

<b>DRAFT Gas Transmission Price Control Review</b>
Price Control Review Reporting Rules: Instructions and Guidance
February 2006

<b>1. Introduction</b>	<b>3</b>
<b>2. Reporting Arrangements</b>	<b>5</b>
Introduction	5
Reporting year	5
Submission	5
Review	6
Modifications of Rules	6
<b>3. Accuracy for Reporting</b>	<b>7</b>
<b>4. Structure of Reporting Rules</b>	<b>8</b>
Instructions and Definitions	8
PCRRP	8
Narrative Commentary	8
<b>Appendix 1 – PCRRP Instructions and List of Tables</b>	<b>9</b>
<b>Appendix 2 – Definitions</b>	<b>26</b>
<b>Appendix 3 – Price Control Review Reporting Pack (PCRRP)</b>	<b>33</b>
<b>Appendix 4 – Narrative Commentary</b>	<b>34</b>
<b>Appendix 5 - Information needed to Support the Processing of Financial Information</b>	<b>35</b>

## 1. Introduction

- 1.1. The Price Control Review Reporting Rules ("the rules") have been produced in accordance with standard special condition A40 of the gas transporters NTS licence.
- 1.2. These rules are supported by the Price Control Review Reporting Pack (PCRRP) – Transmission PCRRP tables NGG NTS.xls. For the purposes of complying with A40 part [ ] the PCRRP should be viewed in conjunction with this document.
- 1.3. The purpose of these rules is to improve the quality of our knowledge on cost and output reporting and will help us to monitor performance and set future price controls and incentives. We expect the licensees to provide accurate, complete and timely information..
- 1.4. The objectives of the rules are to:
  - improve robustness and consistency of cost data submitted by transmission companies;
  - reduce the burden on transmission companies to provide financial and other information at the time of a price control review; and
  - ensure consistent interpretation of definitions and reporting requirements.
- 1.5. The rules include definitions and related instructions and guidance for preparing the annual information submissions. The purpose is to assist licensees in understanding the best means of representing their price control data in order to meet their regulatory requirements. For the avoidance of doubt, these rules are subordinate to the licence conditions. Consequently, and in the event of any dispute, the licence conditions will always take precedence. Obligations under these rules do not affect the requirement for the licensee to comply with any other obligation whether under the licence, statute or otherwise.
- 1.6. Any future changes to the rules will comply with the change process set out in paragraph [XX of the gas transporters licence].
- 1.7. The annual reporting of information should lead to improved transparency by providing a comparison of actual outturn data against allowances.
- 1.8. The output from these rules will be the transmission companies completed Price Control Review Reporting Pack (PCRRP) and a narrative commentary. The Gas and Electricity Authority ("the Authority") will use this information to:
  - verify the regulatory reporting to audited accounts (Statutory, Regulatory, Pension scheme and actuarial valuations & submitted tax computations)
  - facilitate effective monitoring of expenditure compared to allowances;
  - inform future price control reviews; and

## DRAFT VERSION 8.0

- inform interested parties by publishing relevant information (having regard to section 105 of the Utilities Act 2000)

## **2. Reporting Arrangements**

### ***Introduction***

- 2.1. It is important that robust arrangements are put in place for the reporting of information required under the licence conditions. This section sets out the reporting arrangements to apply for each financial year.
- 2.2. In accordance with standard condition A40 paragraph XX, these rules specify:
- (a) the meaning to be applied to words and phrases (other than those defined in any condition in the licences) used in connection with such information;
  - (b) the methodology for calculating or deriving numbers comprising any part of such information;
  - (c) requirements as to the form and manner in which such information must be recorded;
  - (d) requirements as to the standards of accuracy and reliability with which information must be recorded;
  - (e) requirements as to the form and the content of such information;
  - (f) requirements as to the manner in which such information must be provided to the Authority; and
  - (g) requirements as to those parts of such information which may fall to be considered by a reviewer and the nature of that consideration,
- and (having particular regard to section 105 of the Utilities Act 2000) also specify which (if any) of the information provided under the licence conditions is to be subject to publication by the Authority.

### ***Reporting year***

- 2.3. The financial year for the provision of information required under the standard condition A40 will be a period of 12 months commencing on 1 April and ending on 31 March of the following calendar year. Any changes to the rules will be consulted on in accordance with the provisions of the relevant licence condition.

### ***Submission***

- 2.4. Transmission licensees must provide the information required under the appropriate licence as soon as reasonably practicable, and in any event, not later than 31 July, following the end of the financial year to which such information relates. The Authority may issue directions stating the data by which each transmission licensee must deliver specified components of the price control review information to the Authority.
- 2.5. The submission should be accompanied by a letter signed by the Finance Director on behalf of the licensee confirming that the pack has been completed in accordance with these rules.
- 2.6. Any resubmissions of the pack are only to be made by agreement between Ofgem and the licensee and in any such instance the pack must be

resubmitted in full. The resubmission should only be accompanied by a letter signed by the Finance Director where significant changes have been made and Ofgem or the licensee decide such a letter is required.

- 2.7. We will ensure that there is a clear process for handling and recording changes to the information following the initial submission from the transmission licensees.

### ***Review***

- 2.8. Once the transmission companies have submitted the information to the Authority, Ofgem or a person nominated by the Authority ("a reviewer") will undertake a detailed review of the information. Such a review may include a review visit to the transmission company for discussion of the information submitted. Such visits will be agreed in advance with the licensee.
- 2.9. Where a reviewer has been nominated, then in accordance with relevant licence condition the reviewer will enter into an agreement with the licensee to maintain confidentiality on reasonable terms.

### ***Modifications of Rules***

- 2.10. Where a modification of the rules results in a requirement to provide:

- a new category of price control review information; or
- an existing category of price control review information to a greater level of detail,

and in either case such information has not previously been collected by the licensee (under the provisions of these rules or otherwise), the licensee shall provide estimates in respect of that category, for the year in which the modification is made and for the preceding year only derived from such other information available to the licensee as may be appropriate for that purpose. Consequently the reporting pack will include:

Current year (on latest basis);

Previous year (on previous basis); and either

Current year (on previous basis); or

Previous year (on latest basis)

Only the specific tables affected by a change in basis will need to be provided.

### **3. Accuracy for Reporting**

- 3.1. All information provided should be an accurate representation of the information available to the licensee.
- 3.2. All financial data should be submitted in £ millions rounded to the nearest £100,000 (i.e. to one decimal place) unless otherwise stated. Companies can report to more decimal places if they wish to (e.g. in order to aid comparison). Other data should be input in whole numbers unless indicated otherwise in the table or instructions for completing it.
- 3.3. All data should be input in prices of the reporting year. For the purpose of comparison to allowance data, in 2004/05 prices will be updated by Ofgem using RPI (April to March financial average).
- 3.4. Where forecast data is required the licensee should indicate the inflation deflators used to give the price level of the year being reported.
- 3.5. Apportionments should be avoided wherever possible, however where a licensee (and any affiliate or related undertaking of the licensee) does not capture data on the same basis as the cost reporting definitions, and in completing the tables the licensee has to apportion costs across one or more activities, the basis of apportionment, or any change therein from the previous year, must be provided in the narrative commentary and the licensee's quantification of the assumptions must be stated.

