C6:C15 as applicable provide a summary of changes from previous version.
- c) Enter any changes made to the template.

#### R1 – RoRE

- a) This table auto-populates, no input required.
- b) Financial data will be displayed in real prices.

#### R2 - Reconciliation to Revenue and Profit

- a) Inputs for rows 13, 14, and 15 should be populated based on the PCFM calculated Allowed Revenue following Licence Award. There is no requirement to forecast the values in this sheet
- b) In row 21 enter the value of Collected Regulated Revenue (RRt) consistent with the latest PCFM, however, where this value is not present in the PCFM, it should be entered manually.

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- 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 or 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 de-minimis or unregulated business.
- h) In rows 84 enter any other costs (-ve) not related to the de-minimis or unregulated business adding additional rows and descriptions as required.
- i) In row 96 enter Tax as per Statutory accounts.
- j) In row 97 enter deferred taxes (-ve). In row 111 Licensee to provide supporting comments or narrative.

### **R3A – Capex Reconciliation**

- a) Information for forecast years is required in the table 'Capex as per latest PCFM'.
- b) In rows 12-18 and 24-31, enter values (where applicable) for the identified cost items (which are used in the PCFM) in a manner consistent with the statutory account reporting.
- c) In rows 45-51, enter any enduring value adjustments to capex or opex performance.
- d) In table 'Reconciliation to capex', information for forecast years is not required.
- e) In rows 62-69, enter values (where applicable), for the identified cost items (used in the PCFM) in a manner consistent with the statutory account reporting.
- f) In row 76-81, enter capex adjustments items to reconcile "Total net costs after non-price control allocations" per statutory accounts to total capex as per latest RRP
- g) In row 85, enter Total Costs per latest RRP submission.
- h) In row 89-113 enter items not recognised in capex, to reconcile from 'Total net costs after non-price control allocations' to capex as per latest PCFM
- i) In row 120 Licensee may enter any supporting comments or narrative and include a cross-reference to the latest submitted RRP.
- j) When completing rows 12-18, 24-31 & 62-69, Licensee is expected to provide descriptions, where statutory accounts contain additional costs which cannot be readily allocated to the recognised line items.
- k) The Licensee is also expected to provide evidence for the breakdown provided in the RFPR in the supporting commentary, where costs are not disaggregated in the statutory accounts.

### **R3B – Opex Reconciliation**

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

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- b) In rows 13-20 enter values (where applicable) for the identified cost items (which are used in the PCFM) in a manner consistent with the statutory account reporting.
- c) In rows 25-31, enter any enduring value adjustments to opex performance.
- d) In table 'Opex-Reconciliation', information for forecast years is not needed.
- e) In rows 43-50, enter values (where applicable), for the identified cost items (used in the PCFM) in a manner consistent with the statutory account reporting.
- f) In row 56-62, enter opex adjustments items to reconcile total net costs after non-price control allocations" per statutory accounts to total opex as per latest RRP
- g) In row 66, enter the Total costs per latest RRP submission
- h) In row 70-94 enter items not recognised in opex, to reconcile from 'Total net costs after non-price control allocations' to opex as per latest PCFM
- i) In row 101 Licensee may enter any supporting comments or narrative and include a cross-reference to the latest submitted RRP.
- j) When completing rows 13-20 & 43-50, Licensee is expected to provide descriptions, where statutory accounts contain additional costs which cannot be readily allocated to the recognised line items.
- k) The Licensee is also expected to provide evidence for the breakdown provided in the RFPR in the supporting commentary, where costs are not disaggregated in the statutory accounts.

### **R4 – Incentives and Other Revenue**

- a) Incentive revenues should relate to the Charging Year the incentive has been (or is forecast to be) operationally earned.
- b) In rows 17-23 enter the expenditure incentives items per the latest PCFM.
- c) In rows 30-36 enter any additional commentary relating to the relevant incentives.

### **R5 – Financing**

- a) In row 29 enter forecast new financing or refinancing Net Interest (per glossary definition) costs.
- b) The "Net Interest including forecast new financing or refinancing costs" on row 30 will be used as an input to calculate the tax clawback adjustment in the latest PCFM through the relevant variable value.
- c) Rows 31 and 32 disaggregate Net Interest including forecast new financing or refinancing costs (row 30) between External Debt and Intra -company Debt Net Interest
- d) In row 35 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 47 enter new or refinanced debt issuance expenses.
- f) In row 62 the Licensee is to enter actual gearing, using a definition consistent with the Licence.
- g) In row 75, the Licensee is to estimate the cost of debt allowance, based on the PCFM.

