

## **Electricity Distribution Price Control Review**

### **Price control cost reporting rules: Instructions and Guidance (version 2.21)**

March 2007

## Summary

This document is Version 2.21 of the Price Control Review Reporting Rules (“the rules”).

The purpose of these rules is to provide a framework for the collection and provision of accurate and consistent cost information from the Distribution Network Operators (DNOs), in accordance with standard condition 52 of the electricity distribution licence. This version of the rules will apply for reporting for the year ending 31 March 2007.

This version so far as the data to be submitted is concerned is largely the same as that for 2005/06 with the addition of Tables 1.1a and 1.1b Activity Analysis data for publication, 4.3 and 4.4 on Load and Non-Load related investment drivers and the replacement of 4.2 with a new table to report year on year cost movements by activity. We have evolved and refined the definitions and clarified the instructions to improve consistency. The old Table 2.15 Insurance has been deleted. Going forward Ofgem and the DNOs intend to develop further tables relating to other load related investment drivers (e.g. due to switchgear fault levels, overloaded circuits/plants and voltage outside statutory limits) to develop a better understanding of the network investment needs.

Copies of this document are available on Ofgem’s website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)).

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# 1. Introduction

- 1.1. The Price Control Review Reporting Rules (“the rules”) have been produced in accordance with standard condition 52 of the electricity distribution licence (SLC 52). The purpose of these rules is to provide a framework for the collection and provision of accurate and consistent information from the DNOs. This is important as it informs Ofgem of DNO performance and should contribute to improving regulatory transparency and certainty. The benefits of improvements in the quality of information should be realised by all those with an interest in the regulation of DNOs, including customers and their representatives, Ofgem and the DNOs themselves.
- 1.2. The rules include definitions and related instructions and guidance for preparing the annual information submissions. For the avoidance of doubt, these rules are subordinate to the licence conditions. Consequently, the rules will not change any definitions or obligations contained within the distribution licence and in the event of any dispute, the licence conditions will always take precedence.
- 1.3. Any future changes to the rules will comply with the change process set out in paragraphs 12 and 13 of SLC 52.

## ***Structure of this document***

- 1.4. The rules cover the following main areas:
  - **Chapter 2** – sets out the purpose and objectives of the cost reporting rules;
  - **Chapter 3** – details the reporting arrangements;
  - **Chapter 4** – sets out the required levels of accuracy for reporting;
  - **Chapter 5** – sets out the purpose of the Rules, the Instructions for completing the Regulatory Reporting Pack (RRP) and the definitions to be applied;
  - **Chapter 6** – summarises the RRP and Cost Commentary to be submitted annually;
  - **Chapter 7** – sets out the current position in relation to the publication of summary information and the annual RAV;
  - **Appendix 1** – purpose and instructions for completion of each table in the RRP;
  - **Appendix 2** – definitions to be applied in completing the RRP;
  - **Appendix 3** – the Regulatory Reporting Pack (RRP); and
  - **Appendix 4** – the cost commentary document.

## **2. Purpose and objectives of the Rules**

### ***Introduction***

- 2.1. The rules provide a framework for the collection and provision of accurate and consistent information for annual cost reporting by DNOs. The output from this process will be the DNO's completed RRP and the completed Cost Commentary. Ofgem will use this information to:
- facilitate effective monitoring of expenditure compared to DPCR4 allowances;
  - allow an interim RAV figure to be calculated;
  - enable the reconciliation of reported costs in the RRP to the amounts in each DNO's regulatory accounts; and
  - inform future price control reviews.
- 2.2. The objectives of the rules are to:
- improve robustness and consistency of cost data submitted by DNOs;
  - reduce the burden on DNOs to provide financial and other information at the time of a price control review; and
  - avoid varying interpretations of definitions and reporting requirements.
- 2.3. Both DNOs and Ofgem recognise that it is imperative to have a robust structure in place for monitoring performance in the period 2005 – 2010 (DPCR4) and informing the next review (DPCR5) based on consistent interpretation by DNOs of definitions and reporting requirements.
- 2.4. The methodology used to set the DPCR4 allowances set out in Appendix 1 of the "Electricity Distribution Price Control Review Final Proposals, November 2004 document (ref# 265/04)" ("Final Proposals") is applied in the rules to determine the comparison to allowances for DPCR4 (Part 1 of the RRP pack).

### ***Cost categories***

#### ***Metering activities and costs***

- 2.5. In assessing allowances for DPCR4, metering activities and associated costs were subject to a separate price control in the transition to a competitive metering market. These rules cover the disclosure of the costs of metering activities so as to separate them from distribution activities.

#### ***Distributed Generation activities and costs***

- 2.6. In assessing allowances for DPCR4, relevant distributed generation activities and associated costs were subject to a separate price control. These rules cover the disclosure of the cost of the relevant distributed generation activity so as to separate them from distribution activities.

### ***Excluded Services and de minimis activities***

- 2.7. The rules cover the disclosure of the costs of providing excluded services, out of area networks and de minimis activities. These costs are required to reconcile the total costs in the regulatory accounts to the businesses and activities of the licensee and to inform future price control reviews.

### ***Pass-through costs***

- 2.8. Certain costs were considered to be pass-through costs for DPCR4 and others are 'outside the price control'. The rules require such costs to be disclosed. These consist of:
- transmission exit charges;
  - charges from other licensed distributors covered by their price controls (wheeling charges);
  - network business rates;
  - Ofgem licence fees; and
  - certain company specific items such as the adjusted net costs of electricity provision in the Shetland Isles and the costs attributable to DNOs of closing down the current wholesale trading systems (Settlement Agreement for Scotland) in Scotland following BETTA go-live (applicable for 2005/06 only).

### ***Uncertain costs***

- 2.9. In setting DPCR4 allowances, Ofgem proposed a specific re-opener for certain costs relating to the Traffic Management Act 2004 (and its Scottish equivalent) and a two-stage re-opener for changes to the Electricity Safety, Quality and Continuity Regulations (ESQCR). The ESQCR re-openers provide for an assessment in 2008 of costs associated with overhead line clearances and assessment at any time of costs associated with amendments to the ESQCR itself. These changes were reflected in relevant licence modifications so that any consequential costs will be considered in isolation from companies' financial performance under the price control.

### ***Pensions***

- 2.10. In setting DPCR4 allowances, Ofgem determined that if the actual cash pension contributions differ from the amount allowed per the Final Proposals document, an adjustment to future revenue in the DPCR5 price control will be made to correct the difference. The RRP collects the data necessary to monitor pensions against the allowance to enable the correct adjustment to be calculated.

## 3. Reporting Arrangements

### *Introduction*

- 3.1. It is important that robust arrangements are put in place for the reporting of information required under SLC 52. This section sets out the reporting arrangements to apply for each financial year.

### *Requirements of SLC 52*

- 3.2. In accordance with SLC 52 (Price Control Review Information) the rules may, in relation to any requirement of the condition in respect of price control review information, specify:

- (a) the meaning to be applied to words and phrases (other than those defined in SLC 52 or any other condition of the electricity distribution licence) 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) may also specify which (if any) of the information provided under SLC 52 is to be subject to publication by the Authority.

### *Reporting year*

- 3.3. The financial year for the provision of information required under SLC 52 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 SLC 52. Where these changes do not relate to information included in the incentive scheme or the required level of accuracy, the consultation period will not be less than 28 days.

### *Submission*

- 3.4. DNOs must provide the information required under SLC 52 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. This is the latest date that information can be submitted, unless the Authority has previously consented otherwise in writing. Note: For 2006/07 all licensees have mutually agreed with Ofgem to submit not later than 16 July 2007.

- 3.5. The submission should be accompanied by a letter signed by a director on behalf of the licensee confirming that the pack has been completed in accordance with these rules.
- 3.6. Any resubmissions of the pack are only to be made by agreement between Ofgem and the licensee and in any such instance the pack should be resubmitted in full. The resubmission should only be accompanied by a letter signed by a director where significant changes have been made and Ofgem or the licensee decide such a letter is required.

### ***Review***

- 3.7. Once the DNOs 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 each DNO for discussion of the information submitted. Such visits will be agreed in advance with the licensees.
- 3.8. Where a reviewer has been nominated, then in accordance with paragraph 7 of SLC 52, the reviewer will enter into an agreement with the licensee to maintain confidentiality on reasonable terms.

### ***Queries on completion or discovery of errors***

- 3.9. For all queries on completion of the cost reporting pack or if any formula errors or other such errors are discovered on completion, an email should be sent to:

Finance and Reporting Team  
E-mail: [finrepteam@ofgem.gov.uk](mailto:finrepteam@ofgem.gov.uk)



## 4. Accuracy for reporting

### *Introduction*

- 4.1. All information provided should be an accurate representation of the information available to the licensee.
- 4.2. All financial data should be submitted in £ millions rounded to the nearest £100,000 (i.e. to one decimal place).
- 4.3. In Part 3 of the RRP, the statistics tables 3.1 and 3.2, the data should be in whole numbers.
- 4.4. Where appropriate data entry has been formatted to prohibit entry in an incorrect sign and, where required, to whole numbers.
- 4.5. 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 must be provided in the cost commentary document and in Table 4.1 and the licensee's assessment of the robustness of their assumptions must be stated.
- 4.6. Where a modification of the rules results in a requirement to provide:
  - (a) data for a new cost category or activity; or
  - (b) an existing cost category or activity 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 or activity, for the year in which the modification is made and for any preceding year, derived from such other information available to the licensee as may be appropriate for that purpose; and shall set out the basis and methodology for deriving the estimated amounts in sufficient detail in the Commentary.

## **5. Purpose, instructions and definitions**

### ***Introduction***

- 5.1. This section refers to the purpose, instructions and definitions for completion and submission of the RRP to enable Ofgem to monitor performance against allowances and to roll forward the Regulatory Asset Value (RAV).

### ***Purpose and instructions for completion***

- 5.2. The purpose of these rules is to provide a framework for the collection and provision of accurate and consistent information from the DNOs for such aspects of the licensee's distribution business and of the business of each affiliate or related undertaking of the licensee that either directly or indirectly provides goods and/or services to the licensee or forms part of the distribution business, either separately or consolidated and in such manner as is required under these rules, e.g. affiliates undertaking connections business.
- 5.3. 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.