## 4. Structure of Reporting Rules

### *Instructions and Definitions*

- 4.1. Appendix 1 sets out the detailed instructions and guidance for completion of each of the tables in the RRP. These instructions are to be strictly followed and must be read in conjunction with and applying the definitions in Appendix 2.

### *PCRRP*

- 4.2. The PCRRP in Appendix 3 is provided in Excel spreadsheet format to transmission companies and should be submitted in electronic format, together with an appropriate narrative (see Appendix 4). The PCRRP must be submitted as an Excel file.
- 4.3. The PCRRP covers the following areas:
- Comparison to allowances
  - Key financial data
  - Technical and physical data, and
  - Revenue and incentives data
- 4.4. The final price control proposals<sup>1</sup> highlighted a small number of identifiable, discrete cost items which are dependent on external factors. Expenditure incurred against these 'known unknowns' will be logged up.

### *Narrative Commentary*

- 4.5. Appendix 4 outlines the requirements for transmission companies to explain why costs differ from allowances. It will be used in conjunction with the tables, to understand the structures and operations of each of the transmission companies, to inform the following price control and to monitor transmission company performance against Ofgem's assumptions for costs included in the current period as detailed in the Final Proposals document.
- 4.6. In addition to this narrative, once the annual review of the PCRRP is complete, transmission companies would be asked to provide a short commentary to explain reasons for differences between the costs and allowances (table 1.1 of the PCRRP). This may then be published by the Authority.

---

<sup>1</sup> Paragraph 1.48 TPCR 2007- 2012 Final proposals, December 2007 (Ref No.206/06)



## Appendix 1 – PCRRP Instructions and List of Tables

### General Instruction for Completion

The reporting pack is in the form of Excel workbook, it consists of a number of worksheets. The totals must agree to information in the Regulatory Accounts or other relevant documents for the financial year subject to identified reconciling items.

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

The reporting pack is to be completed pursuant to the rules.

### Format

- The colour scheme used in the spreadsheets is as follows:
  - Yellow = cells requiring data entry
  - Light Gray = cells summing rows and columns and other formula
  - White = cells with links to other cell in the PCRRP
  - Dark Gray = cell where **NO DATA** should be input
- All financial data is to be input in (£ nominal) rounded to the nearest £100,000 (i.e. one decimal place). Companies can report to more decimal places if they wish to (e.g. in order to aid comparison).
- Other data should be input in whole numbers unless indicated otherwise in the table or instructions for completing it.
- Sign convention will be set out in the tables or instructions for them
- Cell protection has been applied through out the PCRRP. If additional columns are needed the whole PCRRP should be returned to Ofgem (via email) and we will add them and return it. Functionality will be provided to insert rows where required.

### Checks and Balances

Throughout the PCRRP 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” and will incorporate an appropriate rounding tolerance. 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.

### Financial and Cost Tables

#### Main tables

- |       |                                |
|-------|--------------------------------|
| 1.1   | Published Data                 |
| 1.2   | Ofgem Adjustments (NG)         |
| 1.2.1 | TO                             |
| 1.2.2 | SO                             |
| 1.3   | Accounting Costs Matrix (NG)   |
| 1.3.1 | Total Transmission - NGG       |
| 1.3.2 | TO                             |
| 1.3.3 | SO                             |
| 1.3.4 | NGG GSO Operations and Trading |
| 1.4   | Opex Reconciliation (NG)       |

## DRAFT VERSION 8.0

- 1.4.1 Opex Reconciliation to Regulatory Accounts
- 1.4.2 Reconciliation to Statutory Accounts
- 1.4.3 Calculation of RCCC
- 1.4.4 Provisions
- 1.5 Capex Reconciliation (NG)
  - 1.5.1 Capex Reconciliation to Regulatory Accounts
  - 1.5.2 Reconciliation to Statutory Accounts
- 1.6 Analysis of "Other" Costs (NG Only)
  - 1.6.1 TO
  - 1.6.2 SO
- Supporting Tables**
  - 2.1 Engineering Opex - Gas (NG only)
  - 2.2 Non Operational Capex
  - 2.3 Analysis of Central Adjustments (NG only)
  - 2.4 Analysis of Excluded and De Minimus Services
  - 2.5 Analysis of Corporate / Group Costs (NG)
  - 2.6 IT Costs (National Grid)
  - 2.7 Insurance Costs (NG)
    - 2.7.1 Insurance Premiums
    - 2.7.2 Total Insurance Department Costs
    - 2.7.3 Analysis of Captive Insurance Companies
  - 2.8 Analysis of Property Costs (NG Only)
  - 2.9 Analysis of UK Business Services (NG only)
  - 2.10 Related Party Transactions (NG)
  - 2.11 Staff Costs and FTE Numbers (NG)
    - 2.11.1 Total Transmission Staff and FTE Numbers
    - 2.11.2 Allocation of Transmission Staff and FTEs to Price Control Blocks
    - 2.11.3 Total UK Business Services Staff and FTE Numbers
    - 2.11.4 Allocation of Business Services Staff and FTEs to Businesses
  - 2.12 SO Capex
  - 2.13 Analysis of Logged Up Costs
- Financial Tables**
  - 3.1 Pension Schedule (NG)
  - 3.2 Financial Liabilities Schedules
    - 3.2.1 Loans and Financial Instruments as per Balance Sheet
    - 3.2.2 Derivative Financial Instruments
    - 3.2.3 Analysis of Derivative Financial Instruments
    - 3.2.4 Analysis of Loans: Intercompany Loans
    - 3.2.5 Analysis of Loans: External Loans
    - 3.2.6 Analysis of Interest Paid as per P&L
    - 3.2.7 Analysis of Interest Paid as per Cashflow
    - 3.2.8 Intercompany Loans balance
    - 3.2.9 External Loan balance
    - 3.2.10 Allocation on Intercompany Loans
    - 3.2.11 Allocation of External Loan
  - 3.3 Financial Asset Schedules
    - 3.3.1 Financial Assets as per Balance Sheet
    - 3.3.2 Analysis of Receivables
    - 3.3.3 Analysis of Derivative Financial Assets
    - 3.3.4 Analysis of Loans due from Group Undertakings
    - 3.3.5 Analysis of Interest Received as per P&L
    - 3.3.6 Analysis of Interest Received as per Cashflow
    - 3.3.7 Intercompany Loans balance
    - 3.3.8 Allocation on Intercompany Loans
  - 3.4 Taxation
    - 3.4.1 Tax Charge as per P&L
    - 3.4.2 Current tax Schedule