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### R5a - Financing Input

- a) 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.
- b) 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.
- c) Columns M:V for the “Income statement (P&L) charge” table will automatically populate from the details in sheets F3 to F5.
- d) Rows 25-32, 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.
- e) 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.
- f) In row 38, enter the value for overdraft
- g) In row 39 enter the value for commercial paper
- h) In the yellow ‘Other Adjustment’ rows in cells C46-C55, C64-C70 and C84 enter the name of any other adjustments.
- i) In rows 57-63 enter values where applicable that sums up to the Total Interest Expense and Finance Costs as per Income statement
- j) In rows 64-70 enter the value for any other adjustments not included within the sub total for ‘Debt Interest Expense plus Interest Capitalised in Charging Year’.
- k) In row 72 enter the (-ve) value for capitalised interest, which is summed up to give the Total Interest Expense and Finance Costs as per Income statement.
- l) In rows 76-78 enter values where applicable that sums up to the debt interest paid sub-total
- m) In rows 81-83 enter values where applicable that sums up to Total Interest income as per income statement
- n) In row 93, enter Regulated Business allocation (%) of net interest (per income statement) for Licensee.
- o) In rows 98-105 enter values where applicable that sums up to Net Interest (per glossary definition)
- p) In rows 106-113 enter adjustments to convert financing costs as per income statement to Net Interest as per glossary definition.
- q) Row 116 adds back debt issuance expenses for performance assessment purposes.
- r) Row 117 adds back costs associated with early redemption of long-term debt for performance assessment purposes.

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- s) Only buyback costs that are incurred in the normal course of business should be included here.
- t) 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.
- u) Row 118 allows the annual accrued principal inflation on inflation linked swaps to be included for performance assessment if this cost has been otherwise excluded from the definition of Net Interest used for regulatory reporting.
- v) In row 119, enter the fees remunerated via the Debt fees building block (-ve)
- w) In rows 120-122 enter adjustments to be applied to the assumed finance cost for performance assessment.
- x) 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.
- y) 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.
- z) The Licensee should ensure not to double count and should only include derivative principal inflation accrual costs in this row if not already included in row 114 or if periodic principal inflation cash payments are excluded through an adjustment in one of the other rows 120-122.
- aa) In rows 126 and 172 enter regulated business allocation (%) of net interest (per regulatory definition and cashflow statement respectively) for Licensee.
- bb) 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 latest RRP Blue cells are automatically populated from the Cash Flow table at the top of the sheet.
- cc) In row 137, enter the value for overdrafts
- dd) In row 138, enter the value for commercial paper
- ee) In rows 145 and 163 enter any other adjustments.
- ff) In row 147, enter the value for debt redemption costs
- gg) In row 148, enter the value for other, non-debt elements of interest paid
- hh) In row 149, enter the value for gains on derivative financial instruments
- ii) In row 150, enter the value for RCF commitment fees.
- jj) In row 155, enter the value for Cash and cash equivalents
- kk) In row 156, enter the value for amount Available for sale investments
- ll) In row 157, enter the value for External loans and receivables

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mm) In row 160, enter the value for interest received on scheme assets (pensions)

nn) In row 161, enter the value for other non-debt elements of interest received

oo) In row 162, enter the value for interest received on derivative financial instruments

pp) 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. Any adjustments added into the yellow-coloured rows should be explicitly specified and justified as part of the accompanying commentary.

### **R6 - Net Debt**

- 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 or refinancing.
- c) In cell D45 enter opening Regulatory Net Debt including forecast new debt or refinancing at Licence award.
- 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.
- f) In row 72, enter the value for committed equity

### **R6a - Net Debt input**

- 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 47-56 enter additional commentary on individual instruments (for most recent year ended).
- f) In rows 60-75, column T:AC convert the net debt (as per statutory accounts) to the regulatory definition of Net Debt.
- g) Complete adjustment in rows 64-75, column D:R as required
- h) In row 79 enter regulated business net debt allocation (%).
- i) Pre or post derivative average exposure to interest rate and inflation changes – tables automatically populated from information elsewhere in sheet R6a.

