

Regulatory Reporting Pack

Purpose of Tables and Instructions for Completion

General Instructions for Completion

Overview

The Regulatory Reporting Pack (“RRP”) will be in the form of an Excel workbook. It consists of a number of data entry sheets with other summary and comparison to DPCR4 allowance sheets linked to them. The total costs in the RRP should agree to total opex plus total capex in the Regulatory Accounts for the concurrent financial year.

It has been designed to have “single data entry” where possible in order to avoid duplication and to facilitate reconciliations and balance checks.

The RRP is to be completed pursuant to these instructions and the definitions provided in Appendix 1 and Appendix 2. The RRP is to be submitted to the Authority in both electronic Excel file and hard copy format.

Data Entry

- All data input cells are coloured yellow which will show as blue text when entered.
- All data is to be input in (£ nominal) rounded to the nearest £100,000 (i.e. one decimal place).
- All costs are to be entered as positive numbers except where indicated otherwise.
- All cells that are linked formulas are coloured white with black text.
- Cells that are not relevant for data input are coloured black.
- All cells totalling and sub-totalling other columns and rows are coloured grey.

Definitions

All row and column headings requiring data input is clearly defined in the attached “RRP Definitions” document. A DNO must ensure that the definitions are clearly understood and that they are complied with when entering any data into the RRP. This is to ensure as much consistency and comparably of data entry as possible across all DNOs.

Worksheet Protection

All worksheets within the RRP will be password protected to ensure no rows or columns are added or deleted and that no formulas are altered. Only the input cells coloured yellow will be unprotected enabling data entry. This is to ensure that all DNOs report data in the same cells enabling easy extraction of data from the RRP.

Checks and Balances

Throughout the RRP there are various formula driven checks and balances to ensure all numbers reconcile correctly throughout the pack. These are identified as white cells with red text reading either “OK” or “Error”. If the pack has been completed correctly, all these checks and balances should show “OK”. If a check and balance is showing “Error”, please review the data entered to identify the problem and correct it before submission to Ofgem.

Table 1. Summary Indicators

Purpose and Use by Ofgem	The purpose of this worksheet is to present the key indicators of the DNO's performance against regulatory allowances and to compare actual spend to the DPCR4 allowances for opex, capex and pensions and to show the closing RAV. This worksheet will be used by Ofgem to gain an initial high level understanding of the DNO's performance against DPCR4 allowances and prior years. It will form part of the information published by Ofgem each year.
Instructions for Completion	<ul style="list-style-type: none"> • No data input is required. • The worksheet is entirely formula driven from links to other worksheets in the RRP. • The only input required is to provide a summary explanation of the movements in actual costs compared to prior year. • Allowances will be hard coded into the worksheet and inflated by Ofgem each year.

Table 2. Opex Allowance Comparison

Purpose and Use by Ofgem	The purpose of this worksheet is to restate actual opex on a comparable basis to the DPCR4 allowance.
Instructions for Completion	<ul style="list-style-type: none"> • No data input is required. • The worksheet is entirely formula driven from links to other worksheets in the RRP.

Table 3. Capex Allowance Comparison

Purpose and Use by Ofgem	The purpose of this worksheet is to restate actual capex on a comparable basis to the DPCR4 allowance.
Instructions for Completion	<ul style="list-style-type: none"> • No data input is required. • The worksheet is entirely formula driven from links to other worksheets in the RRP.

Table 4. RAV Roll Forward

Purpose and Use	The purpose of this worksheet is to calculate the additions to RAV each year
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by Ofgem	and to calculate the closing RAV balance.
Instructions for Completion	<ul style="list-style-type: none"> • Input DPCR3 RAV adjustments for 2004/05 only. • All DPCR4 RAV adjustments will be linked from other worksheets. • Operational capex additions will be linked from capex sheets.

Table 5. Overhead Adjustment

Purpose and Use by Ofgem	This worksheet calculates the required overhead adjustment for the purposes of calculating the RAV and comparisons to DPCR4 allowance. The definition of Direct Labour at DPCR4 is different to the Direct Activities labour for the RRP. The difference is due to non timesheeted engineering, management and other staff - in DPCR4 these labour costs were considered to be Indirect Labour; however, for the purposes of completing Table 7 of the RRP, DNOs are allowed to include the portion of time spent on direct activities. As such, an adjustment onto the DPCR4 basis is required.
Instructions for Completion	<ul style="list-style-type: none"> • The first table on this worksheet presents the labour costs as input into Table 7 as the costs are linked no data input is required. • In the second table, input the indirect labour adjustment required to ensure Indirect Activity Labour Costs are on the same basis as required for DPCR4 allowances. Definitions of Direct Labour for DPCR4 and Direct Activity Labour Costs are provided in Appendix 1 & Appendix 2. The costs are to be input as a negative under the Direct Costs Activity, Excluded Services, De Minimis and Metering headings and as a positive amount under the Indirect Cost Activities. The inputs should represent a reallocation from Direct to Indirect and should therefore sum to zero. • The calculation of the overhead adjustment is entirely formula driven from links to other worksheets in the RRP; therefore no data input is required.

Table 6. Total Cost Reconciliation

Purpose and Use by Ofgem	This worksheet is a high level audit trail to ensure that the costs reported in the RRP under Ofgem definitions reconcile in total to the costs reported in the Regulatory Accounts under the DNO's own accounting policies.
Instructions for	<ul style="list-style-type: none"> • Input the relevant costs from the Regulatory Accounts profit and loss or

Completion	<p>income statement and fixed asset additions from the note to the Regulatory Accounts in the cells provided.</p> <ul style="list-style-type: none"> • A check and balance will be automatically performed to ensure the Regulatory Accounts totals agree to the RRP data tables, this check must say 'OK' for the RRP to have been completed correctly.
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Table 7. Detailed Total Cost Matrix

Purpose and Use by Ofgem	<p>This worksheet is the key input sheet for collecting information to monitor DPCR4 performance, roll forward the RAV during DPCR4 and to inform DPCR5. Cost data is to be reported separately for the DNO and all related parties, thereby eliminating the issues associated with different corporate structures.</p>
Instructions for Completion	<p><u>General</u></p> <ul style="list-style-type: none"> • Data is to be input under each column heading and against each row description only where the cell is highlighted yellow which will show as blue text when entered. • Data is to be input for each yellow cell on the basis of the definitions provided in the RRP Definitions document for that column heading and row description. • The column headings have been split into Distribution Business, Excluded Services, De minimis, Metering Business and Distributed Generation Business in order to identify the actual costs of the Distribution Business; • Within Distribution Business, costs are classified as Direct Activities and, Indirect Activities, which are discussed in more detail below. • Costs incurred within related parties and charged to the DNO are to be recorded on the relevant related party cost row under the relevant column heading in which they were incurred in the related party (e.g. Procurement staff labour costs incurred in a related party and charged to the DNO are to be recorded against related party Labour Costs under the column heading Procurement). • Related party margins are to be input in the related party margins row for each relevant column heading. • Group recharges ultimately passed onto the DNO should include any recharges that are charged to related parties before being charged to the

	<p>DNO.</p> <ul style="list-style-type: none"> The total costs reported on this worksheet should agree to the operating costs in the Regulatory Accounts profit & loss account or income statement and capex additions (the reconciliation is performed per Table [6]). <p><u>Direct Activities</u></p> <ul style="list-style-type: none"> A number of activities have been identified as “Direct Activities” for the Distribution Business. Cost data for these direct activities should be populated as per the definitions included in Appendix 1 and Appendix 2. Where a DNO classifies one Direct Activity as or within another Direct Activity in their own accounting records, the cost should be input according to the definition provided in Appendix 2 and then allocated according to the DNO’s own definition in the Cost Allocation rows provided, (e.g. if a DNO classifies tree cutting related to a capital scheme as Load Related New Assets in their own books, the costs should be included in the Tree Cutting column per Appendix 2 definitions, and then reallocated to Load Related New Assets in the cost allocation row provided by entering a negative number under the Tree Cutting column and a positive number under the Load Related New Assets column). <p><u>Indirect Cost Activities</u></p> <ul style="list-style-type: none"> A number of activities have been identified as “Indirect Activities” of the licensed entity, including operational indirect activities (e.g. Control Centre) and indirect business functions (e.g. HR, IT). Cost data for these activities should be populated as per the definitions included in Appendix 1 and Appendix 2 and should be entered in total for the entire licensed entity (i.e. total cost to the DNO of HR should be entered in the HR column of this Detailed Total Cost Matrix Table). The relevant proportion of indirect costs allocated by the DNO to Direct Activities, Excluded Services, Metering Business, & DG Business should then be reallocated in the rows provided (i.e. to allocate HR costs to a Direct Activity, a negative number should be input in the Indirect Costs Allocated row under the HR column heading and a positive number input in the Indirect Costs Allocated row under the relevant Direct Activity
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	<p>column heading).</p> <p><u>Metering Business and DG Business</u></p> <ul style="list-style-type: none"> Cost data for the metering business and DG business should be populated in accordance with the definitions included in Appendix 1 and should only represent the direct costs of performing the defined metering and DG activities. Indirect costs allocated to metering business and DG business should be allocated on the basis described in the Indirect Activities explanation above. <p><u>Opex & Capex Allocation</u></p> <ul style="list-style-type: none"> The activity headings are not split as per the traditional opex and capex accounting conventions therefore an additional row is included at the bottom of the cost matrix which automatically allocates each column as opex or capex. In completing these lines ensure that the total of these rows agrees to the total of opex and capex reported in the regulatory accounts. This check is performed on Table 6. <p><u>Shetland Balancing Costs</u></p> <ul style="list-style-type: none"> For SSE Hydro only, include the costs of Shetland Balancing on the same basis as provided for the Final Proposals.
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Table 7A. Cost Drivers

Purpose and Use by Ofgem	The purpose of this worksheet is to inform DPCR5 and enable an understanding of the cost drivers for each of the opex activities provided in the Detailed Total Cost Matrix. A further schedule may be required to capture the data for identified cost drivers.
Instructions for Completion	<ul style="list-style-type: none"> Provide Primary, Secondary, Tertiary and Other cost drivers which the DNO believes are relevant to the opex activity headings provided in the Detailed Total Cost Matrix. Please provide as much detail as possible in respect of each cost driver identified. Where a DNO believes an element of costs to be fixed, please advise the percentage or value of the fixed element.