## DRAFT VERSION 8.0

- 3.4.3 Deferred Tax as per Regulatory Accounts
- 3.4.4 Tax loss Memo
- 3.4.5 Deferred Tax Schedule
- 3.4.6 Reconciliation of Current Tax Liability to Balance Sheet
- 3.4.7 Reconciliation of Deferred Tax Liability to Balance Sheet
- 3.4.8 Reconciliation of Current Tax paid to Cash Flow Statement
- 3.5 Fixed Asset Disposals TO
- 3.6 RAV (NG)
  - 3.6.1 TO
  - 3.6.2 SO
- 3.7 Profit and Loss (Output from financial model)
- 3.8 Balance Sheet (Output from financial model)
- 3.9 Cash Flow (Output from financial model)

### Gas Capital Expenditure Tables

- 5.1 System characteristics
- 5.2 Activity indicators
- 5.3 Utilisation & performance
- 5.4 Demand & capability
- 5.5 Compressor utilisation
- 5.6 Environmental Performance
- 5.7 Quasi capex
- 5.8 Capex summary
- 5.9 Asset data
- 5.10 Project Listing
- 5.11 Forecast Scenarios
- 5.12 Linepack Output

### Financial and Cost Tables

#### Main tables

##### 1.1 Published Data

Purpose and Use	This worksheet shows the figures to be published by Ofgem on an annually based on information collected through the reporting process.
Instructions for Completion	The table is linked table 1.2 in the reporting pack and no further data needs to be input by licensees

##### 1.2 Ofgem Adjustments (National Grid)

Purpose and Use	This worksheet calculates the capex, opex and pension amounts etc. for the purposes of calculating the comparisons to price control allowances and publication. The Ofgem adjustments will be discussed with the licensee as part of the review process.
Instructions for Completion	<ul style="list-style-type: none"><li>• No data input is required.</li><li>• The worksheet is entirely formula driven from links to other worksheets in the reporting pack</li></ul>

**1.3 Accounting Costs Matrix (National Grid)**

Purpose and Use	This is a key worksheet and gives a detailed breakdown of costs per business unit for Transmission in total and by form of control. Ofgem will use the information to assist understanding of the expenditure incurred within the year in order to provide a comparison of outturn costs with allowances.
Instructions for Completion	<ul style="list-style-type: none"> <li>• Costs should be input as positive values</li> <li>• Cost data is to be input on an accounting cost basis.</li> <li>• Costs should be entered by business unit and type of expenditure in the boxes highlighted in yellow.</li> <li>• The table for total transmission will be the sum of figures tables by form of control.</li> <li>• The support costs part of the total will show the total support costs charged in from UK Business Services functions on <a href="#">Table 2.9</a> and total corporate charges from <a href="#">Table 2.5</a>.</li> <li>• Various cells for staff costs, pensions and charges from UK Business Services / Corporate charges are linked to other worksheets which give more detail. Therefore no costs should be input in these cells</li> <li>• "Other" costs should be input in total on this table, but a breakdown must be provided in <a href="#">table 1.6</a></li> <li>• The costs of excluded services must be equal to the totals on <a href="#">table 2.4</a></li> <li>• If there are any transfers of indirect operating costs to capex these should be shown on the table.</li> <li>• Staff costs pensions and capitalised staff and pension costs come from <a href="#">Table 2.11</a></li> <li>• As well as providing a breakdown of costs by form of control there is a requirement to provide a further breakdown of Operations and Trading for ESO and GSO. <a href="#">Tables 1.3.6 and 1.3.7</a>, these are linked to <a href="#">Tables 1.3.3 and 1.3.5</a></li> </ul>

**1.4 Opex Reconciliation (National Grid)**

Purpose and Use	This worksheet is a high level audit trail to ensure that the operating costs reported in the PCRRP under Ofgem definitions reconciles to the operating costs reported in the Statutory & Regulatory Accounts of NGET and NGG, which are prepared applying the licensee's own accounting policies. The worksheet also calculates the RCCC.
Instructions for Completion	<ul style="list-style-type: none"> <li>• Costs should be input as positive values</li> <li>• In table 1.4.1 input the appropriate items to reconcile the accounting costs from <a href="#">table 1.3</a> to the operating costs as per the Regulatory Accounts.</li> <li>• In table 1.4.2 input the appropriate items to</li> </ul>

## DRAFT VERSION 8.0

	<p>reconcile the operating costs as per the Regulatory Accounts to the operating costs as per the Statutory Accounts.</p> <ul style="list-style-type: none"> <li>• In table 1.4.3 input all costs relating to atypical events in the year as <u>positive or negative figures</u> depending on whether they have decreased or increased the accounting operating costs</li> <li>• Input the details of all atypical and other provisions in table 1.4.4 and table 1.4.5.</li> <li>• Reasons should be provided in table 1.4.3 to explain the changes in RCCC from last year to this year, these should be analysed between specific inflation / other identifiable factors, RPI. The balance i.e. unexplained variance will then be automatically calculated.</li> </ul>
--	---

### 1.5 Capex Reconciliation (National Grid Only)

Purpose and Use	This worksheet is a high level audit trail to ensure that the capital expenditure for TO and SO reported in the PCRRP under Ofgem definitions reconciles to the costs reported in the Statutory & Regulatory Accounts which are prepared applying the licensee's own accounting policies
Instructions for Completion	<ul style="list-style-type: none"> <li>• Costs should be input as positive values</li> <li>• In table 1.5.1 input the appropriate items to reconcile the capex expenditure from <u>Table ??</u> to the capital expenditure as per the Regulatory Accounts.</li> <li>• In table 1.5.2 input the appropriate items to reconcile the capital expenditure as per the Regulatory Accounts to the capital expenditure as per the Statutory Accounts.</li> </ul>

### 1.6 Analysis of "Other" Costs (National Grid Only)

Purpose and Use	The worksheet provides a more detailed analysis of "Other" costs on table 1.3. Ofgem will use the analysis to understand the nature of other costs made to the transmission business as these often have significant value.
Instructions for Completion	<ul style="list-style-type: none"> <li>• Costs should be input as positive values</li> <li>• Enter detail of all the items included in the "other" costs line in <u>table 1.3</u></li> <li>• The total must agree to that on <u>table 1.3</u>.</li> </ul>

## Supporting Tables

### 2.1 Engineering Opex – Gas (National Grid only)

Purpose and Use	This worksheet shows the amount of operating costs spent on engineering activities within the gas business. It will enable Ofgem to monitor such expenditure year by year, compare information between companies and inform the next price control review
-----------------	---