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- j) Pre or post derivative average exposure to currency rates – tables automatically populated from 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 – RAV**

- a) In rows 12, 15, 16, 18, 19, 20, and cell F9 enter values per the latest PCFM.
- b) In row 21 enter the enduring value adjustment relating to Net additions (after disposals).
- c) In row 24 enter the enduring value adjustment relating to depreciation.
- d) The NPV neutral equity element of RAV on row 42 is then used to calculate the RoRE in table R1 - RoRE.
- e) In row 51, enter the year length in days.

### **R8 – Tax**

- 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.
- c) Where the actual CT600 is unavailable, Licensee should input a forecast tax liability in row 35 for RoRE calculation purposes.
- d) For the RFPR submission in Charging Years 2 and onward, in rows 16-19 and rows 24-32, the Licensee should enter any adjustments to remove the non-regulated tax liability.
- e) Licensee to also provide a description of any such adjustments.
- f) Where the actual CT600 is unavailable, Licensee should input a forecast tax liability in row 35 for RoRE calculation purposes and not enter any values into rows 11 to row 32.
- g) In row 56 enter the TAXt values shown in the 'Revenue' sheet per the latest PCFM.

### **R8a – Tax Reconciliation**

- a) The tax reconciliation worksheet is sub-divided by reference to typical adjustment types. The reconciliation is set out in four key sections:
  - i. Profit or (Loss) before taxation;
  - ii. Regulatory Adjustments;
  - iii. Tax Adjustments; and
  - iv. Tax Loss Adjustments.
- b) If the Licensee has differences between their CT600 and calculated tax allowances that are not covered by the headings above, the responsibility is on the Licensee to identify this and include it in the tax reconciliation template.
- c) A material difference is one that is greater than the £m "deadband" threshold values shown in the 'Finance & Tax' sheet of the latest PCFM, for the Licensee. These values are shown at Table 1 from row 115 the 'Data' sheet of the RFPR. They are then

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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.

- d) The Tax Reconciliation template follows the flow of numbers between the Licensee's Profit or (Loss) before taxation and adjustments made for its CT600 to the latest PCFM to enable the tracking of differences from the Licensee's submitted (and ultimately agreed) CT600 corporation tax return and accompanying tax computations filed with HMRC to the calculated tax allowance in the latest PCFM. The column structure is as follows:
- i. Column C notes the price base for values.
  - ii. Column D contains entries from the original filed CT600.
  - iii. Where the CT600 is re-filed, updated data should be input in column E.
  - iv. Column G provides source information and labels for the data in column H.
  - v. Column H shows the Calculated Tax Allowance with values to be taken directly from the latest PCFM.
  - vi. 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).
  - vii. Column K checks the materiality of the difference calculated at column J, with reference to the Licensee's deadband threshold.
- e) For certain input rows, there is also a bordered explanation cell at column L for the Licensee to provide a short summary explanation or comment relating to the entry, adjustment or difference shown in column J.
- f) This is in addition to the RFPR narrative commentary, which includes a section on the Tax reconciliation, which the Licensee is expected to include more detail and provide explanations for any differences in column J.
- g) 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.
- h) 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 Licensee should provide the source data or a description of the input entered.
- i) 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.
- j) 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.
- k) 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.
- l) Inputs to columns D or E, should be taken from the CT600 and related Corporation Tax computation.

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- m) 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.
- n) There are also additional yellow input cells in column H for any other adjustments required.

### **In the Event of a Re-filing**

- a) Where following an enquiry, there are subsequent changes made to the self-assessed CT600 and the CT600 is re-filed, those changes should be retrospectively entered in the yellow input cells in column E.
- b) 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.
- c) 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 or (Loss) Before Tax (PBT)**

- a) The logical flow of the Tax Reconciliation Template (left to right) begins in column D.
- b) The template starts with the turnover value from the Licensee's statutory accounts, which is auto-populated from the 'R2 - Rec to Revenue and Profit' sheet.
- c) The 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.
- d) In cells H16:25 the 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.
- e) In H16, the Licensee should input the sum of the following cells in the PCFM:
  - i. the values in the "Add calculated revenue (before tax)" line of the Finance & Tax sheet (row 222);
  - ii. the "Tax allowance" (TAXt) line of the Finance & Tax sheet (row 263); and,
  - iii. the "Tax allowance adjustment" (TAXAt) line of the Revenue sheet (row 41)
- f) This will compare the Calculated Revenue including the tax allowance, against the Turnover figure from the CT600.
- g) 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**

- a) In this section, the Licensee should include any values or adjustments in column D that are required to remove amounts relating to non-regulated activity from the

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calculation of PBT and any other adjustments relating to timing differences. These are yellow input cells.