Table 8. Detailed Cost Matrix – Inspections, Maintenance & Tree cutting

Purpose and Use by Ofgem	This worksheet is the key input sheet for the Direct Activity of Inspections & Maintenance costs and links directly into Table 7. It splits Inspections & Maintenance into various subcategories which will enable more detailed analysis for DPCR5, if so desired.
Instructions for Completion	<ul style="list-style-type: none"> • The format of this table is exactly the same as Table 7. Detailed Total Cost Matrix and the general instructions for completion provided for Table 7. Detailed Total Cost Matrix headings apply equally for this table also. • Input the costs for the Direct Activities of both inspections & maintenance and tree cutting under the asset headings provided as defined in Appendix 1.

Table 9. Detailed Fault Analysis

Purpose and Use by Ofgem	This worksheet is the key input sheet for the Direct Activities of Fault Replacement and Fault Non-replacement and links directly into Table 7. It splits fault costs on the same basis as fault data is collected for Quality of Service (IIP) purposes which will enable more detailed analysis for DPCR5 if so desired.
Instructions for Completion	<ul style="list-style-type: none"> • The format of this table is exactly the same as Table 7 Detailed Total Cost Matrix and the general instructions for completion provided for Table 7 Detailed Total Cost Matrix apply equally to this table. • Input the costs for the Direct Activity of fault incidents under the asset headings provided as defined in Appendix 1. • The asset headings are the same as those used for reporting incident numbers under the Quality of Service RIGs (IIP). • Costs are to be input on the basis of Direct Activities as defined in Appendix 2. • Total fault costs are then to be allocated to opex and capex on the same basis as the DNO's regulatory accounts. • Total fault costs must also be allocated to Restoration and Repair on the basis of the definition provided in Appendix 1.

Table 10. Detailed Capex Analysis

Purpose and Use by Ofgem	This worksheet is the key input sheet for the Direct Activities of Load Related New Assets & Replacement and Non-load Non-fault Replacement and links directly into Table 7. It splits Related New Assets & Replacement and Non-load Non-fault Replacement into various subcategories by asset type which will enable more detailed analysis for DPCR5 if appropriate.
Instructions for Completion	<ul style="list-style-type: none"> • Input the costs for labour, materials, contractors and other costs incurred in performing physical work on the assets on the same basis as for direct activities in Table 7. • Only costs relating to physical work on the assets should be entered. No indirect cost activities should be included.

Table 11. Atypical Events and Provisions on a Cash Basis

Purpose and Use by Ofgem	<p>This worksheet identifies atypical events and provisions on a cash basis and their impact on operating costs and capex and will be used to inform future normalisation and regression exercises.</p> <p>It also collects data on uncertain costs excluded from DPCR4.</p>
Instructions for Completion	<p><u>Atypicals</u></p> <ul style="list-style-type: none"> • Identify any atypical events under the headings provided for in Table 7 Total Cost Matrix. • Atypical events are those events as defined in Appendix 1. • Input costs on a total basis and an incremental basis in accordance with the definitions in Appendix 1. <p><u>Provisions</u></p> <ul style="list-style-type: none"> • Provisions data is to be included so that costs can be restated on a cash basis. • Data is to be provided for all provisions that are not incurred as part of ordinary level of business activities, such as holiday pay provisions, normal trade accruals and prepayments. • Please provide the reason for raising the provision in the 'details' section and allocate the costs under the relevant activity heading. <p><u>Uncertain costs</u></p>

	<ul style="list-style-type: none"> • Costs relating to the ESQCR overhead line clearance compliance and any costs arising from other changes in ESQCR requirements should be entered. • Lane rental costs will be linked to the cost matrix so no action is required. • Any other new costs arising in DPCR4 should be detailed and entered.
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Table 12. Opex Comparison to Prior Year

Table 12A. Opex Comparison to Prior Year - Commentary

Purpose and Use by Ofgem	These worksheets provide key explanatory information for the movements in total activity costs and changes in the allocation of activity costs across all activities. The commentary will enable Ofgem to perform analytical review to develop understanding of why costs have moved year on year.
Instructions for Completion	<p><u>Table 12</u></p> <ul style="list-style-type: none"> • This worksheet calculates the variances for which commentary is required. • No data input is required. • Prior year cost data will be input by Ofgem. <p><u>Table 13</u></p> <ul style="list-style-type: none"> • Provide an explanation of the movements in costs and the changes in allocation policies. • Explanations for movements in costs should be quantified and cover gross cost movements (i.e. where increases and decreases offset each other, an explanation of those increases and decreases must be provided). • Explanations of movements in costs should be both volume and price related (i.e. increase in costs could be due to increase in activity and/or increase in price / unit costs). • Explanations should also include the impact and details of efficiency initiatives. • Explanations of year on year variances in allocated costs should be made. If there have been any cost allocation policy/methodology changes there must be explanation of the new policy/methodology and why the change

	was required.
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Table 13. Detailed IT & Telecoms

[Instructions for this table will be published at a subsequent date.]

Table 14. Summary of Related Parties

Purpose and Use by Ofgem	To provide an analysis of the nature and size of services provided to the DNO, other group companies and externally by each related party. The table will be used to help identify recharges that flow through more than one related party before reaching the DNO and to provide the percentage of external revenue so that margins can be identified and removed, where appropriate, for comparison to the DPCR4 allowances.
Instructions for Completion	<ul style="list-style-type: none"> • Cost data for each DNO in the group is linked to the Detailed Total Cost Matrix. • Input the turnover data for the related party as received from each DNO in the group, other related parties and external customers. • DNOs are required to input cost data as incurred for each other related party and external customers.

Table 15. Breakdown of Labour Costs

Purpose and Use by Ofgem	This worksheet is to aid in the calculation of pensionable salaries, enable an understanding of the resourcing mix of opex and capex work and provide a cost per FTE for comparison across DNOs and time and to identify the attribution of pension deficit payments between opex and capex.
Instructions for Completion	<ul style="list-style-type: none"> • Total employee cost data is linked to the Detailed Total Cost Matrix. <p><u>Headcount</u></p> <ul style="list-style-type: none"> • Headcount is to include temporary, agency and contract staff. • Headcount numbers are to be input in total for the DNO and related parties under the 'Total' column (i.e. the total headcount in the related party should be included here regardless of whether their time is charged to the DNO or not). • Related party headcount numbers are then to be allocated to the DNO with an explanation provided as to the allocation method. • The total of the 'Allocated to Distribution Activity' should represent the

	<p>total number of staff working on the opex and Distribution capex activities and business functions. This number will be used as the FTE number for calculating average cost per FTE for the Distribution Business.</p> <p><u>Employee Costs</u></p> <ul style="list-style-type: none"> • A breakdown of the total labour costs is required into the various elements of employee costs provided in the table for the DNO and each related party. • Temporary, agency and contract staff costs are to be recorded on this worksheet. • The cost elements are required to be analysed into opex and capex for the Distribution Business and all other businesses (i.e. Metering, DG, Excluded Services and De minimis) are to be summed together and this should agree to the total labour costs per the Detailed Cost Matrix. An automatic check will be performed to ensure this.
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Table 16. Pension Scheme Analysis

Purpose and Use by Ofgem	This worksheet collects pension scheme data for the purposes of comparison against the DPCR4 pensions allowance and for informing DPCR5 on pension costs and liabilities.
Instructions for Completion	<ul style="list-style-type: none"> • Input data in respect of each of the DNO's pension schemes.

Table 17. Pension Related Severance Costs

Purpose and Use by Ofgem	This worksheet collects data on severance costs which have been funded by pension surpluses for the purposes of informing DPCR5.
Instructions for Completion	<ul style="list-style-type: none"> • Input data in respect of their severance funding.