### ***Definitions***

- 5.4. In accordance with SLC 52, these rules define the meaning to be applied to words and phrases other than those defined in that or any other standard or special licence conditions. Deviations from those definitions are not permitted. Appendix 2 sets out the detailed definitions.

## **6. RRP tables and commentary**

### **RRP**

- 6.1. The RRP at Appendix 3 is provided in Excel spreadsheet format to DNOs and should be submitted electronic format, together with the separate RRP Cost Commentary document attached at Appendix 4. The RRP must be submitted as an Excel file and the commentary as a Word file. Submissions as portable document format ("PDF") files are not permissible.
- 6.2. The RRP is in a number of sections, Part 1 of which is for comparison to DPCR4 allowances and data for publication in the annual Cost Review; Part 2 is the key financial data collection; Part 3 is for collection of technical data; and Part 4 is Other Information, i.e. DNO cost mapping to the Cost Matrix, year-on-year movements in expenditure by activity and network analysis.

### **Commentary**

- 6.3. The cost commentary at Appendix 4 provides the opportunity for DNOs to explain why costs have been incurred and the annual movements in cost levels (set out in Table 4.2). It will be used in conjunction with the financial tables, to understand the structures and operations of each DNO, to inform DPCR5 and to monitor DNOs' performance against Ofgem's assumptions for costs included in the DPCR4 Final Proposals document.

## 7. Publication

- 7.1. A number of DNOs consider some of the information provided in the RRP to be commercially sensitive.
- 7.2. Ofgem is bound by the requirements of Section 105 of the Utilities Act 2000 relating to the disclosure of information.
- 7.3. Ofgem recognises the value of improving transparency of information in regulating natural monopolies.
- 7.4. In particular, Ofgem intends to publish an annual cost review which will include:
  - a provisional calculation of the Regulatory Asset Value for each DNO each year;
  - comparisons to DPCR4 allowances;
  - summary and detailed activity analysis;
  - detailed activity costs reconciling to the annual operating and capital expenditure in the Regulatory Accounts (see Tables 1.1a and 1.1b in Appendix 3).
- 7.5. It is Ofgem's intention to continue to review whether to publish further disaggregated data and analysis.

# Appendix 1 – RRP Purpose and Instructions

## General Instructions for Completion

### Overview

The Regulatory Reporting Pack (“RRP”) is 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 subject to allowed reconciling items set out in Table 2.1.

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 in Appendix 1 and the definitions provided in Appendix 2. The RRP is to be submitted to the Authority in electronic Excel file 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.
- Except on Tables 2.1, 2.3 (where indicated) and 2.5 all costs are to be entered on a cash typical costs basis and exclusive of atypical items. Cash means exclusive of all provisions and all accruals and prepayments that are not incurred as part of the ordinary level of business.

### Definitions

All row and column headings requiring data input are clearly defined in Appendix 2 “Definitions”. DNOs must ensure that the definitions are clearly understood and are complied with when entering any data into the RRP. This is to ensure consistency and comparability of data entry across DNOs.

### Worksheet Protection

Worksheets within the RRP are password protected to ensure no rows or columns are added or deleted and that no formulas are altered. Only the input cells coloured yellow are unprotected enabling data entry and have been set to accept only positive or negative amounts as appropriate. This is to ensure that all DNOs report data in the same manner enabling easy extraction of data from the RRP. Cells coloured orange are for data entry by Ofgem and will arise from its review and will be principally RAV orientated.

### 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.

## RRP Contents and Version Control

**Purpose and Use by Ofgem** The purpose of this version submission control sheet is to ensure that all Tables of the RRP have been completed and submitted by DNOs and to monitor resubmissions and track changes in those resubmissions.

**Instructions for Completion**

- The initial submission should be complete in its entirety and submitted as soon as reasonably practicable and in any event not later than 31 July each year. Note: For 2006/07 all licensees have mutually agreed with Ofgem to submit not later than 16 July 2007.
- Section 1: complete the date of the initial submission and the dates of any re-submission. If required, additional columns will be added by Ofgem.
- Section 2: enter a cross ("x") to indicate that the table has been completed and submitted.
- Section 3: enter a cross ("x") to indicate that the additional information has been completed and submitted. Note: the ten year capex forecast is to present annual data for each regulatory year from 1 April 2005 to 31 March 2015.
- Where it is necessary to resubmit for any reason, the whole pack must be resubmitted because of the integrated file links. In such circumstances enter the date of resubmission in Section 1 and indicate with a cross in the appropriate box which tables and/or additional information has been amended.
- In addition for each resubmission, where it is not obvious either from additional entries on Table 4.2 or otherwise, a separate free-form explanation must be provided listing each and every cell that has been amended and sufficient commentary to explain the reasons for each change.

## Company names and date input

**Purpose and Use by Ofgem** The purpose of this worksheet is for the licensee's name and those of related parties and pension schemes to be entered and date and current year RPI information. This data automatically populates names and dates throughout the RRP and the individual licensee's historic data in Table 1.2 "RAV Roll Forward" and current and prior year price control allowances in Table 1.1 "Summary Indicators". All of which data is in the public domain.

**Instructions for Completion**

- Input the regulatory year for which the return is submitted in the format 2005/06.
- Input the required dates as text in the format "'31 March 2006".
- Input the average RPI for the current year and the average of March & April RPI as advised annually by Ofgem (in April & May each year).

- Input from the table the number allocated to the licensee to whom the RRP relates to one decimal place. This number is used to populate various tables with values and names throughout the RRP. It is preset at "0". Any other number from the table will populate other worksheets with that other DNOs data.
- Input the full names of the DNO, Other DNOs in the same group, Related Parties and all Pension Schemes. This should be the registered name of the statutory entity and, where appropriate, a suffix of the division or branch.
- Input the abbreviations for all Other DNOs in the same group, Related Parties and all Pension Schemes. Where another DNO is already listed use the same abbreviations as in the table.

## Check and balance report

**Purpose and Use by Ofgem** The purpose of this worksheet is to report all checks included on the tables and highlight any instances where there is an unsatisfactory check to enable DNOs to identify and address errors and/or inconsistencies. If there are any unsatisfactory checks an 'out of balance' message will be shown on the top of each table and on the front cover of the pack. DNOs should rectify the reason for any unsatisfactory checks and should not submit packs to Ofgem which display this message.

**Instructions for Completion**

- No data input is required.
- The worksheet is entirely formula driven from links to other worksheets in the RRP.

## Table 1.1 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 expenditure to the DPCR4 allowances for opex, capex and pensions, and to show the closing RAV, net debt and net debt to RAV gearing. 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 and to populate tables in the Cost Review.

**Instructions for Completion**

- No data input is required.
- The worksheet is entirely formula driven from links to other worksheets in the RRP.
- In the Cost Commentary DNOs are to provide a summary explanation of the movements in actual costs compared to the prior year.
- Allowances and prior year data are hard coded into hidden data tables in the worksheet and the former are inflated by Ofgem each year. These are derived from the Final Proposals document.

## Table 1.1a Activity Analysis

**Purpose and** The purpose of this worksheet is to present the DNO's costs in

**Use by Ofgem** summarised activities plus atypical costs and pension deficit payments and (the total row) is used to populate the Total Costs Activity Analysis table in the annual Cost Review.

**Instructions for Completion**

- No data input is required.
- The worksheet is entirely formula driven from links to other worksheets in the RRP.

### Table 1.1b Total Activity costs

**Purpose and Use by Ofgem** The purpose of this worksheet is to present the DNO's costs in the format that is published on the Ofgem website with the Cost Review showing the Total Activity Costs and reconciling to the opex and capex in the regulatory accounts from Table 2.1.

It also shows the prior year published data. [Note: for 2006/07 the comparative amounts for Project Management have been populated from the previous year Table 2.9 and the Engineering Management & Clerical Support costs amended accordingly.]

**Instructions for Completion**

- No data input is required by DNOs.
- Ofgem may input data to align with amendments arising in Table 1.5.
- The worksheet is entirely formula driven from links to other worksheets in the RRP.

### Table 1.2 RAV Roll Forward

**Purpose and Use by Ofgem** The purpose of this worksheet is to calculate the additions to RAV each year and to calculate regulatory depreciation and the closing RAV balance in £m 2002/03, i.e. real prices.

**Instructions for Completion**

- The worksheet is entirely formula driven from links to other worksheets in the RRP and historic data is sourced from hidden lookup tables.
- RAV additions are linked to Table 1.5 where all DPCR4 adjustments are formula driven and linked to other worksheets, except for any Ofgem adjustments which, if required, may be made post submission.

### Table 1.3 Labour – Direct/Indirect Cost Adjustments

**Purpose and Use by Ofgem** This worksheet calculates the required indirect cost 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 2.2 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**
- The first table (A) on this worksheet presents the labour costs (including NI and excluding normal pension payments) as input into Table 2.2 as the costs are linked no data input is required.
  - In the second table (B), DNOs should 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 2. The costs are to be input as a negative under the Direct Costs Activity, Excluded Services and de Minimis, Metering and relevant DG activities where appropriate 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.

### Table 1.4 Related Party Margin Adjustment

- Purpose and Use by Ofgem** This worksheet calculates the required margin adjustment to be excluded for the purposes of calculating the RAV and comparisons to DPCR4 allowance.
- Instructions for Completion**
- No data input is required.
  - The worksheet is entirely formula driven from links to other worksheets in the RRP.

### Table 1.5 Capex and opex on a DPCR4 basis

- Purpose and Use by Ofgem** This worksheet calculates the capex, opex and pension amounts for the purposes of calculating the RAV and comparisons to DPCR4 allowances.
- Instructions for Completion**
- No data input is required.
  - The worksheet is entirely formula driven from links to other worksheets in the RRP, except for rows with an orange background. These are for Ofgem to enter post submission review adjustments, where appropriate, to deliver the RAV and amend for inaccuracies identified to prior year submissions affecting RAV.
  - Where a DNO has more than one pension scheme subject to the disallowance in paragraph A1.44 in Appendix 1 to the Final Proposals, the DNO should provide its own calculation in the Cost Commentary of the necessary adjustment for Ofgem to review this and input.