## DRAFT VERSION 8.0

Instructions for Completion	<ul style="list-style-type: none"> <li>Costs should be input as positive values</li> <li>Data should be input into the cells that are highlighted in yellow. Costs will be total costs for each activity and should be separated into staff costs incurred by the transmission, materials and costs that are incurred by 3<sup>rd</sup> party contractors.</li> <li>The total table should reconcile to the total costs of Asset management on <a href="#">table 1.3</a>. The appropriate reconciling items should be identified at the bottom of the table. One of the reconciling items will be the amount of engineering opex – electricity, as shown in <a href="#">table 2.1</a>.</li> </ul>
-----------------------------	---

### 2.2 Non Operational Capex

Purpose and Use	This worksheet reports the expenditure on non operational capex. This will enable Ofgem to monitor the amount spent against allowances.
Instructions for Completion	<ul style="list-style-type: none"> <li>Enter the name of specific project for IT projects where the expenditure is £1m or more</li> <li>Data should be entered for such projects under the appropriate asset heading. Full project details not just expenditure in the year should be entered as indicated by the column headings.</li> <li>Expenditure on all other assets and IT assets less than £1m should be entered in total.</li> </ul> <p>NB. Where the total spent on a project is more than £1m but the expenditure within the year is less than £1m, this should be shown as an individual project and not included in the general expenditure category.</p>

### 2.3 Analysis of Central Adjustments (National Grid only)

Purpose and Use	The worksheet provides a more detailed analysis of central adjustments that have been made to the Transmission business. Ofgem will use the analysis to understand the nature of central adjustments made to the transmission business as these often have significant value.
Instructions for Completion	<ul style="list-style-type: none"> <li>Costs should be input as positive values</li> <li><a href="#">Table 1.3</a> provides a total for central adjustments by type of expenditure. This table shows the same total but by type of adjustment / project / scheme or other grouping, therefore the total for each type of adjustment may include part of several types of expenditure.</li> <li>The table must agree to the figures in <a href="#">Table 1.3</a>.</li> </ul>

### 2.4 Analysis of Excluded and De Minimis Services (National Grid)

Purpose and Use	The worksheet collects costs and revenues relating to Excluded and De Minimis services provided by the transmission business by type of service. The information will allow Ofgem to understand and
-----------------	---

## DRAFT VERSION 8.0

	monitor the various services provided and the costs and revenues of services provided.
Instructions for Completion	<ul style="list-style-type: none"> <li>• Cost and revenue should be input as positive values.</li> <li>• The total costs for Excluded Services in this table must agree the Excluded Services costs shown in <u>Table 1.3</u>. The total revenue will equal the figures in the Revenue Reporting tables.</li> <li>• For this purpose the element of excluded services that relates to the return on post vesting connection assets needs to be explicitly stated because this is also used in assessing the overall regulated income.</li> <li>• Costs for de minimis and consented services will not agree to any figures in the reporting pack as these are at NGET and NGG level and not allocated to any price control block (TO or SO)</li> </ul>

### 2.5 Analysis of Corporate / Group Costs (National Grid)

Purpose and Use	<p>This worksheet shows the total cost of corporate / group functions and the amounts allocated to the transmission business and other businesses within the NG Group.</p> <p>This information will enable Ofgem to understand the amount of corporate / group costs incurred by transmission companies. It will also enable such costs to be benchmarked where possible between transmission companies.</p>
Instructions for Completion	<ul style="list-style-type: none"> <li>• Costs should be input as positive values</li> <li>• The total costs for each corporate / group function unit should be input.</li> <li>• Details of any group provisions allocated to the transmission business should be shown.</li> <li>• The names of each the businesses within the NG Group, other than those already named, should be input</li> <li>• Costs charged to each regulated or unregulated business from each group function should be input in the appropriate cells.</li> <li>• The basis on which the allocation of costs to Transmission has been made should be detailed in the accompanying narrative.</li> <li>• The figure will agree with those on the <u>Table 1.3</u>.</li> </ul>

### 2.6 IT Costs (National Grid)

Purpose and Use	The worksheet will collect information relating to Information Technology (IT) or Information Systems (IS) expenditure and activity, and costs borne by the transmission business. Ofgem will collect this information and use it to inform the next price control review.
Instructions for Completion	<ul style="list-style-type: none"> <li>• Costs should be input as positive values</li> <li>• Input costs, staff and contractor numbers for each IT function by cost type</li> </ul>

	<ul style="list-style-type: none"> <li>• Input numbers for equipment and storage etc. in the box below the costs.</li> <li>• The total IT function costs must equal the total for IT on <u>table 2.9.</u></li> </ul>
--	--

## 2.7 Insurance Costs (National Grid)

Purpose and Use	The worksheet will collect information relating to insurance costs, premiums, policies and cover etc, including the actual costs and cover relating to the transmission business. Ofgem will collect this information and use it to inform the next price control review.
Instructions for Completion	<ul style="list-style-type: none"> <li>• Costs should be input as positive values</li> <li>• In table 2.7.1 input the appropriate details of all insurance policies</li> <li>• In table 2.7.2 input details of the total cost of the insurance department and show the amount charged to each of the forms of control within transmission and the basis of the allocation</li> <li>• In table 2.7.3 input details of all captive insurance companies owed by the National Grid Group</li> </ul>

## 2.8 Analysis of Property Costs (National Grid only)

Purpose and Use	The worksheet will collect information relating to all property costs and show the allocation of costs to businesses. Ofgem will collect this information and use it to inform the next price control review.
Instructions for Completion	<ul style="list-style-type: none"> <li>• Costs should be input as positive values</li> <li>• Input the name of each non operational category 3 building and details of gross and usable space.</li> <li>• Input the costs of each building against the appropriate resource headings, and totals for all category 1 and category 2 buildings</li> <li>• Input details of the allocations of total property costs to businesses</li> <li>• The total property costs should agree to those in <u>Table 2.9</u></li> </ul>

## 2.9 Analysis of UK Business Services (National Grid only)

Purpose and Use	This worksheet provides an analysis of support costs provided by UK Business Services and show how the costs are charges to transmission and gas distribution and other National Grid companies. Ofgem will use the information to understand how UK Business Services costs are allocated between various regulated and non regulated businesses. It will also enable a high level understand of how the allocations model is working.
Instructions for Completion	<ul style="list-style-type: none"> <li>• Costs should be input as positive values</li> <li>• Cost data is to be input on an accounting cost basis.</li> </ul>



	<ul style="list-style-type: none"> <li>• Costs should be entered by business service unit and type of expenditure in the boxes highlighted in yellow.</li> <li>• The allocation of total business support unit charged to each regulated or unregulated should be shown.</li> <li>• If there are any transfers of indirect operating costs to capex these should be shown on the table.</li> <li>• Staff costs pensions and capitalised staff and pension costs come from <a href="#">Table 2.11</a></li> <li>• There is no need to identify turnover and costs as these units do not charge any profit margin</li> <li>• These figures are then linked to <a href="#">Table 1.3.</a></li> </ul>
--	--