Table 18. Tax: Capital Allowances for the licensee

Purpose and Use by Ofgem	<p>The purposes of this worksheet are:</p> <ul style="list-style-type: none"> • to obtain an analysis of the DNOs tangible fixed asset additions and the allocation to the capital allowance pools on a consistent and comparable format across all DNOs for the regulatory financial year;
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	<ul style="list-style-type: none"> • and the analysis of this to distribution, metering, distribution generation activities and, if appropriate, for excluded services and de minimis activities; • to monitor and compare allocations to capital allowance pools across DNOs and across time to inform future price controls; and, as an input worksheet in order to determine actual allocations of capex and to identify fixed asset additions attributable to the various other activities separately from the distribution activity; • To reconcile the tangible fixed asset additions in the year to the audited regulatory accounts and other RRP tables; • Capture the movements on capital allowances in total for the licensee and for distribution business and other activities; and reconcile the total to the DNOs own tax provision workings for its regulatory accounts and/or draft corporation tax computation; • Identify prior year adjustments arising in the individual capital allowance pools from the agreement of open tax years; and • Record the annual movement and residual balances on the amounts of “Unregulated business balance adjustments” made for the purpose of DPCR4.
Instructions for Completion	<ul style="list-style-type: none"> • Input the “TOTAL for the licensee” from the relevant tangible fixed asset (capex) additions, net of the proceeds of disposals, from the Regulatory Accounts notes to the balance sheet in the cells provided and; • attribute any amounts due to metering, distribution generation activities (as they are subject to separate price controls) and, if appropriate, excluded services and de minimis activities, columns. • Input any capex in revenue in the profit and loss account/income statement in order to reconcile to the tax provision workings. • The distribution activity (excluding metering distribution generation, de minimis and excluded services activities) will automatically calculate as the difference between the “TOTAL for the licensee” and other activity columns. • The opening balances on each of the four capital allowance pools shall be entered in the cells indicated. This shall agree to that submitted in the previous years’ RRP.

	<ul style="list-style-type: none"> • Where the opening balances are different to that in the prior years' RRP, the amount of any revision shall be entered, which will calculate the revised opening balances. • In addition, where the opening balances are different to that in the prior years' RRP and revision amounts have been entered, then a reconciliation is to be provided explaining and analysing the reasons for each change; and where the change arises from agreement of previously open years' tax computations by the tax authorities this shall be identified by individual year; and the reasons for any change to previous estimates shall be stated. • In the memo column "Unregulated business balance adjustments", enter the initial amounts at the commencement of the period which will be notified by Ofgem. These refer to specific adjustments to eliminate the balance in a capital allowance pool related to activities which is no longer regulated or for which the assets have been disposed of but from which residual amount remain in the licensee. • <i>Reconciliation to capex additions in the year:</i> In the cells indicated enter any necessary reconciling items with sufficient explanation to understand the item. • The DNOs own rate of statutory depreciation in both the percentage and economic life in years for deferred revenue expenditure is to be entered.
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Table19. Tax reconciliation for the licensee by segment

Purpose and Use by Ofgem	<p>The purposes of this worksheet are:</p> <ul style="list-style-type: none"> • to provide a summary of the tax computation workings on a consistent and comparable format basis across all DNOs, analysed so as to determine that attributable to the distribution business from that attributable to other activities; and to monitor trends; • to obtain a reconciliation and analysis for the regulatory financial year for both the current and deferred tax charge to distribution, metering, distributed generation and where appropriate, de minimis and excluded service activities in a consistent and comparable format across DNOs, which shall agree to the licensees own tax provision workings and/or draft corporation tax computation and the tax charge in the DNOs regulatory accounts;
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	<ul style="list-style-type: none"> • to obtain a reconciliation of the tax payments and refunds in the cashflow statement of the DNOs regulatory accounts; and • the effect, if any, of the impact of group relief and the utilisation of tax losses on the current years' tax charge in the DNOs regulatory accounts; and • to reconcile the current corporation tax charge to the movements in the balance sheet provision and notes to the regulatory accounts.
Instructions for Completion	<ul style="list-style-type: none"> • Input the relevant amounts for each line heading in the cells provided, analysed between "TOTAL for the licensee" and that attributable to the metering, Distributed Generation, Excluded Services and De Minimis activities' columns. For the purpose of this table the distribution column will be automatically calculated as the difference between "TOTAL for the licensee" and that attributable to the other activities. • Enter the rate of corporation tax appropriate to the current regulatory financial year in the cell indicated (e.g. 30%). <p>For each column, except distribution, enter:</p> <ul style="list-style-type: none"> • <i>Statutory depreciation expense</i> should be the amount in the regulatory accounts. • <i>Pensions contributions not paid</i> should be the adjustment to eliminate all pension contributions provisions or accruals, the amount of pension contribution paid and deductible for tax purposes will be entered under "Deduct". • <i>Disallowed opex</i>: In accordance with tax legislation some operating expenditure is disallowed as a deduction in computing taxable profits. These costs should therefore be added back and should be the same as in the DNOs own tax computation or tax provision workings. • <i>Any other add backs</i> should be disclosed and described separately for individual items over £500,000. • The capital allowances will automatically flow from the previous capital allowances table. • <i>Capital charged to revenue</i> should be the amount of capex which has been expensed in the regulatory accounts and which for tax purposes is capitalised and should be equal to the amount of additions in Table "Tax: Capital Allowances of the licensee".

	<ul style="list-style-type: none"> • <i>Pension contributions paid</i> is the amount of pension contributions actually paid to the pension funds or affiliates. • Where prior amounts are different to that in the prior years' RRP, a reconciliation must be provided explaining and analysing the reasons for each change. • Enter the amounts of corporation tax paid or refunded and amount of group relief received or surrendered. • Enter any additional reconciling items with a description for all individual items over £500,000.
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Table 20. Breakdown of Insurance Premiums

Purpose and Use by Ofgem	This worksheet provides the information required to enable comparison of storm related insurance premiums across DNOs and across years.
Instructions for Completion	<ul style="list-style-type: none"> • The total insurance premiums data is linked to the Detailed Total Cost Matrix. • Storm related insurance premiums must be identified separately and some details on the insurance policy must be provided as requested in the worksheet.

Table 21. Capex Scheme Analysis

Purpose and Use by Ofgem	<p>This worksheet gives a listing of the largest schemes/programmes by authorised amount and actual spend in the year for both new and replacement assets by main driver. Additionally the table also captures all the expenditure on fluid filled cable (FFC) replacement by driver.</p> <p>The information will be used to inform Ofgem's understanding of the drivers for overall capital expenditure, for comparison to DNO plans and budgets to inform DPCR5 and to capture and assess the expenditure on FFC.</p>
Instructions for Completion	<p>Scheme/programme selection</p> <ul style="list-style-type: none"> • For each year the ten largest schemes/programmes (by total authorised amount) should be included in the table. • If the ten largest schemes/programmes do not include the five largest new connection schemes (by spend in the year) then add new connection schemes until the five largest (by spend in the year) are included in the

	<p>table.</p> <ul style="list-style-type: none"> • If the ten largest schemes/programmes do not include the five largest non load schemes/programmes (by spend in the year) then add non load schemes/programmes until the five largest (by spend in the year) are included in the table. • Once included, a scheme/programme should only be removed from the table in future years if there is no spend against it in that year (i.e. once on the schedule a scheme stays on until it is completed). <p>Data entry for schemes/programmes</p> <ul style="list-style-type: none"> • Costs should be entered against schemes on the same basis that schemes are authorised within the DNO. • For each scheme/programme the total actual expenditure should be entered against the prime scheme/programme driver. • If there are other drivers for the scheme/programme these should be entered in the secondary and tertiary driver boxes at the bottom of the table (drivers and not £m should be entered). <p>Fluid filled cables</p> <ul style="list-style-type: none"> • All schemes/programmes which include the replacement of FFC (with the FFC replacement element being in excess of £250,000) should be separately listed. This could mean that some schemes may appear twice if they have already been included in the large scheme/programmes above. • All other non fault FFC replacement should be entered in the 'Small scheme/programme and other'. • All FFC replaced due to fault should be recorded in the 'Fault replacement' column. <p>Data entry for FFC</p> <ul style="list-style-type: none"> • Costs relating to the FFC replacement element should be entered under the scheme/programmes on the same basis as scheme/programmes are authorised by the DNO. • The FFC replacement costs should be entered against the prime driver for the scheme of which they are a part (e.g. a general reinforcement scheme may have an element of FFC replacement, the FFC replacement cost should be entered in the general reinforcement row). Their drivers
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	<p>should be entered at the bottom of the column.</p> <ul style="list-style-type: none"> • In the small schemes/progs column costs should be entered against the main driver for their replacement. No secondary/tertiary drivers should be entered under this column. • Costs for FFC replaced on fault should be entered against the relevant voltage level of cable replaced. For fault costs the description of 'condition replacement' above voltage levels will not apply.
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Table 22. Capex (Non - operational)

Purpose and Use by Ofgem	This worksheet is to provide actual Non – operational capex spend on a scheme/project basis for IT, Vehicles, Buildings/property and 'Other'. This data will be used to compare actual spend and schemes undertaken to the Board approved capex plan and supporting scheme listing (obtained as part of the previous years RRP).
Instructions for Completion	<ul style="list-style-type: none"> • Input the costs as a total for each scheme/project under each heading. • The data should be on the DNOs basis of accounting for costs and should agree to the detailed cost matrix for Non – operational capex and as part of the total (on the Capex Summary Technical analysis table) to the regulatory accounts.