### Table 2.1 Reconciliation to Regulatory Accounts

- 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 which are prepared applying the DNO's own accounting policies.
- Instructions for**
- Input the relevant costs from the Regulatory Accounts profit and loss (or income statement under IFRS), fixed asset

## Completion

additions. This includes:

- o IT software reported under intangible fixed assets under IFRS;
- o customer contributions where not reported in net fixed asset additions;
- o amortisation of intangible fixed assets (IT software) under IFRS,

from the note(s) to the Regulatory Accounts in the cells provided.

Note that capitalised interest and asset revaluation amounts are not to be included on other tables in the RRP and therefore they must be deducted here.

- Input any reconciling items, which are adjustments to costs or recoveries for items not in the Regulatory Accounts or where offsetting of costs and revenues/recoveries is not allowed under these Rules for presentation of amounts in the RRP, or for IFRS adjustments.
- Non-operational assets which were previously owned and reported as owned by a related party which are subsequently acquired by the DNO (or another related party engaged in the distribution business) must be reported as a reconciling item here rather than as an addition on Tables 2.2 and 2.4, as they (or a portion of them) cannot flow into RAV to avoid double counting them. This applies regardless of whether the asset was originally acquired pre or post 1 April 2005.
- The Non-Activity costs are linked to Table 2.6, where they are input.
- Movements in provisions, movements in atypical accruals and prepayments and cash atypical costs, are linked to Table 2.5.

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.

## Table 2.2 Total Cost Matrix – cash typical costs

### Purpose and Use by Ofgem

This worksheet is the key input sheet for collecting information to monitor DPCR4 performance, roll forward the RAV during DPCR4 and to inform DPCR5.

### Instructions for Completion

#### General

- The data to be reported is for such aspects of the licensee's distribution business and of the business of each affiliate or related undertaking of the licensee that either directly or indirectly provides goods and/or services to the licensee or forms part of the distribution business, which includes affiliates undertaking connections business.
- Cost data is to be reported separately for the DNO and all related parties, thereby eliminating the issues associated with different corporate structures. Costs are to be reported gross; no offsetting is permitted (see reconciling items in Table 2.1) and must be input on a cash typical costs basis. A summary by cost category to costs on an accruals basis including atypicals is provided. It should be noted that the definitions and reporting requirements of these Rules have precedence over UK GAAP or

IFRS reporting, e.g. an item recorded as a tangible or intangible fixed asset in regulatory or statutory accounts may not necessarily be treated as such under the Rules.

- Where goods or services are provided to a related DNO or other parties, in accordance with standard licence condition 43 those costs are de minimis, and shall be reported under the de minimis activity column.
- The total costs reported on this table on a cash typical basis should agree to the operating costs in the Regulatory Accounts profit & loss account/income and expenditure statement and capital expenditure additions, subject to allowed reconciling items reported in Table 2.1.
- Any cost recoveries (as defined in Appendix 2) should be recorded only on the Cost recoveries rows, such cost may not be atypical but those arising from timing differences between cash payments and subsequent repayments or receipts.
- Inputs should all be positive except for the following sections:
  - Cost recoveries – which should be negative;
  - Customer contributions – which should be negative; and
  - The three allocation blocks – which have been formatted to match the instructions for completion as positive or negative.

Cells are set to restrict inputs only to positive or negative amounts as noted above. Where input conflicts with this, negative should be entered in the Cost Recoveries' rows and an explanation for the entry must be provided in the Cost Commentary.

- Cost data is to be input on a cash typical basis **exclusive** of:
  - movements in all provisions (being charges or releases to the P&L account/income statement and utilisation of provisions);
  - atypical accruals and prepayments;
  - atypical cash costs (which include cash payments on utilisation of all provisions); and
  - cost recoveries in respect of an atypical item, all of which should be input on Table 2.5.
- Utilisation (i.e. cash payment) of a provision should be reported in Table 2.5 as cash atypical cost in the year in which it is paid and not on Table 2.2.
- In Table 2.2, do not enter any "typical" provision movements. There can be no entry in the "Cost Recoveries" rows for provision releases. All provision releases of both typical and atypical provisions do not go on Table 2.2. They are recorded on Table 2.5 and must appear on Table 2.1 as reconciling items.
- Any element of a charge from a related party which include a provision or non-normal level of trading accrual or prepayment movement are to be unwound and reported on Table 2.5 not Table 2.2.
- Data is to be input under each activity column heading and against each row description only where the cell is highlighted yellow which will show as blue text when entered.
- The activity column headings have been split into Distribution, Excluded Services, De minimis, Metering Business and Relevant Distributed Generation Business activities 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 activity column heading in which they were incurred in the related party (e.g. Stores & Procurement staff labour costs incurred in a related party and charged to the DNO are to be reported against related party Labour Costs under the activity column heading Stores & Procurement).
- Direct costs for Excluded Services, De minimis, Metering Business and Relevant Distributed Generation Business activities are to be input under the relevant column.
- Indirect costs for Excluded Services, De minimis, Metering Business and Relevant Distributed Generation Business activities and which are re-allocated to these activities are to be input in the relevant distribution activity indirect activity columns for subsequent re-allocation on rows 160 to 162.
- Fault costs are to be reported gross of insurance recoveries in each of the cost rows (e.g. labour, materials, contractors, etc). Insurance recoveries should be input in the Cost recoveries rows.
- Labour costs include the cost of employee share options which must follow labour costs to individual activities and must not be reported in a lump-sum in any activity.
- Wayleaves/servitudes/easements: The cost of an easement and the cost of conversion of a wayleave to an easement must be reported under Load Related New Connections & Reinforcement and Non-Load non-fault new & replacement assets respectively. The periodic payment for an existing wayleave and the cost of wayleave administration should be reported under Wayleave Administration.
- Substation rents which are reported in the Wayleaves Administration activity are to be input on the "Rents, etc" row.
- Lane rentals encompass fines and penalties, permit scheme costs, road occupation and congestion charges. These are analysed on Table 2.6 into their constituent elements. In addition, where they form part of uncertain cost as determined by the special licence condition A3, they must also to be input and reported on Table 2.6.
- Rents, etc, on this line input the cost of rents (including for substations), leases, utilities, software licences, ordnance survey licences, insurance premiums and the cost of third party claims met by the distribution business.

Note:

- Rental income should be reported as revenue in the Revenue Return (e.g. rental of land is ES9, other may be de minimis, and should be assessed on a case by case basis) and not under de minimis or any other activity and on the Cost Recoveries row. If they not reported as revenue in the regulatory accounts then a reconciling item will be required on Table 2.1.
- Insurance premiums and the cost of third party claims met by the distribution business are to be reported only under the Finance & Regulation activity.
- Insurance claim receipts are to be recorded under Cost Recoveries.
- Software licences are to be reported only under IT & Telecoms activity, except the cost of upgrades which are to be reported under non-operational capex.

- Ordnance survey licences are to be reported only under System Mapping - Cartographical activity.
- Payments from or movements in an insurance sinking fund for self-insured risks are to be input on Table 2.5 in "TABLE B: Summary of accruals and prepayments (non-ordinary level of business)".
- Rents paid to a related party must be shown at underlying cash cost and NOT at market values. "At cost" means the amortisation of a lease but not of a freehold asset, any marginal costs of occupying the property; and the excess of market value charged by the related party over the underlying cash cost must be reported as a related party margin. Any element of depreciation and amortisation must be reported under non-operational or operational depreciation as appropriate. Rents should not include facilities management costs, which should be reported on the appropriate cost rows (e.g. labour, normal employers' pensions, materials, contractors, etc).
- Related party margins are to be input in the related party margin row for each relevant activity column heading. This includes the profits of an insurance captive (as defined in Appendix 2). Where an insurance captive insures risks at more than one DNO or at other related parties then the amounts applicable to the distribution business should be based on the premiums paid by the distribution business to that insurance captive pro rata to total premiums. When an insurance captive makes an insurance claim payment to the distribution business then that payment should be reported as a cost under insurance (i.e. within Finance & Regulation) as well as a receipt under cost recovery (see below).
- Customer contributions: report all contributions, both refundable and non-refundable, received for new connections after 1 April 2005 in the licensee's distribution services by the DNO and affiliates, on this row under either Load Related New Connections & Reinforcement, Non-Load non-fault new & replacement assets, NTRs and Excluded Services, as appropriate. When a refundable contribution is wholly or partly refunded, report the amount refunded in the year the cash payment is made on this row. Any pre-1 April 2005 Tariff Support Allowance which is held on the balance sheet as being potentially refundable contributions held at 31 March 2005 which are subsequently released should be reported as customer contributions under Load Related New Connections & Reinforcement at the time of the release.
- The "Direct Activity Allocations" rows are to be used to reallocate, applying the licensee's own accounting rules from the direct activities of Tree cutting allocated to new assets (in accordance with these rules) and Inspection and Maintenance activities to direct "Load Related New Connections & Reinforcement" and "Non-load non-fault new & replacement assets".
- The "Indirect Activity Allocations" rows are to be used to reallocate costs applying the licensee's own accounting rules from indirect activities to direct activities (including excluded services, metering, de minimis and relevant DG). Where a DNO follows full absorption costing then it would be expected that all indirect costs would be reallocated, such that all indirect costs total to zero. Where a DNO does not fully absorb costs

under their own accounting system, then some or all of the indirect costs may not be fully allocated.