## 2.10 Related Party Transactions (National Grid)

Purpose and Use	The purpose of this worksheet is to provide an analysis of the nature and size of services provided to the transmission business, other group companies and external parties by each related party. Ofgem will use the information to understanding the nature of related party transactions, the profit margins charged, and the size of external trading in order to indicate compliance with EU directives on the avoidance of cross subsidies.
Instructions for Completion	<ul style="list-style-type: none"> <li>• Input a description of the services provided by each related party.</li> <li>• Input the turnover data for the related party as charged to the transmission business, other related parties and external customers. Input as positive numbers.</li> <li>• Input as negative numbers the respective costs incurred.</li> <li>• Where the total charge from a related party to the transmission business is less than £500k the related party does not need to be included on this table.</li> <li>• Where there is no margin on the transaction with another related party the turnover and cost should be equal.</li> <li>• If the turnover of the related party on this table does not equal the reported turnover of the related party please explain why not.</li> </ul> <p>NB. There is no need to include Corporate Centre in this table as this is covered by <a href="#">Table 2.5</a></p>

## 2.11 Staff Costs and FTE Numbers (National Grid)

Purpose and Use	This worksheet provides a breakdown of the Net Staff Cost (separately identify Agency Costs) and Pension costs and benefits in the Accounting Cost Matrix. This will enable Ofgem to understand the make up of labour and pension costs by business / support unit, enable an understanding of the resourcing mix of Opex and Capex work, and
-----------------	---

## DRAFT VERSION 8.0

	provide a cost by grade per FTE for comparisons of total employment costs
Instructions for Completion	<ul style="list-style-type: none"> <li>The total labour and pension costs should be broken down into the elements shown on the table</li> <li>Temporary, agency and contract staff costs are to be recorded on this worksheet</li> <li>The staff number tables show the average number of FTEs employed over the year for UK Transmission and Shared Services units.</li> <li>FTEs should be reported to the nearest 0.5 FTE.</li> <li>The amount of salaries and pension costs capitalised and charged to opex should be input.</li> <li>The total transmission staff and pension costs will feed into <u>Table 1.3</u> and <u>Table 2.9</u>.</li> <li>The tables should be completed for total transmission and total UK Business services and then the totals allocated to each form of control. <b>NB. It should be noted that the total figures for each forms of control for UK Business Services is simply an allocation of the total and cannot be used for benchmarking. There is more certainty in the allocation of Transmission staff to forms of control but again care should be exercised in using data at this level.</b></li> <li>The table also requires average FTEs by grade as well as in total</li> <li>Allocations of total costs and FTEs are also required for activities within Operations and Trading. Where these are the result of an allocation, please indicate this and the basis within the narrative.</li> </ul>

### 2.12 SO Capex (National Grid Only)

Purpose and Use	This worksheet reports the expenditure on SO capex - electricity and gas. This will enable Ofgem to monitor the amount spent against allowances.
Instructions for Completion	<ul style="list-style-type: none"> <li>Costs should be input as positive values</li> <li>Enter the name of each project</li> <li>Data should be entered for each project under the appropriate asset heading. Full project details not just expenditure in the year should be entered as indicated by the column headings.</li> <li>Data should be entered for additions and disposals as indicated by the tables</li> </ul>

### 2.13 Analysis of Logged Up Costs

Purpose and Use	This worksheet collects details of expenditure that has been incurred by transmission companies on specific items where no allowance was given in the final proposals. This will enable Ofgem to understand the value of these costs and assess their efficiency
Instructions for Completion	<ul style="list-style-type: none"> <li>Opex and capex costs should be input as</li> </ul>

	positive values <ul style="list-style-type: none"> <li>• Enter details of all provisions associated with each type of logged up costs</li> </ul>
--	--

## Financial Tables

### 3.1 Pension Schedule (National Grid)

Purpose and Use	This worksheet provides details of the different pension schemes operated by National Grid. This will enable Ofgem to determine the over/ under funding calculation for the pension allowance for the next price control
Instructions for Completion	Input details in the boxes shaded yellow for each pension schemes.

### 3.2 Financial Liabilities Schedule

Purpose and Use	This worksheet ..... This will enable Ofgem to confirm the split by business and form of control to meet the EU directive and assess disallowance (if any tax) is needed in the next price control.
Instructions for Completion	<ul style="list-style-type: none"> <li>• Input financial details as indicated by the information on the table</li> </ul>

### 3.3 Financial Assets Schedule

Purpose and Use	This worksheet ..... This will enable Ofgem to confirm the split by business and form of control to meet the EU directive and assess disallowance (if any tax) is needed in the next price control.
Instructions for Completion	<ul style="list-style-type: none"> <li>• Input financial details as indicated by the information on the table</li> </ul>

### 3.4 Taxation

Purpose and Use	This worksheet an analysis of tax by tax pools. It will enable Ofgem to confirm the split by business and form of control to meet the EU directive and assess if any tax disallowance is needed in the next price control.
Instructions for Completion	<ul style="list-style-type: none"> <li>• Input financial details as indicated by the information on the table</li> </ul>

### 3.5 Fixed Assets Disposals TO (National Grid)

Purpose and Use	This worksheet collects information relating to fixed asset disposals to assist the reconciliation of the financial model to accounts and RAV calculations
Instructions for Completion	<ul style="list-style-type: none"> <li>• Input financial details as indicated by the information on the table</li> </ul> NB SO disposals are shown on table 2.12

### 3.6 Regulatory Asset Value

## DRAFT VERSION 8.0

Purpose and Use	This worksheet provides the transmission company's view of the RAV. This will assist Ofgem in calculation of the RAV on an annual basis.
Instructions for Completion	<ul style="list-style-type: none"> <li>• Input opening balance</li> <li>• RAV additions will come from the capex <u>Table ??</u></li> <li>• Detail all RAV adjustments</li> <li>• Input the net sales proceeds value of any disposals.</li> <li>• RAV Depreciation – enter the amount of RAV depreciation</li> <li>• Details of the TO RAV should be entered in table 3.6.1 and SO RAV in table 3.6.2</li> </ul>

### 3.7 Profit & Loss

Purpose and Use	This worksheet summarises information from the financial model for the Licensee and Ofgem.
-----------------	--

### 3.8 Balance Sheet

Purpose and Use	This worksheet summarises information from the financial model for the Licensee and Ofgem.
-----------------	--

### 3.9 Cash Flow and Financial Ratios

Purpose and Use	This worksheet summarises information from the financial model for the Licensee and Ofgem.
-----------------	--

## Gas Capital Expenditure Tables

### 5.1 System characteristics

Purpose and Use	<p>This worksheet collects basic high-level information relating to physical characteristics of the transmission network, showing changes year on year.</p> <p>[This is intended to update the overview of the transmission system captured via the BPQ during the price control review]</p>
Instructions for Completion	All system characteristics should be entered as at the end for a reporting year (i.e. 31 March).