Table 23. Asset additions

Purpose and Use by Ofgem	This worksheet identifies the assets added and removed from the network in each year. This data will be used in conjunction with the aged asset register and capex by cost type to inform DPCR5 modelling.
Instructions for Completion	<ul style="list-style-type: none"> • Input the opening asset register quantities which must agree to the prior year asset register. • Input the asset quantities for additions to and disposals from the network. • Closing asset quantities should equal the total of assets on the aged asset register. • Where the asset additions and disposals do not explain the movement on the asset register, a quantified explanation must be provided of the movements for each asset class concerned.

Table 24. Asset age profile

Purpose and Use by Ofgem	This worksheet identifies the age profile of assets on the DNOs network. This data will be used in conjunction with the current year asset additions/disposals data and capex by cost type to inform DPCR5 modelling.
Instructions for Completion	<ul style="list-style-type: none"> • Input the existing asset quantities (by asset type as specified in the table) in the year in which they were added to the network. • The total quantity of assets for each asset type should agree to the closing balance on the asset additions/disposals table.

Table 25. Net Debt and borrowings

Purpose and Use by Ofgem	The purpose of this worksheet is to calculate Regulatory gearing. This worksheet will be used by Ofgem to compare gearing levels to the DPCR4 assumption and inform DPCR5.
Instructions for Completion	<ul style="list-style-type: none"> • Input cash balances, deposits and borrowings – both external and internal. • Balances with affiliates and related undertakings are to be entered split between funding balances and trading balances. • Interest paid and received is also to be input to this sheet.

Appendix 1

Definitions

This appendix provides definitions for key terms included in these Rules and in particular the Tables. Where no definition is given for specific electricity related items then those in the Electricity Act 1989, Standard and Special Licence Conditions and general electricity distribution industry usage should be applied, similarly for standard accounting terms, IAS and/or UK GAAP and Companies Act 1985 accounting terms should be applied.

Words and expressions used in the Rules have the same meaning as in the Standard Distribution Licence unless otherwise stated.

In the circumstance where no definition is given the licensee should include in explanatory notes to its price control information submission the definition it applies to a term or concept. Where a definition herein is not the same as that applied by a licensee then, for the preparation of the Regulatory Reporting Pack ("RRP"), the definitions herein must be used.

132kV	Has the meaning given for "132kV Systems" in the Quality of Service Regulatory Instructions and Guidance SEE ALSO: EHV, HV, LV and LV Services
accounting standards	The term encompasses Financial Reporting Standards ("FRS"), Statements of Standard Accounting Practice ("SSAP") and Urgent Issues Task Force ("UITF") statements, International Financial Reporting Standards and International Accounting Standards (together "IAS")
affiliate	Has the meaning given in Standard Condition 1 of the Electricity Distribution Licence SEE ALSO: Related Party, Related Undertaking
agency staff	Persons, not under a direct contract of employment with the licensee or affiliate but hired through a third party or employment agency. EXCLUDES: • professional Services
atypical event	A specific event or incident that is not expected to recur under normal circumstances due either to its size or nature. INCLUDES: • all storm incidents
atypical costs	The total cost of resources employed in response to an Atypical Event. INCLUDES: • Direct and indirect resources utilised to assist in dealing with the Atypical Event.

	<p>EXCLUDES:</p> <ul style="list-style-type: none"> • Depreciation of capitalised costs relating to 'Atypical Events' • any general apportionment of indirect costs.
atypical incremental cost	<p>The <u>additional</u> costs incurred by the reporting entity as a result of an Atypical Event.</p> <p>INCLUDES:</p> <ul style="list-style-type: none"> • Overtime • External contractors' costs <p>EXCLUDES:</p> <ul style="list-style-type: none"> • Labour redirected from normal planned duties during normal working hours
the "Authority"	<p>Has the meaning given in Standard Condition 1 of the Electricity Distribution Licence</p>
bad debt	<p>The charge/credit to the profit and loss account (income statement under IAS) for bad and doubtful debts.</p> <p>INCLUDES:</p> <ul style="list-style-type: none"> • Debts written off or a provision against non-recovery • Debts recovered after they have been written off <p>EXCLUDES:</p> <ul style="list-style-type: none"> • The cost of debt recovery
business rates	<p>Has the meaning given in Special Condition A1 of the Electricity Distribution Licence except that it excludes Network and Water Rates.</p> <p>EXCLUDES:</p> <ul style="list-style-type: none"> • Network Rates, • Water Rates
capital contributions	<p>Receipt from a customer in respect of a new connection to premises or a distribution system.</p> <p>EXCLUDES:</p> <ul style="list-style-type: none"> • de minimis contributions <p>SEE ALSO: Customer Contributions</p>

capital expenditure ("capex")	<p>Any expenditure, which for the purpose of the Regulatory Accounts, has been included in the Fixed Assets of the Distribution Business provided that the expenditure confirms with at least one of the following:</p> <ul style="list-style-type: none"> • The expenditure relates to the purchase, development or construction of a new asset; • The expenditure will increase the capacity or functionality of the distribution assets; • The expenditure will significantly reduce the ongoing maintenance of the assets, and/or • The expenditure will extend the service life of distribution assets beyond that expected when the assets were originally installed. <p>And the expenditure is determined in accordance with applicable accounting standards.</p> <p>EXCLUDES:</p> <ul style="list-style-type: none"> • Capitalised interest • Revaluation amounts <p>SEE ALSO: Load related new assets and reinforcements, Non-load related replacement and other non-fault, Non-operational new assets and replacement</p>
capex allowance	The assumption for Capital Expenditure requirements included in the Distribution Price Control Review Final Proposals November 2004 to calculate allowed revenue.
capitalisation adjustments	An adjustment to include/exclude items in the RAV on a Price Control basis.
captive insurer	<p>An insurance entity that is a related party.</p> <p>SEE ALSO: Related Party, Affiliate</p>
catch-up depreciation	<p>Straight line (15 year) depreciation of the difference between RAV balances assuming (i) a 20 year life for post vesting RAV additions and (ii) the original post vesting RAV additions life (38 years for Scottish DNOs and 33.3 years otherwise).</p> <p>Catch-up depreciation only arises once the vesting asset has been fully depreciated.</p>
congestion charge	Has the meaning given in <u>The New Roads and Street Works Act (1991)</u>
contractor	A third party that has entered into contractual relations with the DNO or related party thereof to supply goods or services.

	<p>EXCLUDES:</p> <ul style="list-style-type: none"> • Staff employed on a temporary basis or via a recruitment Agency, • Professional services.
contractor costs	<p>The charges invoiced by contractors.</p> <p>EXCLUDES:</p> <ul style="list-style-type: none"> • Materials provided by the contractor where the cost of such materials has been separately identified by the contractor (where materials are identified separately and costed they should be included in Materials).
corporate costs (for the purposes of DPCR3 only)	An adjustment made for the purposes of DPCR3
cost of sales (for the purposes of DPCR4 only)	<p>Costs of providing services other than distribution services.</p> <p>With the exception of Transmission Exit Charges the costs assumed to match income.</p> <p>INCLUDES:</p> <ul style="list-style-type: none"> • Transmission Exit Charges • NTRs • Other Excluded Services • De minimis Services
customer contributions	Has the same meaning as Capital Contributions
de minimis activities	Has the meaning given in Standard Condition 1 of the Electricity Distribution Licence
de minimis contributions	Customer contributions toward de minimis work undertaken by the licensee.
de minimis costs	Expenditure incurred in the provision of de minimis activities.
de minimis turnover / income	Revenue received from the provision of services for activities other the distribution of electricity in accordance with Standard Licence Condition 43 Restriction on Activity and Financial Ring Fencing.

deferred revenue expenditure	all non-load replacement expenditure as defined by the Non-load Agreement, and in the tax context means allowable revenue expenditure which has been accounted for by posting the expense somewhere on the balance sheet (whether to fixed or current assets) rather than writing it off immediately to the profit and loss account as it is incurred. Such expenditure prior to 1 April 2005 was usually written off to the profit and loss account over a period of time, by being charged as an expense or depreciated; and which from 1 April 2005 is treated as capital expenditure and amortised over the assets' useful economic life as determined by the licensee..
direct activity	As defined in Appendix 2
direct labour (for the purposes of DPCR4 only)	That part of the DNO's own workforce and that of a material related party service provider that can clearly identify which system assets and/or operational premises their effort is being expended upon, evidenced by time sheets / time writing that records the amount of time spent. Direct labour Excludes: labour where managerial assessment or some other form of estimation is used to apportion costs to an activity. For the avoidance of doubt and to ensure consistency and comparability across DNOs, the costs associated with direct labour should only be in relation to those field staff that are actually physically performing work on the network. Accordingly direct labour Excludes: the costs associated with depot staff, technical engineers, administration and support staff, network planners and designers etc.
direct contractors (for the purposes of DPCR4 only)	the charges invoiced by contractors (external) for work on specific system assets and/or operational premises and can include elements of labour, materials etc.
direct materials (for the purposes of DPCR4 only)	Materials drawn from supplies for specific system assets or operational premises and is supported by stores issue notes and all materials delivered directly to site.
distributed generation ("DG")	Has the meaning given in Special Condition A1 of the Electricity Distribution Licence
distribution business	[Has the meaning given in Standard Condition 1 of the Electricity Distribution Licence]
distribution business activities	[Has the meaning given in Standard Condition 1 of the Electricity Distribution Licence]
Distribution Network Operator ("DNO")	Has the same meaning as "relevant electricity distributor" given in Standard Condition 52 of the Electricity Distribution Licence.
distribution price control review 3 ("DPCR3")	Distribution Price Control Review for the five years from 1 April 2000 to 31 March 2005 for the electricity distribution businesses