### **Direct Activities**

- 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 in Appendix 2.
- The cost of performing direct activities shall only include the following elements:
  - The **Labour** cost of staff whose work involves physical contact with system assets. This can include the element of labour costs associated with trench excavation staff, craftsmen, technicians, technical engineers, administration and support staff, network planners and designers where a portion of their time involves physical contact with system assets, however only that portion spent on direct activities may be included. It will include idle, sick, training and other downtime of direct staff, which cost should follow their normal time allocations.
  - The cost of **Contractors** being the total charges invoiced by external contractors for the prime purpose of performing 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.
  - Servitude and easement payments to enable the direct activity to be performed. This does not include the cost of management or administration of these.
  - Lane Rental costs (i.e. road occupations costs, lane rentals, congestion charges and overstay penalties) incurred whilst performing direct activities. Overstay fines/penalties associated with NRSWA section 74 are to be included in “Lane rentals, etc” in Table 2.2. The total of this cost heading costs is to be analysed into its constituent elements on Table 2.6.
  - Related Party Margins charged by a related party for work performed on direct activities.
- 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. It is 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 Connections and Reinforcement” in their own records, the costs should be included in the Tree Cutting column in accordance with the definitions in Appendix 2, and then reallocated to “Load Related New Connections and Reinforcement” in the direct activity allocation row. This is performed by entering a negative number under the Tree Cutting column and a positive number under the “Load Related New Connections and Reinforcement” column. Similar treatment applies to Inspections and Maintenance.
- Customer contributions for such aspects of the licensee’s distribution business and of the business of each affiliate or related undertaking of the licensee that either directly or indirectly provides goods and/or services to the licensee or

forms part of the distribution business, either separately or consolidated and in such manner as is required under these rules, e.g. affiliates undertaking connections business.

### **Indirect Activities**

- 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 & Telecoms).
- Cost data for these activities should be populated as per the definitions included in 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 Total Cost Matrix Table).
- 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.
- The relevant proportion of indirect costs allocated by the DNO to non-distribution activities should then be reallocated in the “Activities other than distribution” row. Re-allocations should be reported separately for (a) all costs elements (excluding Pension costs (employer only)); (b) Pension costs (employer only); and (c) related party margins. A negative number should be input under the relevant Indirect Costs activity column and a positive number input under the relevant non-distribution activity column heading.
- The relevant proportion of indirect costs allocated by the DNO to Direct Activities 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 column heading).
- No costs may be reallocated from non-distribution activities to the distribution activities.

### **Metering Business and DG Business**

- Cost data for the metering business and Relevant DG business should be populated in accordance with the definitions included in Appendix 2.
- These activities should only be populated in the first instance by the direct costs of performing the defined activities.
- Indirect costs allocated to metering business and Relevant DG business should be allocated on the basis described in the Indirect Activities explanation above.
- Network non availability rebates paid to relevant distributed generators should be reported under Relevant DG opex costs in column AL on the “Rents, etc” row. Note: There is a licence condition requirement not to net off rebates against revenue – Special licence condition A1.

### **Provision and receipt of services to/from Related Parties and others, de minimis costs and revenue reporting**

- In the RRP, DNOs should report all costs relating to the provision of services to or for a related DNO (including costs for shared facilities), even where a licence consent means that these are not counted towards the de minimis activities 2.5%

cap. Any recovery of such costs should be shown on the cost recoveries row, or reported as de minimis revenue in the revenue return as appropriate.

- Where those recharges are not reported:
  - as de minimis revenue/turnover in the regulatory accounts then a reconciling entry should be made in section 7 of the Revenue Return; and / or
  - within revenue/turnover and have been offset against costs in the regulatory accounts,then reconciling entries should be made in Table 2.1 of the RRP and Section 7 of the Revenue Return. These are “allowed reconciling items”.
- Where a DNO carries on de minimis business that is within the scope of SLC 43 then the related costs and revenues/recharges should be reported in the same manner with no offsetting.
- For the avoidance of doubt, where a DNO and an affiliate provide a service (or services) to each other, the cost incurred and the recharge should not be offset when reporting charges for services from the affiliate and the cost incurred in providing the service (the recharge) to the affiliate, even where they are for the same activity. As noted above, the cost incurred by a DNO in providing a service is de minimis activity and must be reported under de minimis activity and the amount recharged is income to be returned as de minimis revenue.
- Where a DNO recovers costs from an affiliate those recoveries should be similarly reported - this includes the sale of surplus materials or scrap.
- Cost recoveries satisfying the definition in Appendix 2 must be reported on Table 2.2 under the Cost Recoveries row.

These rows are intended to collect all cost recoveries as defined excluding insurance recoveries which may relate to the current or to preceding years. Insurance recoveries for severe weather events must be reported only on Table 2.5 as atypicals under the appropriate atypical event heading in the Cost Recoveries row.

Cost recoveries do not include the proceeds of the sale of scrap, which must be reported on Table 2.6 under Proceeds of sales of assets and scrap.

- Where a cost centre or activity is shared then the DNO incurring the costs and recovering a share of those costs from an affiliate should report these as de minimis costs and income.

## **Table 2.3 Inspections, Maintenance, Tree cutting and Fault Costs**

### **Purpose and Use by Ofgem**

This worksheet is the key input sheet for the Direct Activity of Inspections, Maintenance, Tree Cutting and Faults (data for cash typical cost and atypical costs are input separately). It splits Inspections, Maintenance, Tree Cutting and Faults into various sub-categories first by voltage level then by asset type which will enable more detailed analysis for DPCR5.



This worksheet has memo columns to be completed by Scottish DNOs only for the purposes of providing an equivalent cost for the 132kV network in Scotland.

### **Instructions for Completion**

- The general instructions for completion are same as provided for Table 2.2, i.e. on a cash typical basis, Fault related atypicals are input separately.
- The row headings have been split by voltage level and by asset type.
- Input the costs for the Direct Activities of Inspections & Maintenance, Tree Cutting & Faults under the asset headings provided and as defined in Appendix 2.
- Inspection and maintenance input the costs:
  - aggregate LV services both metered and unmetered;
  - LV system overhead mains; and
  - aggregate of LV Underground mains – Consac and non-Consac and LV switchgear (including plant and equipment) which includes items identified in Table 3.1 for LV switchgear network.
- For HV, EHV, 132kV network the Switchgear, Transformers, Substation category heading includes switchgear, transformer and other cost relating to substations (e.g. civil works, safety barrier/signs, painting, vegetation management, SCADA units).
- Third party cable damage faults should be reported under faults by voltage (and not as NTRs on Table 2.10 as they do not meet the definition in the special licence conditions).
- Total third party cable damage cost recoveries should be reported on row 32.
- Under Faults input separately the direct cash costs for typical and atypical (i.e. for Severe Weather Events only), the latter should agree to Table 2.5, as defined in Appendix 2, such costs to include provision and accrual movements.
- For Scottish DNOs, in the Memorandum Information columns, the costs associated with 132kV assets are to be input for the Direct Activities of inspections, maintenance, tree cutting and faults as defined in Appendix 2.
- For incidents affecting assets not covered by Quality of Service RIGs, input under Non-QoS Faults. These should include costs associated with:
  - Failure of LV service cut outs
  - Street lighting
  - Fuse failures associated with LV service cut outs
  - Loss of supplies associated with un-metered supplies only (predominantly street-lighting)
  - Abortive calls (e.g. investigation of a report of an overhead line conductor was on the ground only to find that the line was a BT circuit)
  - Safety calls (e.g. investigation of a report of a substation door that was open)
- 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.
- Un-metered LV services fault costs should be entered under the Non-QoS faults.

## Table 2.4 Detailed Capex Analysis

<b>Purpose and Use by Ofgem</b>	<p>This worksheet is the key input sheet for the Direct Activities of Load Related New Connections and Reinforcement, Non-load Replacement (conditions based non fault, Non load related (other non fault) and Non-Operational Capex.</p> <p>The 'Load Related New Connections and Reinforcement has been split into New Connections (carried out by DNO/RP), New Connections (carried out by third party), customer specific reinforcement (chargeable/non-chargeable) and General Reinforcement, while Non-load Replacement (condition-based non-fault) has been split first by voltage level then by asset type which will enable more detailed analysis for DPCR5.</p> <p>The data to be reported is for such aspects of the licensee's distribution business and of the business of each affiliate or related undertaking of the licensee that either directly or indirectly provides goods and/or services to the licensee or forms part of the distribution business, which includes affiliates undertaking connections business.</p>
<b>Instructions for Completion</b>	<ul style="list-style-type: none"> <li>• Input the total costs (which are a summation of labour, materials, contractors and other costs) incurred in performing physical work on the assets on the same basis as for direct activities in Table 2.2 and as defined in Appendix 2. Note: For rows prefixed "Connections provided at..." costs are to input against the voltage level of connection, e.g. the cost of both LV &amp; HV assets required to provide LV connections should be recorded under LV connections. For General Reinforcement the cost are to be input against the voltage level of the system asset.</li> <li>• For that final element of the New Connections (carried out by third party) connecting to the distribution network which is undertaken by the DNO/RP then that cost and any related contribution should be included under New Connections (carried out by third party).</li> <li>• Only costs relating to physical work on the assets should be entered. No indirect cost activities should be included.</li> <li>• For direct costs relating to LV switchgear/fusegear (including other plant and equipment) in Non-load Replacement (condition-based non-fault) category it includes items identified in Table 3.1 for LV switchgear.</li> <li>• For direct cost associated with substations (for HV, EHV, 132kV) include the costs relating to civil works (e.g. the costs of new fences, doors, roof and security), safety barrier/signs, painting, vegetation management, SCADA units and excludes the cost relating to switchgear and transformers.</li> <li>• Switchgear (including other plant and equipment) for HV, EHV and 132kV network also includes the cost associated with refurbishment of switchgear which extends the life of the equipment (e.g. replacing the trucks and not the panel).</li> <li>• General Refurbishment: Where refurbishment of an asset moves an asset between rows the dismantlement costs should be recorded against the old asset and the cost of constructing/installing the new asset should be recorded against that new asset.</li> <li>• Non-load related (other non-fault): Input costs against the</li> </ul>

primary reason for incurring the expenditure.

## Table 2.5 Cash Atypicals and utilisation of provisions and atypical accruals and prepayments

### Purpose and Use by Ofgem

This worksheet identifies the cash costs relating to atypical events and the utilisation of provisions (as disclosed in the regulatory accounts) and of atypical accruals and prepayments and their impact on operating costs and capex for informing DPCR5 and calculating RAV.

The data will be used to inform future normalisation and cost comparison exercises. (Note: costs reported in Table 2.2 are cash typical costs and are exclusive of atypical costs and movements on provisions and atypical accruals and prepayments).

Together with the analysis by related party in Tables 2.2 and 2.12 it will enable a cross check on the individual related party data in Table 2.11.

### Instructions for Completion

It is expected that by their nature there should be no atypical costs for NTRs or excluded services or de minimis activities.