- b) 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**

- a) In this section, the Licensee should include all adjustments that are made in the CT600 to get from PBT to Profits Chargeable to Corporation Tax in column D (row 93).
- b) 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.
- c) In cells H16:91 the Licensee should enter the equivalent values from the latest PCFM Finance & Tax sheet e.g. the notional capital allowance values.

### **Tax Loss Adjustments**

- a) In this section, the Licensee should include losses that are included in the CT600 in arriving at the Profits Chargeable to Corporation Tax value in column D.
- b) Where tax losses are recorded for tax allowance purposes in the latest PCFM, those values should be input in cells H86:H90.

## **R9 – Corporate Governance**

- 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 Licensee should add any further fixed pay categories and add new rows as necessary. #
- f) In row 27, enter the salary amount
- g) In row 28, enter the bonus amount
- h) In row 30, enter the benefits amount
- i) In row 32, enter the pension amount
- j) In row 35 Licensee should input the allocation of fixed pay that pertains to the regulated business.
- k) In rows 38-41 enter the variable pay relating to executive directors, where applicable this should reconcile with the statutory accounts.
- l) In row 38, enter the incentives amount
- m) In row 40 enter the performance related pay amount

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- n) In rows 39 and 41, Licensee should add any further variable pay categories and add new rows as necessary.
- o) In row 43 Licensee should input the allocation of the variable pay that pertains to the regulated business.
- p) In rows 49-56, Licensee should input information relating to share ownership and share discounts for the executive directors (If directors do not hold shares at the Licensee level, this data can be omitted. However, the 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).
- q) In row 49 enter the number of shares owned by the executive directors.
- r) In row 50 insert additional rows, as appropriate, relating to share ownership.
- s) In row 51 enter the percentage (%) discount on the shares purchased.
- t) In row 52 enter the percentage (%) of shares held compared to total authorised shares.
- u) In row 53 enter the value of total shares held.
- v) In row 54 enter the number of options held.
- w) In row 55 enter the exercise price of the options held.
- x) In row 56 enter the number of options exercised.
- y) In row 59 enter the value of dividends paid.
- z) In row 62 enter the allocation of shares, options and dividends that relate to the regulated business.
- aa) In rows 68-70, insert the CEO's total remuneration to company's UK employee's remuneration at 25th, 50th and 75th percentile.
- bb) To calculate pay ratios we expect the 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.
- cc) Where the Licensee is reporting this information to other public sector stakeholders, the Licensee may make representations to Ofgem to change this approach, to facilitate the reporting of this information consistently.
- dd) In rows 77-82 enter any relevant supporting comments.

### **R10 – Pensions & Other Activities**

#### **Instructions for Completion**

- a) In row 12 enter the total pension deficit repair payment made by the 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.

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- c) In cell D19 enter the price base for information reported for the latest concluded pension scheme triennial actuarial valuation.
- d) In cell D22 and D23 enter the total liabilities attributable to the Licensee pre and post the cut-off date.
- e) In cell D25 and D26 enter the total assets attributable to the Licensee. pre and post the cut-off date
- f) In cell D31 enter the proportion of the total deficit attributable to the Licensee since the last valuation.
- g) In cell D32 enter the proportion of any increase in the total deficit attributable to the Licensee since the last valuation.
- h) In rows 46-48 enter any Ofgem (those published on Ofgem’s website) related fines and penalties, with description. Add additional rows as necessary.
- i) In row 50 enter any adjustments for tax, relating to Ofgem fines and penalties, if any fine or penalty is tax deductible.
- j) In rows 54-55 enter any other fines and penalties with description.

### **Input Sheets for R5a and R6a**

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

- a) Calculations derived automatically. The Licensee should not make any changes to this worksheet.

### **F4 – Floating Rate Debt**

- a) Calculations derived automatically. The Licensee should not make any changes to this worksheet.

### **F5 – Inflation Linked Debt**

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

### **F6 – Debt Dataset**

- a) For illustrative purposes, the worksheet is pre-populated with example data, which Licensee should overwrite with actuals. I1 – Universal Data

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- b) Licensee should clear (not delete) columns A to DD for any unused pre-populated rows, so that the dataset only contains their actual data.
- c) Column DF (Identifier by type) generates indices used to automatically populate tabs F3 to F5 and must not be amended.
- d) 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. 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.
- e) 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).
- f) Where debt is of a short-term or current nature (and can therefore be replaced several times in a year), the balance outstanding at the year-end must be entered.
- g) The interest rate stated must be the rate that is applicable to the tranche which is outstanding at the Charging Year end.
- h) The Licensee should populate only columns A to DD of the worksheet.
- i) 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.
- j) 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 or 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.