### 5.2 Activity indicators

Purpose and Use	To collect key indicators of the overall level of transmission activity.
Instructions for Completion	<p>All data should be for actual levels of demand showing flows, into and out of the network</p> <p>GDN demand levels should be shown by LDZ</p>

### 5.3 Transmission system utilisation and performance

## DRAFT VERSION 8.0

Purpose and Use	To collect information relating to the overall size and quality of transmission service delivered.
Instructions for Completion	Number of Transmission system incidents - an incident is defined as any system event which results in a single or multiple loss of supply.  1 in 20 peak day demand to be shown for each LDZ

### 5.4 System Demand and Capability

Purpose and Use	To collect key indicators of overall levels of capacity booked and levels of actual demand
Instructions for Completion	Capacity should be shown for each Aggregated System Entry Point (ASEP) indicating the highest value of firm capacity booked in the period for the reporting year.  Actual flows at each Aggregated System Entry Point (ASEP) should indicate maximum values observed in the reporting year expressed in GWh/day

### 5.5 Utilisation of Compressor Capacity

Purpose and Use	To collect data on overall compressor utilisation and enable year on year comparisons to inform about changing patterns of supply and demand
Instructions for Completion	Actual running hours should be record for each compressor

### 5.6 Environmental Monitoring

#### **[Currently all of this data is captured under the Distribution RIGS]**

The report should include information on a number of pre-specified environmental performance measures and accompanying narrative.

Purpose and Use	To collect data on the environmental performance of the NTS so as to be able to link to throughput, and compare trends year on year.  The environmental report will take into account guidance from government, from environment agencies and other relevant bodies. It will explain levels of carbon dioxide, oxides of nitrogen and methane emissions and (where appropriate) performance against any other relevant environmental targets.
Instructions for Completion	CO <sub>2</sub> Emissions – carbon dioxide emitted by gas powered compressors : normalise by energy delivered, estimated Kg of CO <sub>2</sub> per GWh.  NO <sub>x</sub> Emissions - NO <sub>x</sub> emitted by gas powered compressors: normalise by unit of annual throughput.  Methane Emissions – Methane emitted from plant:

## DRAFT VERSION 8.0

	<p>estimated Kg of methane emitted per annum, normalised by energy delivered, Kg methane per GWh.</p> <p>(volumes from associated equipment; e.g. valve actuators, may need to be estimated)</p>
--	--

### 5.7 Quasi Capex

Purpose and Use	<p>This worksheet reports the costs of each type of gas quasi capex that is treated as opex in National Grid's regulatory and statutory accounts, but is treated as capex for regulatory reporting purposes. This will enable Ofgem to monitor the amount of quasi capex transferred annually</p>
Instructions for Completion	<ul style="list-style-type: none"> <li>Costs for each category of gas quasi capex incurred should be identified.</li> <li>In the case of substations the costs incurred will relate to specific projects and these projects should be identified.</li> <li>In the case of other categories expenditure will often not relate to specific projects, but where it does the projects should be identified.</li> <li>Where there are other projects or areas of expenditure that National Grid believe should be treated as quasi capex full details should be given in the table at the bottom.</li> </ul> <p><u>Decommissioning of gas compressor station</u> assets as a result of a capital scheme where replacement is not undertaken in the same location as the original assets.</p> <p><u>Possible quasi capex</u> Additional categories of cost subject to consideration of the following factors:</p> <ul style="list-style-type: none"> <li>broadly consistent with relevant reporting standards e.g. FRS15 and other relevant accounting conventions,</li> <li>the substitutability of such expenditure with other opex or capex activities,</li> <li>the incentives on efficiency of such expenditure,</li> <li>the economic lifetime of benefits associated with such expenditure.</li> </ul> <p><b>NB Any costs entered in this section of the Table are subject to assessment and explicit agreement by Ofgem before qualifying to be treated as capex.</b></p> <p>Narrative is requested to explain any variances against allowances or licensee's forecast</p> <p>Physical quantities should be entered as applicable</p>

### 5.8 Actual and Forecast Capex

## DRAFT VERSION 8.0

Purpose and Use	To monitor actual versus forecast expenditure and provide visibility of any variances
Instructions for Completion	Values to be entered as necessary - narrative to explain any variances

### 5.9 Asset data

Purpose and Use	To provide a list of all assets installed on the NTS system and to provide forecasts as to when these assets are likely to be scheduled for replacement
Instructions for Completion	<p>List all assets whose installation has been completed by 1<sup>st</sup> April for each year.</p> <p>Pipelines are to be identified by start and finish points</p> <p>Compressors are to be identified by compressor station and under each compressor station each power unit shall be listed</p> <p>Block valves do not need to be identified separately where they form part of another asset which is listed separately</p> <p>Pig traps do not need to be identified separately where they form part of another asset which is listed separately</p> <p>Date constructed - insert year e.g. 1971</p> <p>Design life insert number of years</p> <p>Insert pipeline diameters in mm. Measure pipeline lengths between recorded start and finish points in km</p> <p>Identify each pipeline by its NTS feeder number</p> <p>Insert compressor power in mega watts (MW)</p> <p>Insert the compressor power source e.g. Gas or Electric for each power unit</p>

### 5.10 Project details

Purpose and Use	To provide a list of all assets planned and forecast to be installed on the NTS system
Instructions for Completion	<p>List all projects planned or forecast, which fall wholly or in part, within the price control period</p> <p>Pipelines are to be identified by start and finish points</p>

	<p>Compressors are to be identified by compressor station and under each compressor station each power unit shall be listed</p> <p>Block valves do not need to be identified separately where they form part of another asset which is listed separately</p> <p>Pig traps do not need to be identified separately where they form part of another asset which is listed separately</p> <p>Date constructed insert year e.g. 1971</p> <p>Design life insert number of years</p> <p>Insert pipeline diameters in mm. Measure pipeline lengths between recorded start and finish points in km</p> <p>Identify each pipeline by its NTS feeder number</p> <p>Insert compressor power in mega watts (MW)</p> <p>Insert the compressor power source e.g. Gas or Electric for each power unit</p> <p>Expenditure analysis to be provided for completed projects to include a breakdown of expenditure</p>
--	--

**Table 5.11 Forecast Scenarios**

Purpose and Use	To identify entry and exit forecast parameters which help to inform network reinforcement investment decisions
Instructions for Completion	<p>The Forecast scenarios to be reported on will vary from year to year and are not limited to Low, Central and High cases. Such cases as have been identified via the TBE process and Ten Year Statement should be reported.</p> <p>Values to be entered as necessary - maximum peak day 1 in 20 forecast levels are taken to be a minimum reporting requirement. The licensee may need to additionally report forecast data for other criteria e.g. SNT, Day1 Severe LDC, Day "n" Severe LDC or such value as is identified as being a key driver for network planning</p>

**Table 5.11 Linepack**



## DRAFT VERSION 8.0

Purpose and Use	To identify and forecast linepack availability on the network.
Instructions for Completion	Forecast values to be entered by exit point for the appropriate planning horizon. Values to be entered in mcmd.