Data is to be provided for:

- all provisions (and their movements) whether or not they are incurred as part of ordinary level of business activities at Table A;
- accruals and prepayments (and their movements) that are not incurred as part of ordinary level of business activity (i.e. non-normal level of trading) at Table B;
- atypical events on a cash basis at Table C.
- cash atypicals and utilisation of provision, accruals and prepayments by source, i.e. DNO and identified related parties at Table E.
- cash atypicals and utilisation of provision, accruals and prepayments for ES10 Excluded Service Metering and Out of Area Networks should be input under Metering Activities and de minimis respectively. (Note: This is to enable only relevant excluded services amounts to flow onto Table 1.5.)

*Note: the sign convention for data entry indicated next to each element has been automatically restricted to enforce that convention.*

### **TABLE A: Summary of provisions (excluding deferred tax)**

- Data is to be reported under the relevant activity for each provision for opening balance at 1 April in the year under review, charge to P&L account, release to P&L account, utilised (i.e. cash payment which flows onto Table 1.5) and closing balance at 31 March. The total of the provision movements' link to Table 2.1 Reconciliation to Regulatory Accounts.
- Data is to be provided for all provisions whether or not they are incurred as part of ordinary level of business activities. Holiday pay provisions are normal trade accruals and prepayments and should not be reported on this worksheet.
- Provisions which relate to atypical events should be disclosed

separately from other provisions and the description provided by overwriting “-details” with the description/reason.

- Provisions reported are to exclude those for deferred tax.
- The amounts reported within the rows for “Utilised” are to be further analysed in the section labelled “Cash payments on utilisation of provisions (+ve)” into (a) source by payer (i.e. DNO or related parties) and (b) cost row type reported within Total Cost Matrix.

**TABLE B: Summary of accruals and prepayments (non ordinary level of business)**

- Movements on atypical accruals and prepayments data are to be provided for visibility of these items and are as defined in Appendix 2.
- Data is to reported under the relevant activity for each atypical accrual or prepayment for opening balance at 1 April in the year under review, charge to P&L account, release to P&L account, utilised (i.e. cash payment which flows onto Table 1.5) and closing balance at 31 March. The total of the atypical accrual and prepayments movements’ link to Table 2.1 Reconciliation to Regulatory Accounts.
- Data is to be provided for all accruals and prepayments that are not incurred as part of ordinary level of business activity; these exclude holiday pay provisions, normal trade accruals and prepayments. Normally only atypical or abnormal accrual and prepayments will be input.
- The amounts reported within the rows for “Utilised” are to be further analysed in the section labelled “Cash payments on utilisation of provisions (+ve)” into (a) source by payer (i.e. DNO or related parties) and (b) cost row type reported within Total Cost Matrix.

**TABLE C: Cash Atypicals - atypicals (EXCLUDING amounts recorded in provisions and accruals and prepayments utilisation above)**

- Atypical events are those events as defined in Appendix 2.
- There are four prescribed atypical events and four additional rows in which a description should be inserted by overwriting the description where the row is used.
- Populate this table with the atypical elements of costs under the relevant activity heading for each event source by payer either DNO or related parties.
- For each event the amounts reported are to be further analysed by cost row type reported within Total Cost Matrix.
- The figures should exclude any amounts reported under provisions or atypical accruals and prepayments in Tables A and B.

**TABLE E: Source of TOTAL Utilisation & Atypical Events by entity**

- The total of the utilisation of Provisions & Atypical Accruals and Cash Atypical Events are automatically populated in Table D.
- The total amount in row 248 should be further analysed in Table E by individual related party. The amount paid by the DNO will be automatically populated.

**TABLE F: Analysis of related party margins included in**

### Table E amounts

- The total amount in row 257 should be further analysed in Table F by individual related party. This is used in the related margin adjustment on Table 1.4.

There are automatic cross checks to ensure data validity and integrity.

## Table 2.6 Miscellaneous

### **Purpose and Use by Ofgem**

This worksheet collects data on:

- Non-activity based costs (i.e. (i) pass through costs, (ii) costs inside scope of DPCR4 allowances; and (iii) costs outside scope of DPCR4 allowances) as defined in Appendix 2.
- Other items adjusting RAV (i.e. R&D subject to IFI, Lane Rentals, salary sacrifice schemes and proceeds of sale of assets and scrap. These are linked to Table 1.5. The data on salary sacrifice schemes is to reverse the impact and restore the position to the basis on which allowances were set.
- Uncertain costs (potential re-openers) (determined in accordance with Special Licence Condition A3) excluded from the DPCR4 allowances and which have been included in the amounts reported in Table 2.2 under activity and cost headings, i.e. road occupation and permit scheme costs and ESQCR and new ESQCR costs.
- Miscellaneous costs, use of system bad debts, pension administration costs, costs of replacing pressure assisted cables, undergrounding in national parks and areas of outstanding natural beauty.

The data will be used to inform RAV adjustments and monitor uncertain costs, identify non-activity costs for the reconciliation to the regulatory accounts in Table 2.1; and for pension administration for normalisation.

### **Instructions for Completion**

- Data relating to the listed non-activity based costs should be entered here as positive numbers, excepting where recoveries exceed expense, e.g. under Bad debt expense (net of recoveries) or where there is an overall profit on sale of assets, in both instances enter as negative. (Note: Statutory depreciation is only that on operational assets. Statutory depreciation on non-operational assets is to be reported on Table 2.2.). These costs are not recorded in any other category on Table 2.2.
- Other Items adjusting RAV:
  - R&D Subject to IFI:**
    - input the amount of R&D subject to IFI, consistent with Special Condition C3 and the DNO's IFI annual report, that is recorded within the Network Policy activity in Table 2.2; and
    - if appropriate, any indirect costs reallocated to it.
  - Proceeds of sale of assets and scrap:**
    - input separately the cash received on the sale (or the market value of intra-group transfer) of operational assets and non-operational assets as negatives, which

cost are not recorded in table 2.2. Note: all proceeds are to be reported regardless of when the relevant asset was acquired.

- Where an asset is destroyed in an insurable event and not rebuilt or replaced then the full recovery from an insurer should be reported as the proceeds of sale of assets.

**Salary Sacrifice schemes (including flexible benefit schemes):**

Where these have an impact on the normal level of employer pension contributions then

- Input the "Salary element sacrificed by employee" being the cash typical and atypical costs of the element of salary sacrificed by the employee in return for additional pension contributions by the employer (as negative). This amount should be reduced by any consequential saving in employer national insurance contributions arising from operating the salary sacrifice scheme(s); and
- Input the "Additional employer pension contribution" being the additional pension contribution by the employer in return for the element of pay sacrificed made from operating a salary sacrifice scheme(s) (as positive).

Note:

- These amounts should be input after re-allocation of indirects to non-distribution activities.
- The amounts for "Direct opex, faults & Non-op capex" should include relevant excluded services.

**Lane rentals analysis:**

- input an analysis of Lane rentals category in the Total cost matrix (Table 2.2) for each of:
  - fines and penalties;
  - road occupation costs;
  - permit scheme costs; and
  - congestion charges,which are utilised in deriving RAV.

• **Input the Uncertain Costs memorandum Items:**

- Costs agreed with Ofgem in writing under SpLC A3 (re ESQCR): Input the aggregate amounts relating to "new ESQCR costs" and "ESQCR costs" previously agreed in writing with Ofgem under paragraphs 3 of and 4 of Special Licence Condition A3 ("SpLC A3");
- Costs previously agreed with Ofgem in writing for additional security: Input the costs previously agreed with Ofgem in writing for additional security;
- For this table only, the costs which are to be logged up for Road Occupation & Permit Scheme Costs included in the Lane rentals category in the cost matrix are required to be analysed and entered separately for each of:
  - road occupation costs;
  - permit scheme costs; and
  - congestion charges,which are utilised in deriving RAV and for which the licensee may propose a relevant adjustment under paragraph 4 of SpLC A3 (to the charge restriction conditions) on or after 1 April 2005 for costs incurred, or likely to be incurred, after that date for road occupation and permit scheme costs.

• **Input the Miscellaneous memorandum Items:**

- Use of System Bad Debts, input the cost incurred, net of Value Added Tax (where recovered), and any receipts/recoveries against them in the current year. Should there be several such debtors each should be identified individually in the Commentary.
- Input cost of Pension scheme administration paid by the distribution business and reported within HR & Non-operational Training (and not recharged to the pension scheme).
- Input the total LV Control centre costs included in the Control Centre Activity where the LV Network is remote control and there is a formal LV Control Centre. This excludes the costs of field staff physically undertaking switching at a LV system asset.
- Input the expenditure and the length in kilometres for the current year and separately that incurred in the prior year(s) of DPCR4 of:
  - replacing pressure assisted cables and the length of overhead line removed.
  - Undergrounding in National Parks/Areas of Outstanding Natural Beauty ("AONB") by the direct cost and also the length of circuit removed at each voltage level and the total indirect cost. Costs are those which are additional to normal load and non-load related replacement capital expenditure. These amounts are excluded from the capex incentive scheme and are excluded from RAV in DPCR4.

## Table 2.7 FTE Labour costs

<b>Purpose and Use by Ofgem</b>	This worksheet shows the number of employees as FTEs by activity type and calculates the average labour cost per FTE which will enable more detailed analysis for DPCR5 and may inform the Regional costs analysis.
<b>Instructions for Completion</b>	<ul style="list-style-type: none"> <li>• The employee FTE numbers and costs should be input before re-allocations.</li> <li>• Input the FTE numbers for the DNO and individual related parties for each activity listed. FTE numbers for direct activities should be entered as one amount covering all direct activities and not split across the direct activity headings. These numbers are to include apprentices.</li> <li>• Input combined total apprentice and graduate trainee FTEs for the DNO and all related parties for each indirect activity and for Direct Activities in total included within the FTE numbers. This is a memorandum figure.</li> <li>• No data is required to be Input for prior year staff numbers on an FTE basis this is populated from a lookup table with prior year data, except:</li> <li>• (for 2006/07 only) input the prior year FTE numbers for Project Management.</li> <li>• No data is required to be input for labour or pension costs, these are linked to Table 2.2.</li> <li>• Input the actual average labour cost (excluding employer pension contributions) for each activity.</li> <li>• If the calculated average labour costs is not within 10%</li> </ul>

tolerance of the actual average labour costs per FTE then "review" message will appear to indicate that either the FTE numbers or the costs of that activity should be reviewed and, as appropriate, amended.