distribution price control review 4 ("DPCR4")	Distribution Price Control Review for the five years from 1 April 2005 to 31 March 2010 for the electricity distribution businesses set out in the Distribution Price Control Review Final Proposals document November 2004.
distribution price control review 5 ("DPCR5")	Distribution Price Control Review applying from 1 April 2010 for the electricity distribution businesses
distribution services	<p>[Has the meaning given in Standard Condition 1 of the Electricity Distribution Licence except that for the purpose of these Rules it excludes distributed generation</p> <p>EXCLUDES:</p> <ul style="list-style-type: none"> • metering, • de minimis or • distributed generation activities]
distribution system	Has the meaning given in Standard Condition 1 of the Electricity Distribution Licence
domestic connections	Has the meaning as defined in Appendix 2
	SEE ALSO Non-domestic connection
DPCR4 allowances	Amounts assumed by Ofgem for all costs in arriving at allowed revenue in DPCR4 in accordance with the DPCR4 Final Proposals published in November 2004
easements	<p>An interest in land owned by another that entitles its holder to a specific limited use, such as putting up electric lines or crossing the property. The term encompasses the Scottish equivalent, servitudes.</p> <p>SEE ALSO: Servitudes</p>
EHV	<p>Has the meaning given for "EHV Systems" in the Quality of Service Regulatory Instructions and Guidance.</p> <p>SEE ALSO: EHV, HV, LV and LV Services</p>
environmental capital expenditure	Capital expenditure where the prime driver of the work is compliance with environmental legislation.
ESQCR	the Electricity Safety, Quality and Continuity Regulations 2002 or any regulations which amend or replace them
ex gratia compensation payment	Discretionary compensation payment to customers not covered by the Guaranteed Standards Compensation Scheme.

excluded services	Has the meaning given in Special Condition 1 of the Electricity Distribution Licence
fault	Has the same meaning as “Unplanned Incident”
fault costs	Has the meaning as defined in Appendix 2
fault repair	Has the same meaning as “Repair”
fault restoration	Has the same meaning as “Restoration”
financial year	a period of 12 months beginning on 1 April of each year and ending on 31 March of the following calendar year SEE ALSO: Statutory Accounting Financial Year
full time equivalent (FTE)	The number of normal hours worked by an employee divided by the normal hours of a full time member of staff in an equivalent role according to their contract of employment.
group recharges	Charges made by one affiliate to another affiliate that are included in the costs charged by that second affiliate to the Distribution Business.
guaranteed standards of performance	Under the provisions of Section 39A of the Electricity Act 1989 (as amended), the Authority makes regulations for guaranteed standards of performance for electricity distributors. These standards set service levels that must be met. If the distributor fails to provide the level of service required it must make a payment to the customer affected, subject to certain exemptions
guaranteed standards compensation payment	Payments to customers required by the Guaranteed Standards Compensation Scheme.
headcount	Average of the monthly number of full time equivalent (FTE) employees under contracts of employment with the company (and affiliates where appropriate) and shall include temporary and agency staff. INCLUDES: • temporary staff, and • agency staff. EXCLUDES: • staff employed by third party contractors SEE ALSO: FTEs
HV	Has the meaning given for “HV Systems” in the Quality of Service Regulatory Instructions and Guidance..

	SEE ALSO: 132kV, EHV, LV and LV Services
indirect activities	As defined in Appendix 2
inflation	Percentage change, year on year, in the arithmetic average of the monthly Retail Price Index ("RPI") for the 12 month period to 31 March. The Retail Price Index ("RPI") compiled by the Office for National Statistics
inflation adjustment	Adjustment applied to the RAV balance for inflation
information technology ("IT")	<p>[The development, installation, and implementation of computer systems and applications</p> <p>INCLUDES:</p> <ul style="list-style-type: none"> • Operational IT systems • Non-operational IT systems • Telecommunications systems (operational and non-operational) • payment of related licences • remote data storage <p>EXCLUDES:</p> <ul style="list-style-type: none"> • purchase of hardware and software]
innovation funding initiative ("IFI")	Has the meaning set out in the Distributed Generation, Innovation Funding Incentive, and Registered Power Zones Regulatory Instructions and Guidance
inspections	<p>The visual checking of the external condition of assets.</p> <p>INCLUDES:</p> <ul style="list-style-type: none"> • Reading gauges <p>EXCLUDES:</p> <ul style="list-style-type: none"> • Use of diagnostic testing equipment
insurance premiums	<p>The periodic payment made on an insurance policy.</p> <p>INCLUDES:</p> <ul style="list-style-type: none"> • Insurance premium tax, • Refund of premiums received as part of an Asset Risk Transfer or similar agreement <p>EXCLUDES:</p> <ul style="list-style-type: none"> • Arranging the contracts of insurance
insurance proceeds received	The financial reimbursement received under a contract of insurance as a result of an insured event.

labour

Costs including any form of payment, consideration or other benefit (including pension benefit), paid or due to or in respect of employees, including the costs of temporary or Agency staff.

- INCLUDES:
- gross salaries and wages of all employees, including payments resulting from bonus and profit-related payment schemes,
 - employers National Insurance Contributions,
 - Salary sacrifice payments,
 - superannuation,
 - unfunded normal pension liabilities,
 - sick pay,
 - sickness benefits,
 - private health insurance,
 - retirement awards,
 - death in service benefits,
 - paid leave,
 - company cars or payments in lieu thereof,
 - subsistence,
 - travel,
 - entertaining expenses.
 - recruitment costs
 - medical insurance costs and
 - childcare assistance

- EXCLUDES:
- Professional services,
 - Contractors,
 - Pension deficit charges

lane rentals

Has the meaning given in The New Roads and Street Works Act (1991)

leases	<p>A written agreement under which an asset owner passes ownership of that asset for a specified period of time for a consideration.</p> <p>INCLUDES:</p> <ul style="list-style-type: none">• finance leases (open-ended lease),• operating leases,• capital leases
licence fee	<p>Has the same meaning as Ofgem Licence Fee.</p>
licensed distributor	<p>As defined in Standard Condition 1 of the Electricity Distribution License.</p>
licensee	<p>Has the same meaning as Licensed Distributor</p>
load related new assets and reinforcements	<p>Has the meaning as defined in Appendix 2</p>
LV	<p>Has the meaning given for “LV Systems” in the Quality of Service Regulatory Instructions and Guidance.</p> <p>SEE ALSO: 132kV, EHV, HV and LV Services</p>
LV services	<p>Has the meaning given in the Quality of Service Regulatory Instructions and Guidance.</p> <p>SEE ALSO: 132kV, EHV, HV and LV</p>
maintenance	<p>The invasive (‘hands on’) examination of plant and equipment.</p> <p>INCLUDES:</p> <ul style="list-style-type: none">• The functional testing of plant & equipment;• The use of diagnostic testing equipment to assess the condition of plant and equipment; and• Minor repairs carried out at the same time as the maintenance visit.• Remedial work
materials	<p>The physical components that go into the makeup of a tangible asset or used for maintenance or other duties within the business</p>

- INCLUDES:
- tangible items that become part of the network assets,
 - small tools, equipment and consumables utilised to allow work on the network and to undertake other activities,
 - vehicles,
 - materials provided by a contractor where the costs have been separately identified

- EXCLUDES:
- Company cars
 - Procurement management

meter recertification expenditure capitalisation adjustment	Adjustment only for the 12 months to 31 March 2005 to transfer any meter recertification costs included in operating costs into the RAV.
metering price control	Metering price control as prescribed in the Distribution Price Control Review for 2005-2010 for the electricity distribution businesses set out in the Distribution Price Control Review Final Proposals document November 2004
net debt	Borrowings less surplus cash and short term investments including all funds borrowed from or lent to external or related parties.
net non-fault operational capex (for the purposes of DPCR4 only)	Has the meaning given in the Electricity Distribution Price Control Review Final Proposals in November 2004
network	An electrical system supplied by one or more sources of voltage and comprising all the conductors and other equipment used to conduct electricity for the purposes of conveying energy from the source or sources of voltage to one or more consumer's installations, street electrical fixtures or other networks.
network rates	Rates levied on distribution network assets in accordance with the Electricity Supply Industry (Rateable Values)(England) Order [2005].
	EXCLUDES: <ul style="list-style-type: none"> • Business Rates • Water Rates
new connections	The costs incurred to connect new demand and generation customers to the distribution system.