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- xv. Amount Issued on Issue Date or Max loan amount: insert amounts in the original currency of issuance, including amounts issued in GBP.
- xvi. Current Amount Outstanding: insert amounts in the original currency of issuance, including amounts issued in GBP.
- xvii. Amount Issued on Issue Date or Max loan amount GBP equivalent: populate with the GBP conversion (£m) of Amount Issued on Issue Date or 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 or 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 or Margin column. For instruments with Type = Floating or Inflation Linked, this column should be populated using the "Coupon or Margin" column.
- xxiv. floating\_ref\_rate: for Floating instruments, Licensee must select the relevant SONIA options from the validation list. For Fixed and Inflation-Linked instruments Licensee must select "N/A" from the validation list.
- xxv. inflation\_ref\_rate: for Inflation Linked instruments, Licensee must use the validation list to specify if linked to RPI, or CPIH. For Fixed and Floating rate instruments Licensee must select "N/A" from the drop-down.
- xxvi. Inflation lag: for Inflation Linked instruments, Licensee must use the validation drop-down to specify the number of months lag (with respect to the end of year or 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

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

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final repayment if this occurs in the FY2016-2033 period. Repayments are inputted as negative sums. This range will be revised periodically as the 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 Licensee progresses through construction.

### *Supplementary guidance*

#### *Debt instruments where the Licensee is the lending party.*

- a) Input negative amounts in columns Q, R and S for instruments identified where the Licensee is the lender.
- b) These amounts will be deducted from total debt volume accordingly.
- c) Interest payments will also be calculated as negative sums and will decrease total interest expense.
- d) Also, for instruments where the 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*

- a) If the applicable interest rate changes during the repayment period, the instrument can be modelled by splitting into multiple entries in the dataset.
- b) The worked example below assumes an instrument with two applicable margins over the relevant period.
  - i. First period instrument
    - issue\_date = actual date of issuance
    - maturity date = date of interest rate switch
    - Amount for use = actual volume
    - Rate for use = interest rate in period 1
    - Split flag = “Y” (to denote entry relation to a composite instrument, FYI only)
  - ii. Second period instrument
    - issue date = actual date of issuance
    - maturity date = actual date of maturity
    - Amount for use = actual volume

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

- a) If "Fixed" or "Floating" rate, amortising instruments are inputted as a single row entry as follows:
- i. Amount for use = volume at issuance date or opening balance for 201
  - ii. issue date = actual date of issuance
  - iii. maturity date = actual date of maturity
  - iv. 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 Licensee progresses through construction.
  - v. 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 Licensee progresses through construction.
  - vi. Amortising profile = "Y" (flag essential to trigger bespoke calculations)
- b) If "Inflation linked", amortising instruments are decomposed into separate row entries, one for each annual emission and repayment. These are populated as follows:
- i. Initial issuance
    - issue date = actual date of issuance

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- maturity date = actual date of maturity
  - Amount for use = actual volume at issuance
  - Rate for use = applicable interest rate
  - inflation\_ref\_rate = applicable inflation index
  - Inflation\_lag = applicable inflation lag
  - Inflation\_Base\_Index = applicable base index
  - Amortising profile = "N" (to denote the initial issuance, FYI only)
  - Split flag = "Y" (to denote entry relating to composite instrument, FYI only)
  - Do not enter data in columns Issue/RepayAmount\_2016 to Issue/RepayAmount\_2033
  - Do not enter data in columns Issue/RepayDate\_2016 to Issue/RepayDate\_2033
- ii. Annual issuance / repayments
- issue date = actual date of issuance / repayment
  - maturity date = final repayment date
  - Amount for use = actual volume issued / repaid (negative amount for repayment)
  - Rate for use = NI
  - inflation\_ref\_rate = same as initial issuance (1)
  - Inflation\_lag = same as (1)
  - Inflation\_Base\_Index = same as (1)
  - Amortising profile = "Y" (to denote additional issuance/repayment, FYI only)
  - Split flag = "Y" (to denote entry relating to composite instrument, FYI only)
  - Do not enter data in columns Issue/RepayAmount\_2016 to Issue/RepayAmount\_2033
  - Do not enter data in columns Issue/RepayDate\_2016 to Issue/RepayDate\_2033

### **I1 – Universal Data I1 and I2 – Monthly Inflation**

- a) 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 –
- b) Licensee should not make any changes to the layout of this worksheet. Ofgem will update this table prior to the RFPR submission date in each Charging Year t.
- c) Licensee should verify this data and raise any discrepancies with Ofgem.
- d) This data should align with the latest PCFM.