## Appendix 2 – Definitions

This appendix provides definitions of key terms included in these instructions and in the Tables. Any word or expression used in the Utilities Act 2000, Electricity Act 1989, the Energy Act 2004, or standard, special or standard special licence conditions of the gas transporters licence shall have the same meaning when used in these rules, similarly for standard accounting terms, IFRS/IAS and/or UK GAAP and Companies Act 1985 ("CA85") definitions should be applied.

In the circumstance where no definition is given the licensee should include in explanatory notes details of the treatment it has applied and inform Ofgem of the omission. Where a definition set out in this appendix is not the same as that applied by a licensee for other purposes, the definition set out herein must be used in the preparation of the Price Control Review Reporting Pack ("PCRRP").

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

Accounting Controllable Costs	Costs as per statutory or regulatory accounts excluding non controllable costs, but before any adjustments for atypical, provisions etc.
Accounting Costs	Costs as per statutory or regulatory accounts before any adjustments for non controllable costs and atypical, provisions etc.
Accruals and Prepayments	For the purpose of determining what amounts should be excluded as non cash item are only those items that are not incurred as part of the ordinary level of business activities, the latter being normal trade accruals and prepayments, holiday pay provisions; and would be atypical costs.
Agency Costs	Costs of persons who are not under a direct contract of employment with the licensee or an affiliate of the licensee but are hired through a third party or employment agency.
Amortisation	
Associate	
Atypical costs	The total costs (less credits and receipts) of resources employed in response to an atypical event.
Atypical event	A specific event or incident that is not expected to recur regularly under normal circumstances due either to its

## DRAFT VERSION 8.0

	size or nature.
Atypical provision	A provision relating to an atypical event
Average staff numbers	The average FTE employed by the business in the year. Average of the opening and closing numbers
Brokers Fees	The fee charged by an insurance brokers for arranging insurance cover
Business Support	Activities that support the main operations of the transmission business
Capex direct activities	<ul style="list-style-type: none"> <li>• Infrastructure – entry triggered: - Defined as expenditure on assets covered by TNUoS charges yet directly triggered by individual generation connection projects.</li> <li>• Infrastructure: Defined as expenditure required for reinforcement of the transmission system in order to meet the planning standards to fulfil the company's obligations to the transmission licence. Includes all load related expenditure cover by use of system charges except Entry and Exit expenditure</li> <li>• Infrastructure – exit triggered: Defined as expenditure on assets covered by TNUoS charges yet directly triggered by individual demand connection projects.</li> <li>• Non-load Related, Non-Fault, New and Replacement Assets: Defined as planned replacement of assets for reasons other than their failure to operate as expected or for load-related reasons.</li> <li>• Fault-related Replacement; Defined as replacement of system assets which have unexpectedly failed to operate as expected.</li> </ul>
Capital Expenditure (capex)	Definitions tend to be specific to individual tables and therefore have been included in the table instructions
Captive Insurance	An insurance entity that is a related party
Central adjustments	Adjustments that are made to the total transmission operating costs rather than a specific unit, either as a result of group decisions or other reasons
Connection “plugs”	<u>To define</u>
Consented costs and revenue	
Contractors	The charges invoiced by contractors
Corporate Centre	The costs of corporate / group functions charged to the Transmission business.
Cost recoveries	Is the recovery of costs or the release of excess provisions or accruals in a different financial year from which the

# DRAFT VERSION 8.0

	costs were originally recorded. This includes insurance receipts, refunds of insurance premiums, recoveries of costs of third party faults, and any other recoveries of costs that are not categorised or required to be disclosed under de minimis activities or as excluded service income.
Costs licence staff	Staff costs of those people who are employed directly by the transmission company
Costs outsourced	The charges invoiced by contractors excluding materials
Current cash service costs	The amount paid to a pension scheme
Customer / Capital contributions	Financial contribution received from / repaid to a customer in respect of the provision of a new connection to the transmission network.
De Minimis	The activity of conducting de minimis business, i.e. non-transmission activities, which are subject to the limitation provided for in standard condition A1 of the electricity transmission licence.
DNO	Electricity distribution network operator
Estimated completion date	The completion date estimated when the project was started
Estimated total costs	The forecast of total costs for the project when it was started
Excluded services	Has the meaning given in standard condition A1
Facilities Management costs	Costs relating to management of non operational buildings that cannot be allocated to any other cost expenditure category. For example services charges, cleaning.
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 his or her contract of employment.
GDN	Gas distribution network
Gearing	
Insurance	Costs of insurance premiums including insurance premium tax
Insurance premiums	The periodic payments made on an insurance policy
Insurance proceeds from capital works	
Insurance receipts	The financial reimbursement received under a contract of insurance as a result of an insured event.
Interconnector related charges	All charges relating to the Scottish interconnector
Internal Reference No.	The reference number used by the company to track the project costs
Logged Up Costs	<i>Recording of specific additional costs</i>

# DRAFT VERSION 8.0

	<i>incurred by the licensee as set out in the final proposals</i>
Logging Up - Costs of claims for loss of development land against NGG NTS	<p>Settled claims over the period 2007-12 which have been demonstrably challenged by NGG NTS, as far as is reasonable, regarding both the basis of the claim and the quantum of compensation sought. For the avoidance of doubt the following claims under the terms of the Deed of Easement may be logged up:</p> <ul style="list-style-type: none"> <li>• loss of crop and drainage;</li> <li>• loss of land development e.g. housing, quarrying etc;</li> <li>• sterilised minerals;</li> <li>• landfill and tipping; and</li> <li>• power generation.</li> </ul>
Logging Up - Costs of mitigating the effects of BT's 21st Century Networks	<p>The efficient costs of mitigating the impact of telecom circuits or services that would demonstrably compromise the transmission licensee's tele-protection systems given the potential withdrawal of BT's Leased Line platform. For the avoidance of doubt this means:</p> <ul style="list-style-type: none"> <li>• costs of replacing these telecom circuits or services, or where it is more economic the costs of using an alternative telecoms service for these circuits and services; and</li> <li>• any appropriate set up costs attributable to the these telecom circuits or services</li> </ul>
Logging Up - Costs of underground cable tunnels (NGET only)	Costs incurred in relation to the identified cable tunnel projects, subject to an efficiency test. Any expenditure above £60 million that has been identified will be subject to the capital expenditure incentive scheme.
Logging Up - PLUGS	50 per cent of the incremental costs of providing a more secure (N-1) connection design in relation to small wind farms (less than 100MW).
Logging Up – Other Costs	Any other costs subject to logging up mechanism
Maintenance	<p>The invasive ('hands on') examination of the specific plant and equipment. Includes oil pumping; environmental clear-ups; building maintenance including weed clearance, fencing, outdoor and indoor maintenance; the functional testing of plant &amp; 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.</p>
Materials	The physical components that go into