SEE ALSO domestic connections, non-domestic connection

non-domestic connection	Has the meaning as defined in Appendix 2
non-domestic rates	Has the same meaning as Business Rates
non-load related replacementk and other non-fault	Has the meaning as defined in Appendix 2
non-operational new assets & replacement	Has the meaning as defined in Appendix 2
	<p>INCLUDES:</p> <ul style="list-style-type: none"> • vehicles; • land and buildings used for administrative purposes; • tools and equipment; • mobile plant; • IT.
[non trading rechargeables (NTRs) (for the purposes of DPCR4 only)	Charges for moving mains, services or meters forming part of a distribution system to accommodate extension, redesign or redevelopment of any premises on which the same are located or to which they are connected; including work at the request of third parties or pursuant to statutory obligations (e.g. for relocating cables and lines for road works; or for relocating electrical plant and attributable third party damage.)]
[non trading rechargeables (NTRs)	As defined by ES5 and ES6 of Special Condition A2 of the Electricity Distribution Licence.]
normal pension charges	Employer contributions or accruals to a pension scheme that are not pension deficit payments or charges.
normal pension payments	Employer contributions to a pension scheme that are not pension deficit payments.
	<p>INCLUDES:</p> <ul style="list-style-type: none"> • Payments to defined benefit schemes • Payments to defined contribution schemes • Funding Unapproved Retirement Benefit Schemes <p>EXCLUDES:</p> <ul style="list-style-type: none"> • Salary Sacrifice payments
Ofgem	The Office of Gas and Electricity Markets.
Ofgem licence fee	Represents the licence fee incurred.
operating expenditure ("opex")	Relating to the day to day operations of the distribution business and which are not capital expenditure.

opex allowance	The assumption for Operating Expenditure requirements included in the Distribution Price Control Review Final Proposals document to calculate allowed revenue.
opex plus fault costs (for the purposes of DPCR4 only)	Has the meaning given in the Electricity Distribution Price Control Review Final Proposals in November 2004
other cost recoveries	In relation to Atypical Costs only. Remuneration to the Licensee, other than 'Insurance Proceeds Received' resulting from an 'Atypical Event'.
overhead line	Any electric line which is placed above ground and in the open air. This includes service lines, LV lines, HV lines and EHV lines.
overstay penalty	Penalties payable to Local Authorities as a result of overrunning of works.
pension allowance	The assumption for pensions charges (normal and deficit) requirements included in the Distribution Price Control Review Final Proposals document to calculate allowed revenue.
(actual) pension contributions	The actual cash contributions attributable to the distribution business and paid into the relevant pension scheme. Where relevant, this will include statutory contributions to the Pension Protection Fund. SEE ALSO: Normal Pension Charges, Normal Pension Payments
pension deficit	A shortfall in a pensions scheme assets compared to liabilities as determined by actuaries.
pension deficit charges	The costs paid or accrued, directly or indirectly, by the licensee to reduce the Pension Deficit. EXCLUDES: Normal Pension Charges, Normal Pension Payments
pension deficit payments	The payments made, directly or indirectly, by the licensee to reduce the Pension Deficit.
PKF repairs and maintenance adjustment (for the purposes of DPCR3 only)	An adjustment made in respect of repairs and maintenance when setting DPCR3 allowances.
post vesting asset	An asset included in the RAV acquired by a licensee after vesting date, i.e. 1 April 1992.
price control 3	See Distribution Price Control Review 3 ("DPCR3")

price control 4	See Distribution Price Control Review 4 (“DPCR4”)
price control 5	See Distribution Price Control Review 5 (“DPCR5”)
professional services	<p>Consultancy employed by the Licensee or related party</p> <p>INCLUDES:</p> <ul style="list-style-type: none"> • Non-engineering services provided on a consultancy basis • Typically items such as Legal Services, Audit Fees <p>EXCLUDES:</p> <ul style="list-style-type: none"> • Direct employee costs or Agency Fees. • Contracted services of individuals provided through a personnel company, and • Engineers whether employed on a consultancy basis or not.
protection (protection apparatus)	A group of one or more Protection relays and/or logic elements designated to perform a specified Protection function.
quality of service	Measures of performance used to monitor the quality of service provided to customers. The measures include customer interruptions, customer minutes lost, short interruptions to supply, speed and quality of telephone response and guaranteed and overall standards.
R&D	Research and Development.
R&D subject to IFI	means the amount of expenditure spent or accrued by the licensee in respect of eligible IFI projects;
rates	Has the same meaning as Business Rates
RAV additions	expenditure added to the RAV in the year
regulatory accounts	Has the meaning given in Standard Condition 42 of the Electricity Distribution Licence (Regulatory Accounts)
regulatory asset value(“RAV”)	the value of assets installed (net of regulatory depreciation) that form the regulatory asset base.
regulatory depreciation expense	Depreciation of assets in the RAV
reinforcement expenditure	The costs incurred to accommodate load growth
related party	Is an affiliate, a joint venture of the Licensee or affiliate or an associate of the Licensee or affiliate.

related party margin	The profit or loss recorded on a transaction with an affiliate being the excess or deficit on actual direct cost and indirect costs fairly attributable to the transaction or the charge and the cost of providing that transaction.
related party transaction	A transaction that occurs where one party provides goods, works, supplies or services to an Affiliate.
related undertaking	Has the meaning given in Standard Condition 1 of the Electricity Distribution Licence
remedial work	work undertaken in order to remedy defects identified by either inspection or maintenance. Remedial works excludes minor repairs carried out at the same time as the maintenance visit
rent	<p>Payment, usually of an amount fixed by contract, made at specified intervals in return for the right to occupy or use the property of another.</p> <p>EXCLUDES:</p> <ul style="list-style-type: none"> • Wayleaves • Easements/Servitudes
repair	<p>In relation to unplanned incidents (faults):</p> <p>The work required to locate faulty components, undertake repairs and restore supplies to any remaining customers affected after “Restoration” activity has been completed; and restore the network to pre-incident performance</p> <p>INCLUDES:</p> <ul style="list-style-type: none"> • The return of the network to normal pre-incident performance whatever the time delay between the unplanned incident leading to a loss of performance of the network and the repair being completed. <p>EXCLUDES:</p> <ul style="list-style-type: none"> • Activities undertaken as part of “Restoration”.
restoration	<p>Network switching undertaken to restore as many customers’ supplies as possible prior to any work carried out on the faulty asset or faulty section of the network.</p> <p>In some cases Restoration will not result in the restoration of supplies to all affected customers.</p>

- INCLUDES:
- Labour time taken to travel to site
 - Operation of EHV and HV switchgear,
 - Changing of fuses
 - Fitting of circuit main earths (CMEs)
 - Breaking and making jumpers on LV overhead line
 - Creating temporary split points on HV overhead line
 - Undertaking LV linking
 - Connection of mobile generation.

EXCLUDES: • Undertaking any further work not defined above.

revenue protection	In relation to metering activities for the protection of the loss of revenue from illegal abstraction or theft
safety	in respect of capital expenditure related to the provision of equipment to comply with safety requirements
SCADA	Supervisory Control and Data Acquisition
service line or cables	An electric line or underground cable which connects either a street electrical fixture, or no more than four consumer's installations in adjacent buildings, to a distribution main.
servitudes	Term used in Scotland for a permanent right of access (In England and Wales this is termed an easement).
	SEE ALSO: Easements
shetland costs	[Efficiently incurred out-of-market balancing costs of generation in the Shetland Isles.
	INCLUDES: <ul style="list-style-type: none"> • Direct costs, and • an appropriate proportion of indirect costs.]
statutory accounts	Has the meaning given in Standard Condition 1 of the Electricity Distribution Licence
statutory depreciation	The charge in the statutory and/or regulatory accounts computed by applying the licensees own accounting policies for depreciation.
Storm Incident	Has the meaning given in Annexe B of Special Condition C2

submarine cable	Any conductor surrounded by insulation which is placed below the surface of the water and laid on or under the sea-bed or the bed of a river or estuary. This includes LV cables, HV cables and EHV cables. INCLUDES: • LV, HV and EHV Cables.
substation	Any premises or part thereof, including pole mounted equipment, which contain equipment for transforming electricity to or from high voltage (other than transforming solely for the operation of switching devices or instruments) or for switching, controlling or regulating energy at high voltage, including equipment mounted on a support to any overhead line.
switchgear	Equipment installed on a transmission system or distribution system to connect components of that system and which can be arranged to disconnect parts of the system automatically if overload or a fault occurs.
system assets	All operational assets on the licensee's distribution system at 132kV, EHV, HV and LV voltages, excluding operational premises and all non operational assets.
tele-control/SCADA	Computer, telecommunication and telemetry equipment use to collect data from remote locations and to operate remote equipment from a central location for the operation of the distribution system.
tower painting expenditure	Operating expenditure to protect and maintain the life of the distribution network towers and poles via the use of paint.
transformer	Plant used to alter the level of voltage and current.
transmission exit charges	Charges in respect of transmission connection points and remote transmission assets.
UK GAAP	United Kingdom Generally Accepted Accounting Practice.
ultimate controller	Has the meaning given in Standard Condition 1 of the Electricity Distribution Licence
underground cable	Any conductor surrounded by insulation which is placed below ground. This includes service cables, LV cables, HV cables and EHV cables.
uninsured claim	Expenditure incurred as a result of an atypical event that is not recoverable under a contract of insurance
unplanned incidents	Has the meaning given in the Quality of Service Regulatory Instructions and Guidance
vesting assets	Assets included in the RAV at the vesting date

vesting asset lives	The number of years over which vesting assets are depreciated in rolling forward the RAV
Visual Amenity	Capital expenditure to improve the aesthetic conditions of the environment
water rates	Rates payable on water supplies and sewerage in accordance with the Water Services Act.
wayleave	Access to property granted by a landowner for up to one year for a consideration.
wheeled units	Units of electricity not consumed in the licensee's authorised area.