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- e) Monthly inflation” tab, column C and D based on the most recent available inflation data at the time of submission.

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### Appendix II - Glossary

#### *Overview*

This section provides a glossary of terms used in this document, as well as in the RIGs more widely.

#### *Glossary - detail*

##### **Actual Gearing**

The ratio of the Licensee's Average Regulatory Net Debt to the Average RAV.

##### **Adjusted Closing RAV**

The opening RAV at the start of the 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.

##### **Capex**

Capital Expenditure.

##### **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.

##### **COD**

Commercial Operations Date.

##### **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.

##### **Corporate group**

refers to a group of two or more body corporates, typically comprising a holding company (if there is one) and its subsidiaries.

##### **Devex**

Development Expenditure

##### **Enduring Value Adjustment**

Adjustments made to the Licensee's financial or operational performance to analyse the Licensee for reporting purposes. These adjustments include the impact on the companies' return and RAV. Examples of Enduring Value Adjustments include:

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- i. Adjustments that cannot be recorded in the PCFM, e.g. overspend on 'use it or lose it' allowances;
- ii. any rephasing of allowances that cannot be done through the PCFM
- iii. timing differences of delivery of outputs;
- iv. known changes to future output delivery; and
- v. known adjustments not yet made to the PCFM (e.g. mid- period review decisions).

### EUR

The euro (symbol: €; currency code: EUR) is the official currency of 20 of the 27 member states of the European Union.

### FTE

Full time equivalent

### FX

Foreign exchange

### GBP

GBP is the abbreviation for the British pound sterling, the official currency of the United Kingdom.

### Opex

Operations Expenditure

### PCFM

Price Control Financial Model

### Net Debt

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

#### Net Debt includes:

- i. Cash at bank;
- ii. Bank overdrafts;
- iii. Short term investments;
- iv. 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);

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- v. Inter-company borrowings;
- vi. 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
- vii. 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.
- viii. 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.

Appendix 32 Net Debt excludes:

Appendix 33 Year end balances of fair value adjustments on derivatives in statutory accounts (or regulatory accounts if still completed) (except cross currency swaps);

- ix. Unamortised issue costs;
- x. Fixed asset investments where not readily converted to cash;
- xi. Preference shares;
- xii. 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;
- xiii. Short term loans to related parties except where they have characteristics of long-term loans; and
- xiv. Liabilities and assets relating to decommissioning.

### Regulatory Net 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.

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### 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:

- i. Actual Net Interest (payable less receivable) for the regulated business extracted from statutory accounts, used on an accruals basis; and
- ii. Interest on index-linked debt based on the charge to the income statement in statutory accounts (i.e. on an accruals basis).

#### Interest excludes:

- i. Any interest that would otherwise be included, but which does not qualify for corporation tax relief;

Appendix 34 Movements relating to pension fund liabilities reported in the statutory accounts within Net Interest;

Appendix 35 Fair value adjustments (e.g. losses on derivatives);

Appendix 36 Dividends on preference shares;

Appendix 37 The cost of retiring long-term debt early (including exceptional debt redemption costs);

Appendix 38 Debt issuance expenses (including amortisation charges relating to discounts on debt issuance that had previously benefitted from a deduction against taxable profits); and

Appendix 39 The cost of maintaining committed undrawn liquidity backup lines (i.e. commitment fees).

### RAV

Regulated Asset Value

### 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.

**Guidance** Carbon Dioxide Transport and Storage – Overview of Regulatory Instructions and Guidance**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 Price 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.

**SRAV**

Shadow Regulatory Asset Value.

**SRCOI**

Shadow RAV Capex + Opex Incentive for the Construction and Commissioning Period.

**USD**

The United States dollar (symbol: \$; currency code: USD; also abbreviated US\$ to distinguish it from other dollar-denominated currencies; referred to as the dollar, U.S. dollar, American dollar, or colloquially buck) is the official currency of the United States and several other countries.