## Table 2.8 Information Technology (including Telecoms)

<b>Purpose and Use by Ofgem</b>	<p>This worksheet provides an analysis of new IT and Telecoms operational and non-operational asset expenditure and IT maintenance and running costs.</p> <p>The table will be used to identify the total IT that supports the activities within a DNO before any accounting treatments or apportionments are applied.</p>
<b>Instructions for Completion</b>	<p>All direct 'Information Technology' costs as defined in Appendix 2 must be entered on this table on a 'cash typical cost' basis.</p> <ul style="list-style-type: none"><li>• Input the costs for each of the activities within 'IT infrastructure and Management' under the relevant row and column headings as defined in Appendix 2.</li><li>• Input the costs for each of the activities within 'IT Applications Costs' under the relevant row and column headings as defined in Appendix 2.</li><li>• Ensure that the total of the IT Maintenance &amp; running costs equals the total of the direct costs for the IT &amp; Telecoms Activity in Table 2.2.</li><li>• Ensure that the total of the 'New Assets - Operational' and 'New Assets - Non-Operational' agree with the total of the direct costs included in Table 2.4 under 'Operational IT and Telecoms' and 'Non-Operational IT and Telecoms'.</li></ul>

## Table 2.9 Business Support Costs

<b>Purpose and Use by Ofgem</b>	<p>The purposes of this worksheet are to:</p> <ul style="list-style-type: none"><li>• provide an analysis of the key constituent elements of the following activities:<ul style="list-style-type: none"><li>○ CEO &amp; Group management / Legal &amp; Co. Secretary / Community Awareness;</li><li>○ Finance &amp; Regulation;</li><li>○ Engineering management and clerical support;</li><li>○ Network design &amp; engineering; and</li><li>○ Project Management;</li></ul></li><li>• monitor those costs for comparison to figures presented in DPCR4;</li><li>• inform DPCR5, to enable an understanding of the costs charged or attributed by affiliates to the DNO's distribution business for certain central functions.</li></ul>
<b>Instructions for Completion</b>	<p><b>Tables A, B C, D &amp; E</b></p> <ul style="list-style-type: none"><li>• Where there are other costs not covered by the specified categories and they form less than 30% of the total for this activity input them under "Other" and overwrite with a description – up to three "Other" headings are available. Where appropriate to enable Ofgem to understand the costs, provide further details in the Cost Commentary.</li></ul>

### **Table A: CEO & Group mgt / Legal & Co. Secty / Community Awareness**

- Input in the analysis columns the direct costs for each activity

listed in accordance with the definitions in Appendix 2.

**Table B: Finance & Regulation**

- Input in the analysis columns the direct costs for each cost row listed in accordance with the definitions in Appendix 2.

Input the source of the charges, e.g. DNO or related party, the latter should be named using the abbreviation in the "Company Names and date input" worksheet. Input the basis on which the charge or allocation is made to the distribution activity as a coded letter.

**Table C: Basis of allocation**

- Input against the coded letters a full description of the attribution/allocation basis applying in Tables A and B in columns G, J, L, P & S to charges from related parties.

This description should be sufficient to understand the allocation methodology applied for the charge and confirmation that it is applied consistently across all affiliates. Where it may be appropriate the detailed methodology, the logic and the calculation should be provided as an attachment to the Cost Commentary.

**Table D: Engineering management and clerical support**

- Input the direct costs for each task listed in accordance with the definitions in Appendix 2.

**Table E: Network Design & Engineering and Project Management**

- Input the direct costs for each cost category listed for both activities for Project specific costs of:
  - Load Related Reinforcement Assets;
  - Load related New Connections;
  - Non-load related non-fault new assets & replacement; andFor Project Management only input:
  - Strategic planning of the distribution network (as defined under Project Management in Appendix 2).

For tables A, B, D and E, the total cost must agree to the total direct cost in Table 2.2 for that activity for the DNO and related parties at row 152.

**Table 2.10 Excluded Services and Out of Area Networks**

**Purpose and Use by Ofgem**

The purpose of this worksheet is to inform DPCR5 and enable an understanding of the costs of each of the Excluded Services (ES1 to ES10) where identifiable and to compare cost to revenues and to record Out of Area Networks' costs.

The memorandum data for pensions is to enable the correct treatment in RAV.

**Instructions for Completion**

- Input the total of the direct costs for each excluded service where such costs exist and are identifiable. If there is no cost of providing a particular excluded service, please Input "0" in the cell. For NTRs the costs should be net of contributions.

- Input the total of the indirect costs allocated or attributed to each excluded service and Out of Area Networks, except ES2 Connections.
- Input the same for each of ES5 and ES6 Non Trading Rechargeables.
- Input for each excluded service the revenue, which should agree that in the DNOs submission of the Ofgem Revenue Reporting Model Table 5 “Revenue Outside Price Control & Excluded Services”.
- Input the memorandum data for related party margins and employers’ normal pension payments subsumed within each of the direct and indirect costs in total for each of relevant excluded services, excluded services metering and out of area networks where such costs exist, were reallocated to indirects and are identifiable.

## Table 2.11 Analysis of related party transactions

### Purpose and Use by Ofgem

The purpose of this worksheet is to provide an analysis of the nature and size of services provided to the DNO, other group companies and external parties 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 and calculate RAV.

A related party providing new connections (as defined in Appendix 2) should be shown separately, even when those costs flow through to another related party which ultimately charges the DNO.

There is a built-in check to ensure that the total charges to the DNOs from each related party agrees to the total amounts entered in Tables 2.2 and 2.5.

### Instructions for Completion

- Input a description of the services provided by each related party.
- Input the turnover data for the related party as charged to each DNO in the group, other related parties and external customers. Input as positive numbers.
- Input as negative numbers the respective costs incurred.
- Where the total charge from a related party to the DNO is less than £500k that related party does not need to be included on this table. For the avoidance of doubt it should still be included as a separate related party on Table 2.2. Note: Ensure that an affiliated insurance captive is separately disclosed.
- As an aid to completing this table column X shows the aggregate amount input under each related party in Tables 2.2, 2.5 and 2.12. The ‘shortfall’, or amount still to be analysed is shown in column Y. It is the difference between the amount on this table in columns C and X. This amount in column Y should be reviewed, the reported amounts corrected and any residual difference explained in the Cost Commentary. Unless the shortfall for a related party is nil the message,

"charges to DNO do not agree to Tables 2.2, 2.5 & pension deficits on 2.12" will appear in column S. The error messages do not get reported on the Checks & Balances worksheet as a difference may arise where costs are reported at more than one level of analysis between related parties.

- Where an asset is transferred or sold between related parties this should be reported separately from trading transactions. Each asset transaction should also be reported in the Cost Commentary where full details of the asset(s) involved, and the value and whether it is valued at book, cost or market or other should be provided.

Note: that if external data is not provided then the RAV RP margin adjustment will automatically exclude the entire margin for that related party.

## Table 2.12 Cash Payments to Pension Schemes and scheme data

<b>Purpose and Use by Ofgem</b>	The purpose of this worksheet is to provide information on all pension costs (normal and deficit), cash payments to pension scheme and scheme data for the purposes of comparison against the DPCR4 pensions allowance and for informing DPCR5 on pension costs and liabilities. It also records memorandum data on total severance costs and the amount which have been funded by pension surpluses for the purposes of informing DPCR5 and calculating pension allowances for RAV and comparison to allowances for DPCR4; and pension administration costs when paid by the pension Scheme.
<b>Instructions for Completion</b>	<ul style="list-style-type: none"> <li>• Data is to be provided for all pension schemes where there is an element relating to the distribution business.</li> <li>• Input the cash contributions physically paid to the pension scheme.</li> <li>• Input the cash payments to the Pension Protection Fund of the PPF levy.</li> <li>• Input in each column for each of the DNO, related parties for and other affiliates for each scheme to report the Total of each scheme</li> <li>• Input in each column for the distribution business activity reported on tables 2.2 and 2.5, analysed into each of Distribution activity, NTRs, Excluded Services, De minimis, Metering and Relevant DG.</li> <li>• Pensionable salaries are to include all pensionable elements of pay (e.g. pensionable overtime and shift allowances).</li> <li>• For the SSE Hydro and SP Distribution pension schemes which were in surplus at time of DPCR4 final proposals, Ofgem may require additional information to that in Table 2.12 if this situation changes.</li> <li>• Input memorandum data in respect of severance funding, other severance related costs and the number of severances for defined benefit schemes only.</li> <li>• Input the administration cost (excluding PPF Levy) incurred by each scheme (i.e. where it is not paid by the distribution business or recovered from a scheme by the distribution business) and, where the PPF levy is paid by the scheme trustees, that amount.</li> </ul>

- Where a DNO has more than one pension scheme subject to the disallowance in paragraph A1.44 in Appendix 1 to the Final Proposals, the DNO should provide its own calculation in the Cost Commentary of the necessary adjustment for Ofgem to review this and input.

## **Table 2.13 Tax: Capital Allowances for the licensee**

### **Purpose and Use by Ofgem**

The purposes of this worksheet are to:

- obtain an analysis of the DNO's tangible fixed asset additions and ensure allocation to the capital allowance pools on a consistent and comparable format across all DNOs for the regulatory financial year;
- attribute these pools to distribution, metering, relevant distributed generation activities and, if appropriate, for excluded services and de minimis activities;
- monitor and compare allocations to capital allowance pools across DNOs and across time to inform future price controls; and, as an input worksheet, to determine actual allocations of capex and identify fixed asset additions attributable to the various other activities separate from the distribution business;
- 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 the distribution business and other activities; and reconcile the total to the DNO's 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;
- record the annual movement and residual balances on the amounts of "Unregulated business balance adjustments" made for the purpose of DPCR4; and
- inform DPCR5.