# DRAFT VERSION 8.0

	the make-up of a tangible asset or are used for maintenance or other duties for the activities undertaken by the licensee and related parties.
Network rates	Rates levied on transmission network assets in accordance with the Electricity Supply Industry (Rateable Values) (England) Order 2005.
Non – Transmission	Costs attributable to activities other than transmission e.g. Non regulated, Gas Distribution
Non Controllable Costs	Costs not deemed to be controllable by the transmission business, transmission licence fees, network rates
Non Operational capex	Expenditure on new and replacement assets which are not system assets. This includes: vehicles (including mobile plant and generators); plant & machinery; small tools & equipment; office equipment; land and buildings used for administrative purposes; and all IT & telecoms excluding SO IT expenditure.
Non staff salary costs	<u>To define</u> <ul style="list-style-type: none"> <li>• <u>Travel and subsistence payments</u></li> <li>• <u>Car allowances</u></li> </ul>
Normal pension charges	Employer contributions or normal accruals to a pension scheme that are not pension deficit payments or charges
NTS charge	A charge on the Gas Distribution Networks (retained by National Grid and sold to 3 <sup>rd</sup> parties) to reflect the cost of pensioners at the time of the sale of the GDNs.
Opex direct activities	<ul style="list-style-type: none"> <li>• Maintenance Substations: Defined as maintenance excluding Underground Cables, Overhead Lines and Towers</li> <li>• Maintenance Underground Cables</li> <li>• Maintenance Overhead lines</li> <li>• Maintenance Tower Painting</li> <li>• Fault Repair; Defined as repair of system assets which have unexpectedly failed to operate as expected.</li> <li>• Inspections: Defined as the visual checking of the external condition of assets, including helicopter and foot patrols; and reading gauges</li> <li>• Tree Cutting: Defined as The activity of physically felling or trimming vegetation.</li> </ul>
Pension costs	The actual cash contributions and

## DRAFT VERSION 8.0

	deficit payments attributable to the Transmission business and paid into the relevant pension scheme. Where relevant, this will include statutory contributions to the Pension Protection Fund.
Pension deficit payments	The cash payments made, directly or indirectly, by the licensee to reduce the pension deficit. The pension deficit is the shortfall in a pension scheme's assets compared with liabilities as determined in accordance with applicable accounting standards, the pension scheme rules and the pension scheme actuaries
Pensionable salaries	Salaries which are used to calculate pension entitlement (usually excluding bonuses)
PPF Levy	The risk-based and the non-risk (i.e. scheme) based levies paid by a defined benefit pension scheme to the Pension Protection Fund in accordance with the Pensions Act.
Professional services and subscriptions	Consultancy services employed by the licensee or related party.
Profit/ loss on sales of fixed assets	The proceeds received from the sale of fixed assets less the book value of those assets
Property management	The activity of managing, providing and maintaining non-operational premises.
Provision	
Quarry and loss	See - Logging Up - Costs of claims for loss of development land against NGG NTS
Quasi Capex	Operating costs that are treated as operating costs in the regulatory and statutory accounts, but are reported as capex for regulatory reporting purpose.
RAV	Regulatory Asset value
RCCC Allowance	The assumption for operating expenditure requirements used to calculate allowed revenue.
Recurring Cash Controllable Costs (RCCC)	The normal ongoing cash operating costs, excluding non-recurring / one off costs, that are controllable by the transmission company.
Redundancy and severance costs	
Related party	Is an affiliate, a joint venture of the licensee or of an affiliate or an associate of the licensee or of an affiliate or a relevant associate of the licensee.
Related Party Margins	The profit or loss recorded on a transaction with an affiliate being the excess or deficit on actual direct costs and indirect costs (including financing

# DRAFT VERSION 8.0

	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.
Rent and Building costs	Property rents, leases, utilities (electricity, gas, water rates, business rates)
Retained Gas Distribution Networks	The 4 Gas Distribution Networks retained by National Grid
Revenue Driver	
Share options	The cost of share options given to staff
Staff Costs (excluding pensions)	Costs including any form of payment, consideration or other benefit, paid or due to or in respect of employees, including the costs of temporary or agency staff. It also includes non salary staff costs
Start date	The date on which the project was started
Systems assets	All assets on the licensee's <u>transmission</u> system, except connected generation assets not owned by the licensee and 'out of area' assets (e.g. offshore).
TIRG	Transmission Investment for Renewable Generation
Transfers to capital	Capitalisation of direct staff costs and indirect costs
Transmission Licence	Payments by the licensee to the Authority determined in accordance with the appropriate standard condition of the transmission licences.
UK Transmission Business	The electricity and gas transmission business



### **Appendix 3 – Price Control Review Reporting Pack (PCRRP)**

See Excel spreadsheet for details

Transmission PCRRP tables\_NGG NTS.xls

## Appendix 4 – Narrative Commentary

Transmission companies are required to produce a narrative commentary to accompany the Price Control Review Reporting Pack. This will enable Ofgem to understand the financial and other data within the pack, and reduce the need for supplementary questions and investigations.

This narrative should include the following:

- A description of the main operational and business events during the year that have affected positively or negatively the transmission company;
- The financial effect of these events on the company's results;
- Description of any change in the structure of the transmission company, or any company within the group that has an impact on the transmission business;
- Where appropriate this would include details of any material change (> £500k) in any values on individual tables (Need to confirm)
- Reasons for any material variance (> £500k) from price control allowances; and (Need to confirm)
- Full details of all changes in allocations / apportionments of costs between years.

**The capital expenditure narrative should include details of:**

1. All projects sanctioned – narrative
  - Schedule and delivery dates
  - Phased capex
2. All project re-sanctions – narrative
  - Revised schedule and delivery dates
  - Re-phased capex
3. All new projects and schemes (entry & exit) triggering revenue drivers, as well as any other planned investment for other reasons
  - Planned network investment – narrative
  - Schedule and delivery dates
  - Phased capex
  - Project sanction and / or re-sanction papers where appropriate
4. Any disposals, abandoned pipelines or decommissioned sites or plant with explanation and confirmation of the timescales for disposal
5. An updated map of the NTS network, which can be reproduced in A3 size

## **Appendix 5 - Information needed to Support the Processing of Financial Information**

The following information will enable Ofgem to understand how the financial and other information has been provided. This should be supplied to Ofgem along with the PCRRP. This may be a presentation given to Ofgem at the time of reviewing the PCRRP rather than a formal submission each year. One of the key things Ofgem want to understand is what the changes are from year to year

- A summary of the financial systems processes and audit thereon
- Sarbanes Oxley summaries or compliance procedures
- Authorisation process summaries
- A table of the main inputs / outputs to and from the financial systems
- Cost allocation model and documentations
- Costs mapping showing the grouping of nominal ledger codes in the financial systems to the tables in the PCRRP
- Accounting policies manuals
- Self insurance / Captive insurance accounts or summary thereof