Any words or expressions used in the Utilities Act 2000 or Part I of the Act or the Energy Act 2004 shall, unless the contrary intention appears, have the same meanings when used in the Rules and RRP.

Except where the context otherwise requires, any reference to a numbered standard condition (with or without a letter) or Schedule is a reference to the standard condition (with or without a letter) or Schedule bearing that number in this licence, and any reference to a numbered paragraph (with or without a letter) is a reference to the paragraph bearing that number in the standard condition or Schedule in which the reference occurs, and reference to a Section is a reference to that Section in the standard conditions.

Appendix 2

Detailed Total Cost Matrix Definitions

This appendix provides the definitions for the activity column headings provided on Table 7 Detailed Total Cost Matrix and supporting tables in the Regulatory Reporting Pack (RRP).

The activity headings have been classified as Direct Activities and Indirect Activities.

Direct Activities for the Distribution Activities are defined as those activities which involve physical contact with system assets and include:

- Load Related New Assets & Reinforcement
- Non-load Related Replacement and other Non-fault
- Non-load Related Fault Related Replacement
- Non-operational New Assets & Replacement
- Faults Non-Replacement
- Inspections & Maintenance
- Tree Cutting.

The cost of performing direct activities should only include the following elements:

- The **Labour** cost of field staff and other employees whose work involves physical contact with system assets. This can include the element of labour costs associated with depot staff, technical engineers, administration and support staff, network planners and designers etc where a portion of their time involves physical contact with system assets, however only that portion spent on direct activities may be included.
- The cost of **Contractors** being the total charges invoiced by external contractors for the prime purpose of performing work on direct activities.
- The cost of **Materials** drawn from stores or purchased and delivered directly to site for use in performing direct activities. In addition, this includes the cost of small tools and consumables.
- Wayleave, servitude and easement payments to enable the direct activity to be performed. This does not include the cost of wayleave management or administration.
- Lane rentals, congestion charges and overstay fines incurred whilst performing direct activities.
- Related Party Margins charged by a related party for work performed on direct activities.

Indirect Activities are defined as those activities which do not involve physical contact with system assets and include:

- Network Policy, Design & Engineering
- Engineering Management & Clerical Support
- Wayleaves Administration
- Control Centre
- System Mapping (Cartographical)
- Customer Call Centre
- Procurement
- Stores
- Vehicles & Transport
- IT & Telecoms
- Property Management
- HR Training & Health & Safety
- Finance & Regulation
- Company Secretary / Legal
- Board Members
- R&D
- Community Awareness.

The cost of performing indirect activities should include all labour, materials, contractors and any other costs that have not been incurred on performing direct activities.

This Appendix should be read in conjunction with the Purpose and Instructions for Completion document and Appendix 1 definitions.

Direct Activities

Load Related New Assets & Reinforcement	DEFINITION:	New system assets installed on the network as a result of a new customer connection; reinforcement as a result of a new connection; and general reinforcement as a result in changes in demand on the system.
	INCLUDES:	<p>Connection assets</p> <ul style="list-style-type: none"> Assets used only by specific connections and which are split between domestic and non-domestic connections. <p>Domestic connections</p> <ul style="list-style-type: none"> Domestic Connections relate to the provision of low voltage connections to domestic premises. "Domestic premises" are defined as premises used as private dwellings and where the MPAN would be allocated to either profile class 1 or 2. Domestic premises would include, for example, new houses, existing premises that are converted into flats and existing buildings being converted into houses. <p>Non-domestic connections</p> <ul style="list-style-type: none"> Non Domestic Connections relate to the provision of connections to all premises and locations other than domestic premises. Non domestic connections would include, for example, industrial premises, commercial premises and un-metered locations such as street-lighting control pillars. <p>Customer specific reinforcement</p> <ul style="list-style-type: none"> Assets installed as a result of customer specific reinforcement under the 25% or proportionality rules. <p>General reinforcement</p> <ul style="list-style-type: none"> Assets installed as the balance of the 25% rule or proportionality rules. Assets installed for general reinforcement as a result of demand changes. <p>Easement costs relating to new assets</p> <ul style="list-style-type: none"> Cost of easements / servitudes relating to new assets.

	EXCLUDES:	<ul style="list-style-type: none"> Any easement / servitude payments arising from the conversion of wayleave arrangements (included in Non-load Related Replacement & other non fault). All wayleave payments. All wayleave, easement and servitude management or administration costs.
Non-load Related Replacement & other Non Fault	DEFINITION:	Planned replacement of assets for reasons other than their failure to operate as expected or for load related reasons.
	INCLUDES:	<ul style="list-style-type: none"> Cost of planned asset replacement on the grounds of condition, quality of service, safety, environment or amenity. In particular includes replacement of assets which have faulted in the past (on one or more occasions), been repaired and returned to operation and are subsequently replaced as a planned activity due to an assessment of their condition (not in response to a particular incident having occurred). Easement / servitude payments made arising from the conversion of wayleave arrangements.
	EXCLUDES:	<ul style="list-style-type: none"> All costs where assets are not replaced. Cost of unplanned asset replacement in reaction to an incident having occurred and necessary for the system to operate in its pre-incident condition (include in Fault Related Replacement). All wayleave payments.
Fault Replacement	DEFINITION:	Replacement of system assets which have unexpectedly failed to operate as expected.
	INCLUDES:	<ul style="list-style-type: none"> Expenditure incurred in relation to an Unplanned Incident, as defined for IIP Reporting, where such costs are the result of physically replacing assets to return them to their pre-incident performance. Fault costs cease when supplies have been restored and the DNO foresees no further work to be required to achieve pre-incident performance.
	EXCLUDES:	<ul style="list-style-type: none"> All costs where assets are not replaced. Cost of planned asset replacement; and, in particular, excludes replacement of assets which have faulted in the past (on one or more occasions), been repaired and returned to operation and are subsequently replaced as a planned activity due to an assessment of their condition (not in response to a particular unplanned incident having occurred) – (include in Replacement & other Non Fault).

Non-operational New Assets & Replacement	DEFINITION:	Has the definition ascribed to it in Appendix 1.
Faults Non-replacement	DEFINITION:	Expenditure incurred in relation to an ‘Unplanned Incident’ as defined for IIP Reporting where such costs are the result of physically repairing assets to return them to their pre-incident performance. Fault costs cease when supplies have been restored and the DNO foresees no further work to be required to achieve pre-incident performance.
	INCLUDES:	
	EXCLUDES:	<ul style="list-style-type: none"> • Any of the costs associated with the Indirect Activities as defined in this document. • Costs relating to the Control Room activity in response to faults (include in Control Room). • The planned replacement of assets because of a poor fault history not replaced at the time of a fault incident (include in Replacement & Other Non Fault). • Any subsequent maintenance work identified and planned at the time of rectifying the fault (include in Inspection and Maintenance).
Inspections and Maintenance (exc. Tree Cutting)	DEFINITION:	<p>Inspection has the definition ascribed to it in Appendix 1.</p> <p>Maintenance has the definition ascribed to it in Appendix 1.</p>
	INCLUDES:	<ul style="list-style-type: none"> • Helicopter and foot patrols. • Oil Pumping. • Environmental Clear-ups. • Painting of towers, substations, plant. • Substation building maintenance including weed clearance, fencing, outdoor and indoor maintenance.

	EXCLUDES:	<ul style="list-style-type: none"> • Any of the costs associated with the Indirect Activities as defined in this document. • Any costs resulting from physically repairing an asset and restoring supply following a fault (include under Faults). • Supervisory input to plan workloads and manage staff (include under Engineering Mgt & Clerical Support). • Data review except the initial recording on site (include under Engineering Mgt & Clerical Support). • Inspection and maintenance of non-system assets (include under Property Mgt). • Tree cutting and tree clearance (include under Tree Cutting).
Tree cutting	DEFINITION:	The activity of physically felling or trimming trees.
	INCLUDES:	<ul style="list-style-type: none"> • The felling or trimming of vegetation as part of a Capital Scheme. • The felling or trimming of vegetation to meet ESQCR requirements. •
	EXCLUDES:	<ul style="list-style-type: none"> • Any of the costs associated with the Indirect Activities as defined in this document. • Inspections costs relating to wires that are subject to vegetation (include under Inspections & Maintenance). • Costs of assessing and reviewing the tree cutting activity (include under Network Policy, Design & Engineering). • Data collection and manipulation relating to vegetation (include under Network Policy, Design & Engineering). • The cost of managing and procuring the tree cutting contract (include under Procurement).

Indirect Activities

Network Policy Design & Engineering	DEFINITION:	All processes and tasks involved in the planning, design and management of the network and system assets, including the costs of activities to identify and determine technical policies.
	INCLUDES:	<ul style="list-style-type: none"> • Network and engineering design for all system assets. • Strategic planning of the network to accommodate customers and load. • Inspections, maintenance and vegetation management policy setting for all system assets. • Data manipulation and review relating to the System assets of the licensed business. • Simulation analysis. • Analysis and interpretation of asset condition data. • Network performance management.
	EXCLUDES:	<ul style="list-style-type: none"> • Any of the costs associated with working in the field on system assets (these are included the Direct Activities). • Any of the office based engineering or clerical support staff managing or assisting the employees working in the field on system assets (these are included under Engineering Mgt & Clerical Support). • Any of the IT systems associated with Network Policy, Design & Engineering (include under IT). • Any of the Property costs associated with Network Policy, Design & Engineering (include under Property).
Engineering Management & Clerical Support	DEFINITION:	The office based engineering and clerical support staff managing or assisting the employees working in the field on system assets.
	INCLUDES:	<ul style="list-style-type: none"> • The labour costs of depot clerical staff, managers, work planners, etc. • Maintaining and Populating the Asset Register.
	EXCLUDES:	<ul style="list-style-type: none"> • Any employees engaged in Network Policy, Design & Engineering (include under Network Policy, Design & Engineering and the Control Room). • Any of the IT systems associated with Engineering Management & Clerical Support (include under IT). • Any of the Property costs associated with Engineering Management & Clerical Support (include under Property). • Any of the costs associated with the Control Centre.