### **Instructions for Completion**

- 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, relevant distributed generation activities (as they are subject to separate price controls) and, if appropriate, excluded services and de minimis activities, columns.
- Input any capex included as revenue in the profit and loss account/income statement in order to reconcile to the tax provision workings.
- The distribution activity (excluding metering, relevant distributed generation, de minimis and excluded services activities) will automatically be calculated as the difference between the "TOTAL for the licensee" and other activity columns.
- Input in the cells indicated the opening balances on each of the four capital allowance pools shall be. These shall agree to that submitted in the previous years' RRP.

- Where the opening balances are different to that in the prior years' RRP, the amount of any revision shall be input, 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 input, 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 provided in a separate explanatory note.
- In the memo column "Unregulated business balance adjustments", input 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.
- Where the payment received or made for group relief is not for full value then this should be reported and explained in the Cost Commentary.
- *Reconciliation to capex additions in the year:* In the cells indicated Input any necessary reconciling items with sufficient explanation to understand the item.
- The DNO's own rate of statutory depreciation in both the percentage and economic life in years for deferred revenue expenditure is to be input.

## Table 2.14 Tax reconciliation for the licensee by segment

### Purpose and Use by Ofgem

The purposes of this worksheet are:

- to provide a summary of the tax computation workings on a consistent and comparable basis across all DNOs, analysed so as to differentiate amounts attributable to the distribution business from those 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, relevant 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;
  - to obtain a reconciliation of the tax payments and refunds in the cashflow statement of the DNO's regulatory accounts; and
  - the effect, if any, of the impact of group relief and the utilisation of tax losses on the current year's tax charge in the DNO's regulatory accounts;
  - to reconcile the current corporation tax charge to the movements in the balance sheet provision and notes to the regulatory accounts; and
  - to inform DPCR5.
- Instructions for**
- Input the relevant amounts for each line heading in the cells provided, analysed between "TOTAL for the licensee" and that

## Completion

attributable to the metering, relevant 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. In attributing amounts to each of metering, relevant distributed generation, excluded services and de minimis activities it is recommended that they be ascertained by using the revenue for each as shown in the licensee's Revenue Return for the regulatory financial year and the costs may be assumed to be costs shown in Table 2.2 under the relevant activity.

- Input the rate of corporation tax appropriate to the current regulatory financial year in the cell indicated (e.g. 30%).

For each column, except distribution, input:

- *Statutory depreciation expense* should be the amount in the regulatory accounts.
- *Pensions contributions not paid* should be the adjustment to eliminate all pension contributions provisions or accruals, the amount of pension contribution paid and deductible for tax purposes shall be input under "Deduct".
- *Disallowed opex*: 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 DNO's own tax computation or tax provision workings.
- *Any other add backs* should be disclosed and described separately for individual items over £500,000.
- The capital allowances are linked to Table 2.13.
- *Capital charged to revenue* 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".
- *Pension contributions paid* is the amount of pension contributions actually paid to the pension funds or affiliates. Where these are not the same as disclosed in Table 2.12 an explanation should be provided in the Cost Commentary.
- Where prior amounts are different to that in the prior year's RRP, provide a reconciliation explaining and analysing the reasons for each change.
- Input the amounts of corporation tax paid or refunded and amount of group relief received or surrendered.
- Input any additional reconciling items with a description for all individual items over £500,000.

## Table 2.15 Capital Expenditure scheme analysis

### Purpose and Use by Ofgem

This worksheet gives a listing of the largest schemes (and programmes) by approved amount in the year for each of Load Related New Connections and Reinforcement and Non-load non-fault new and replacement related schemes.

The information will be used to inform Ofgem's understanding of the drivers for overall capital expenditure, for comparison to DNO

plans and budgets and to inform DPCR5.

## **Instructions for Completion**

### **Scheme/programme selection**

- For each year the ten largest schemes (and programmes) by total approved amount should be included in the table, i.e. five from each of Load Related New Connections and Reinforcement and Non-load non-fault new and replacement related schemes. Any schemes that are re-approved during the year (which has been previously reported among the ten largest) should be included as 'additional schemes/programmes' for the reporting period.
- Non-operational capex schemes are to be ignored.
- Rows can be resized to show the narrative which would otherwise be hidden where required by expanding the row height, by dragging down the cursor on the left hand row number.

Note: The individual scheme papers listed in table 2.15 for the reporting year should be submitted to Ofgem as early as practicable after 1 April in advance of the RRP submission, and at the latest with the RRP. A list of all Post Investment Appraisals completed in the year under review should also be submitted to Ofgem as soon as practicable after 1 April in the year and at the latest with the RRP. A selection of these appraisals will be requested by Ofgem for further review.

### **Data entry for schemes/programmes**

- The table requires schemes to be input as LRE/NLRE i.e. Load Related New Connections and Reinforcement OR Non-load non-fault new and replacement assets in the column headed LRE/NLRE;
- Include the 5 largest Load Related New Connections and Reinforcement schemes/programmes and 5 largest Non-load non-fault new and replacement related schemes/programmes by approved sum during the year;
- If there is a change in forecast expenditure on any of the above ten schemes/programmes during the year due to increased scope/timing this is to be input in 'Total Forecast/Reforecast';
- Input a brief description (title) of the scheme which includes the main assets to be replaced to achieve the scheme objectives. Input the main driver for the scheme either Load Related New Connections and Reinforcement or Non-load non-fault new and replacement assets, (e.g. P2/6 compliance, Obsolescence/Asset replacement, QoS, Safety, outage constraints);
- Input the options that were considered for the implementation of the scheme and their cost. Each option should only be 'title' of the alternate proposal(s) and it should only indicate how the objectives of the schemes could have been achieved differently;
- Input the 'reasons for selecting the scheme', i.e. the preferred option and the basis for cost/benefit analysis (e.g. discounted cash flow, better customer service in term of CMLs/CI, safety, environment);
- Input the 'current status/progress and expected date of completion'. It should state the progress in percentage (%) completion and forecast date of completion of the scheme;



- Input the 'DNO comments' for any information related to the scheme to include any reasons for delays, prioritisation against other schemes, outage constraints, and planning consents;
- Schemes relating to customer specific reinforcement or fully funded by the customer should also be included if it is one of the largest Load Related New Connections and Reinforcement schemes and has a major impact on overall DNO asset base;
- Additional scheme section should include any schemes that have been re-approved this year due to reforecast expenditure or any other additional works and is a carry over from previous year reported schemes.
- Prior Year Scheme Analysis (since 1 April 2005): This section of the table is designed to monitor the progress/delivery of the capital projects/programmes identified in Table 2.15 (Table 2.16 in 2005/06) in the RRP for previous years.
  - Update the columns for:
    - i) Expenditure during the year – Total expenditure to date on the scheme;
    - ii) Forecast/Reforecast Total – Expected cost of the scheme if it is revised; and
    - iii) Current Status/Progress - percentage of work completed.
  - Other descriptions relating to projects/programmes should be populated using the previous year's data.
  - Where a scheme has been re-approved in the year under review this need not be repeated here but reported in the first table above.

### Table 3.1 Asset Quantity Data

**Purpose and Use by Ofgem** This worksheet identifies the assets replaced, 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.

The worksheet also includes data relating to the refurbishment of overhead lines and other data relating to vegetation management. The information relating to vegetation management will be used to assist in the modelling of this activity and as a driver to assist in comparative analysis.

**Instructions for Completion**

**Asset replacement, additions and removals**

Asset data should be disclosed by operating and NOT by construction voltage. Where asset data is available only at construction voltage then this should be stated in the Cost Commentary.

- In the asset register "b/f" column input the opening asset register quantities which must agree to the prior year asset register as reported in prior year RRP.
- Input the asset quantities for additions to and disposals from the network (disposals to be input as negative numbers).
- Input the number of assets that were added or removed due to data cleansing adjustment (if any) during the year.
- For LV services overhead lines/underground cables this should be reported as 'number of services'.
- The category of overhead line (e.g. 6.6kV & 11kV conventional

construction) also includes the short spans of covered conductors, (e.g. road/railway crossings).

- Structures information will relate to data already provided on a per pole basis but will relate only to the number of individual structures OR supports (in accordance with the definitions included in appendix 2).
- Closing asset quantities should equal the total of assets on the aged asset register as at 31 March of the reporting year.
- Assets replaced after fault: If an asset is replaced after a fault and there is a like for like replacement, then it should be reported as an addition in the "fault replacement" column and corresponding asset removed in the "asset removed" column". If the replacement is not like for like, e.g. asset has been replaced by its modern equivalent and it has moved between rows then it should be reported added and removed in the respective rows.
- Where the asset additions and disposals do not explain the movement on the asset register, a quantified explanation must be provided in the commentary of the movements for each asset class concerned.
- The asset numbers carried forward as at 31 March must agree with the total asset figures included in Table 3.2
- Count of substation sites: This is to capture the number of operational sites where the DNO has the responsibility of inspection and maintenance and is defined as, a substation site owned by the DNO or another party (e.g. customer, transmission company), having a transformer owned and maintained by the DNO, energised and commissioned, including switching stations having only switchgear owned and maintained by the DNO.
- HV & EHV Ring Main Unit (RMU) should include both extensible and non extensible RMUs; and
- Extensible switches should be included in the existing asset category "6.6 & 11 kV switches - ground mounted - indoor & outdoor (excluding RMU & CB)"
- For wooden structure that comprises of two wood poles, it should be counted as two wood poles.
- LV Underground Cut-outs: These should be the number of underground services metered, unmetered should be excluded. The principle is that reporting should be consistent with the QoS rigs.
- 6.6 & 11kV earth switches and fault throwers: These should be entered as pole mounted.
- 33, 66 and 132kV Switchgear - Separate identification of current transformers (CTs), voltage transformers (VTs) and line traps is not required.
- All Voltages - CBs and switches: 3 phase units should be counted as 1 unit.
- Poles/Supports and Structures. Data in table 3.1 is being collected for a number of purposes including modelling of replacement profiles and confirmation of span data. As a result there may appear to be some duplication of data requested, however, it is in fact information requested on a different basis, e.g. a structure supporting a 33kV line on two wooden supports will be reported as 2 units on row 95 (Number of poles) and as 1 unit on row 108 (Number of Structures)). Please note these are not mutually exclusive.
- Assets should only appear in this table when they are

energised on the network. Assets which are de-energised but are available for re-commissioning (e.g. pressure assisted cables) should not appear in RRP tables.