Wayleaves Administration	DEFINITION:	The management and administration of wayleaves, easements and servitudes.
	INCLUDES:	<ul style="list-style-type: none"> • Negotiating new wayleaves or managing wayleave terminations. • Administration of existing wayleaves including the preparation of payments. • Negotiating conversion from wayleave arrangements to permanent easement/servitude. • The actual cost of the wayleave payment.
	EXCLUDES:	<ul style="list-style-type: none"> • The actual cost of the easement/servitude payments (include under either load related new assets or Non load replacement and other non fault).
Control Centre	DEFINITION:	Operational management and control of the network.
	INCLUDES:	<ul style="list-style-type: none"> • Outage Planning. • Executing planned outages. • Executing outages and powerups in respect of faults. • Incident Management and Dispatch.
	EXCLUDES:	<ul style="list-style-type: none"> • Any employees engaged in Network Policy, Design & Engineering (include under Network Policy, Design & Engineering). • Any of the IT systems associated with the Control Centre (include under IT). • Any of the Property costs associated with the Control Centre (include under Property).
System Mapping (Cartographical)	DEFINITION:	The mapping of the network and non operational premises of the network to geographical locations.
	INCLUDES:	
	EXCLUDES:	<ul style="list-style-type: none"> • Any employees employed in the Control Centre (include under Control Centre). • Any of the IT systems associated with the System Mapping Activity (include under IT).

Customer Call Centre	DEFINITION:	<ul style="list-style-type: none"> Responding and managing the main telephone lines for the business. Where reports or queries require further investigation by another division of the business these costs are not included except to the extent where a member of the Call Centre team responds after obtaining additional information.
	INCLUDES:	<ul style="list-style-type: none"> Answering power loss calls. Facilitating the reporting of distribution network faults and safety hazards and complaints about the quality and reliability of supply. Responding to queries, for example from retailers, customers, builders and contractors, on new connections, disconnections and reconnections. Responding to queries, for example from customers, builders and contractors, on improving power factor or load factor. Responding to queries on metering. Compensation claims administration. Primary recording of reports or queries and where appropriate reporting the information to the appropriate business operation.
	EXCLUDES:	<ul style="list-style-type: none"> Any employees employed in the Control Centre (include under Control Centre). Any of the IT systems associated with the Customer Call Centre (include under IT). Any of the Property costs associated with the Customer Call Centre (include under Property).
Procurement	DEFINITION:	Managing and operating the procurement function.
	INCLUDES:	<ul style="list-style-type: none"> Technical standards and specifications team.
	EXCLUDES:	<ul style="list-style-type: none"> Costs of managing and operating stores and depots (include under Stores). Any of the IT systems associated with Procurement (include under IT). Any property management and maintenance costs of depots / stores locations (included under Property Mgt).

Stores	DEFINITION:	Managing and operating stores and depots.
	INCLUDES:	<ul style="list-style-type: none"> • Delivery costs of materials or stock to stores.
	EXCLUDES:	<ul style="list-style-type: none"> • Costs of procurement (include under Procurement). • Any of the IT systems associated with Stores (include under IT). • Any property management and maintenance costs of depots / stores locations (included under Property Mgt).
Vehicles & Transport	DEFINITION:	The function of managing, operating and maintaining the commercial vehicle fleet and mobile plant utilised by the DNO or any other related party for the purposes of providing services to the DNO.
	INCLUDES:	<ul style="list-style-type: none"> • Lease costs associated with the vehicle fleet and mobile plant. • Maintenance costs of the vehicle fleet and mobile plant. • Fuel costs of the vehicle fleet and mobile plant.
	EXCLUDES:	<ul style="list-style-type: none"> • Direct field staff time spent on utilising the vehicles for a direct cost activity (include under Direct Activities). • Any of the IT systems associated with managing vehicles & transport (include under IT). • Any property management and maintenance costs of vehicle locations (included under Property Mgt). • Any purchase of vehicles, mobile plant and equipment (include as Non-operational Capex). • Cost of providing company cars to employees which are benefits in-kind (include as labour cost under the relevant activity of that employee).
Information Technology (inc. Telecoms)	DEFINITION:	Development, maintenance and support of the Operational and Non-operational Information Technology systems (including telecoms).
	INCLUDES:	<ul style="list-style-type: none"> • The costs incurred on developing, maintaining and supporting the business IT systems regardless of the use or location of the IT system. • All IT hardware and software. • Costs of mobile telephone handsets and other telephone network assets. • Costs of telephone calls.
	EXCLUDES:	<ul style="list-style-type: none"> • Any of the Property costs associated with Information Technology & Telecoms (include under Property Mgt).

Property management	DEFINITION:	The activity of managing and maintaining non operational premises.
	INCLUDES:	<ul style="list-style-type: none"> • Rent paid on non operational premises. • Rates and taxes payable on non operational premises. • Utilities including electricity, gas and water (supply and sewerage). • Inspection and maintenance costs of non operational premises. • Facilities management costs including security and reception.
	EXCLUDES:	<ul style="list-style-type: none"> • Network rates (excluded from all activity headings). • Inspection and maintenance of operational buildings (included under Inspections & Maintenance (exc. Tree Cutting)). • Any of the IT systems associated with Property Management (include under IT).
Human Resources, Training & Health & Safety	DEFINITION:	The activity of personnel management and training and the activity to promote and maintain Health and Safety for employees, contractors, customers and the public.
	INCLUDES:	<ul style="list-style-type: none"> • Provision of Corporate HR function. • Industrial and employee relations including developing HR strategy, policies and procedures. • Training, courses and training centre costs. • Recruitment. • Monitoring equal employment opportunity. • Staff performance development and reviews. • Payroll and pensions' management and operation. • Investigation of accidents, including completion of official service documentation and accident statistics. • Inspections to the standard in the Health and Safety at Work Act 1974. • Establishing procedures to comply with best practice for health and safety. • Maintenance of records to show compliance with Factory and Health and Safety at Work Acts. • Providing advice on security matters both for property and personnel and provision of advice on fire prevention.

	EXCLUDES:	<ul style="list-style-type: none"> Any of the IT systems associated with HR, payroll and Health & Safety (include under IT). Any time of employees attending training (include as labour cost under the relevant activity of that employee). The property management costs of operating a training centre (include under Property Management). Any purchase of equipment (include under non-operational capex).
Finance and Regulation	DEFINITION:	Performing the Statutory, Regulatory and Internal management cost and performance reporting requirements for the DNO.
	INCLUDES:	<ul style="list-style-type: none"> Payments and receipts. Credit and debit control. Banking and treasury. Financial and management accounting. Statutory and regulatory reporting. Tax compliance and management. Audit (both internal and external). Insurance premiums and insurance management. Transmission exit charges administration. Reporting of quality of service performance. Regulation management and compliance.
	EXCLUDES:	<ul style="list-style-type: none"> Any of the IT systems associated with Finance and Regulation (include under IT).
Company secretary / Legal	DEFINITION:	The company secretary and legal department within the DNO itself or charged through to the DNO via a related party.
	INCLUDES:	<ul style="list-style-type: none"> Legal services provided by external organisations.
	EXCLUDES:	<ul style="list-style-type: none"> Any of the IT systems associated with Legal or Company Secretary (include under IT). Any of the costs associated with other Indirect Cost Activities as defined in this document.
Board Members	DEFINITION:	Board members costs within the DNO itself or charged through to the DNO via a parent or other related party.

	INCLUDES:	<ul style="list-style-type: none"> • The costs of hosting and attending board meetings. • Where a board member provides a service to the DNO under any of the other activities (e.g. Finance Director of DNO is also board member), the labour costs for that board member attending board meetings should be allocated here and the remainder of their labour should be allocated to their usual activity.
	EXCLUDES:	<ul style="list-style-type: none"> • Any of the IT systems associated with Board Members (include under IT).
Research & Development	DEFINITION:	Defined in accordance with the IFI incentives.
	INCLUDES:	<ul style="list-style-type: none"> • Payments to external or related parties for specific research projects.
	EXCLUDES:	<ul style="list-style-type: none"> • Any of the IT systems associated with R&D (include under IT).
Community Awareness	DEFINITION:	The function of promoting community awareness in respect of the licensed entity.
	INCLUDES:	<ul style="list-style-type: none"> • General promotional activities and sponsorship costs. • Any brand advertising, including provision of telephone contact numbers. • Corporate image making, including sponsorships. • External entertaining.
	EXCLUDES:	<ul style="list-style-type: none"> • Any of the IT systems associated with Advertising and Marketing (include under IT).