- Assets under construction should not be reported in the RRP.
- Strategic spares should not be included in this table until installed and energised on the system.

### **Asset Refurbishment**

The data entered for refurbishment should be in accordance with the definition of 'overhead line refurbishment' in Appendix 2.

- Input the circuit length in kilometres (km) of overhead lines refurbished as either major or minor refurbishment.
- For overhead line 'insulator and fittings' should be reported as 'Insulator and fittings set' for each circuit (i.e. 1-set is equal to insulators and fittings for all the 3-phases). For a double circuit line it should be twice the figure for single circuit line regardless of the number of conductors used per phase.

### **Vegetation Management**

The vegetation management information should be provided on the basis of the number of spans and in accordance with the definitions included in Appendix 2.

- Input the total number of spans of the overhead line network against the appropriate asset classification.
- Input the 'Number of spans affected by trees' and 'Spans cut'.

## **Table 3.2 Asset Register Age Profile**

### **Purpose and Use by Ofgem**

This worksheet identifies the age profile of assets on the DNO's 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**

Asset data should be disclosed by operating and NOT by construction voltage. Where asset data is available only at construction voltage then this should be stated in the Cost Commentary.

- 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 3.1.
- For Overhead line 'insulator and fittings' should be reported as 'Insulator and fittings set' for each circuit (i.e. 1-set is equal to insulators and fittings for all the 3-phases). For a double circuit line it should be twice the figure for single circuit line. Assets should only appear in this table when they are energised on the network. Assets which are de-energised but are available for re-commissioning (e.g. pressure assisted cables) should not appear in RRP tables.
- Assets under construction should not be reported in the RRP.
- Strategic spares should not be included in this table until installed and energised on the system.
- Asset replacement profile: Input the average asset lives for the assets and the standard deviation of asset lives in the asset replacement profile section, with average asset lives defined as

"expected average age at replacement as experienced by DNO for the asset population' (the mean value of the asset age replacement profile of the particular asset)"

### Table 3.3 Net Debt and borrowings

<b>Purpose and Use by Ofgem</b>	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.
<b>Instructions for Completion</b>	<ul style="list-style-type: none"><li>• Input cash balances, deposits, bank overdrafts, finance leases and borrowings – both external (i.e. third party) and internal (i.e. with affiliates and related parties).</li><li>• Input in Table A: “Schedule of cash and short term investments” separately cash and each short-term investment (providing a description) and the individual amounts.</li><li>• Input in Table B: “Guarantees given on behalf of other group companies” any guarantees (including joint and several) given on behalf of any other group companies/related parties, listing the name of the company guaranteed, entity to whom the guarantee was given, the amount guaranteed and the date of the consent or derogation in respect thereof from the Authority.</li><li>• Input in Table C: “Hedges/derivative instruments at year end” any interest rate or currency hedges (i.e. derivative instruments as defined in accounting standards) extant at the year end relating to or in respect of any loan or balance disclosed in boxes A, B, D, E, F and G in this Table 3.3.</li><li>• Input in Table D: “Analysis of External loans, overdrafts and finance leases” a description of the instrument including its term, the balance at the regulatory year end, the rate of interest, the amount of interest charged in the profit and loss account (or income and expenditure statement); and the interest paid (as reported in the cash flow statement).</li><li>• Input in Table E: “Analysis of amounts due to/(from) group companies (memorandum)” showing the name of each affiliate, the trading balance, loans from group companies (as reported in Table F. above), loans to group companies (as reported in Table G below). Note: Table E is a memorandum table as inter-company trading balances are not usually part of net debt.</li><li>• Input in Table F: “Analysis of loans from other group companies” a description of the instrument and lender including its term, the balance at the regulatory year end, the rate of interest, the amount of interest charged in the profit and loss account (or income and expenditure statement); and the interest paid (as reported in the cash flow statement).</li><li>• Input in Table G: “Analysis of loans to other group companies” a description of the instrument and lender including its term, the balance at the regulatory year end, the rate of interest, the amount of interest receivable in the profit and loss account (or income and expenditure statement); and the interest received (as reported in the cash flow statement).</li><li>• The “Net Debt and gearing” table is auto-populated from the other tables on this worksheet.</li></ul>

## Table 4.1 Cost mapping to the Total Cost Matrix

<b>Purpose and Use by Ofgem</b>	<p>The purpose of this worksheet is:</p> <ul style="list-style-type: none"><li>• to show the mapping of DNO costs and its' related parties cost at the lowest level of budget holder with management responsibility to the Total Cost Matrix activities, i.e. where a manager/budget holder is responsible for several cost codes then these cost codes should be included as one (named consistently with the manager/budget holder job title) and mapped to the relevant activities; and</li><li>• to indicate whether each budget holder's costs are allocated to an activity/ies using prime records or on a managerial/accounting allocation basis.</li></ul> <p>This worksheet will be used by Ofgem to review the budget holders' costs / cost centre allocations to activities and the bases of allocation.</p>
<b>Instructions for Completion</b>	<ul style="list-style-type: none"><li>• Input the data by the lowest level of budget holder in your distribution business, which may equate to a cost centre code (if any) and description sufficient to show the principle activity of the budget holder with management responsibility /cost centre description used in your prime accounting records and the direct costs reported under each activity.</li><li>• Input the basis of allocation, either 'Y' or 'N' to indicate whether each budget holder is allocated to an activity/ies using prime records or managerial/accounting allocation basis.</li><li>• Input the basis of allocation to the DNO where costs are allocated or shared across more than one DNO in a group (e.g. CSV, network length, 50/50 or other proportions).</li></ul> <p>The total cost for each activity will automatically cross cast except for depreciation.</p> <p>The total costs under each activity will automatically total for rows 11 to 1615, providing 1605 DNO budget holders. Any DNO requiring further rows should contact Ofgem.</p>

## Table 4.2 Year-on-Year Movements

<b>Purpose and Use by Ofgem</b>	<p>The purpose of this worksheet is to provide an analysis of the reasons for the movements in each activity from the prior level to that in the current year.</p> <p>This worksheet will be used by Ofgem to complement the explanations in the Cost Commentary (in Appendix 4).</p>
<b>Instructions for Completion</b>	<ul style="list-style-type: none"><li>• Prior year amounts – no input is required this is populated from a lookup table with the prior year Table 2.2 amounts from the "Total Costs" row 152.</li><li>• Input under "Cost reclassifications to comply with latest years' 'Rules'" any movements arising from changes the definitions of an activity or other changes in the Rules or where the DNO has changed their interpretation of the Rules. These rows should sum to zero as they are only movements between activities.</li><li>• Input under "Explained movements in costs in current from prior year" amounts in the relevant activity columns costs for</li></ul>

each explanation in annual movements in the Cost Commentary.

- Where explanations are for minor amounts these need not be dealt with individually in the Cost Commentary.
- Where the aggregate of the amounts/explanations are less than 10% of the prior years' cost for each activity, or £200k, the amount remaining to be explained will be highlighted. An amount will remain highlighted and "YES" will be flagged where further explanation is required until the threshold has been reached.

### Table 4.3 Network Analysis: Load Related Investment Driver

#### Purpose and Use by Ofgem

The purpose of this worksheet is to develop network information relating to 'substation firm capacity' as a metric/driver for 'load related network investment' and to have some view on network loadings/capacity and the need for reinforcement.

#### Instructions for Completion

- The table has three main parts:
  - Part 1: Reports overall network information and metrics derived from data in part 2.
  - Part 2: Relates to the detailed information for substations which are operating equal to or more than 80% of firm capacity.
  - Part 3: Relates to definitions and guidance at a summary level to aid the population of the table and the selection of options from the list.

Substation capacity and loading data reported within this table shall be taken from the regulatory year preceding the current reporting year, in line with that reported in the previous years Long Term Development Statement ("LTDS").

Please note a user can reveal up to 200 additional rows for input in blocks of 50 by clicking the buttons on the right of the table. Cells will wrap text as necessary.

#### PART 1

- **Item A** – Input the total number of primary substations (operated by the DNO). Please note that the count may be different to the count in table 3.1 where it relates to the number of 'operational sites'. If a substation site has more than one substation (e.g. at different transformation voltages) then it should be reported separately and the count will be equal to 2. (This count excludes EHV connected customer substations).
- **Item B** – Input this ratio, which refers to the overall network utilisation by taking the summation of all the substations 'maximum demand' experienced by the DNO and dividing it by summation of firm capacities at each of these substations. The overall metric includes the maximum demand/firm capacity associated with customer specific substations. Please refer to Part 3 (below) for definitions relating to 'maximum demand' and 'firm capacity'. Also note that this information is to be calculated by the DNO from other sources of data and it is not captured separately in this table.

- **Item C** – No input required - automatic calculation of the number of substations that are operating at greater than or equal to 80% of their firm capacity. This should be equal to the number of substations listed in part 2 of the table for detailed information and will be automatically picked up by the worksheet.
- **Item D** – No input required - automatic calculation. This ratio refers to the percentage loading of the substations which are operating at greater than or equal to 80% of firm capacity. The worksheet will pick up these values automatically from summation of 'K' and dividing it by summation of 'J' as referenced in part 2 of the table in the column headings.
- **Item E** – No input required - automatic calculation. This refers to the total number of single and multiple transformer substations loaded at or above 100% of firm capacity. DNOs may state the mitigation measures/risks associated with these substations in the DNO comments column in part 2 of the table.

If a single transformer substation is loaded below 100% of firm capacity (firm capacity relying on manual transfer) then these occurrences should not be included in count for item E.

- **Item F** – Input the number of primary substations requiring reinforcement in the next 2 – 5 years. These may include the primary substations that are operating at less than 80% of firm capacity and require reinforcement due to, e.g. a large connection scheme, ensure compliance with P2/6 or otherwise reflect good network planning practice.

## **PART 2 - Detailed information relating to substations >=80% of firm capacity loading**

Part 2 of the table is divided into five subsections:

- Substation description
- Capacity information
- Load information
- Risk Management – for >=100% firm loading
- Reinforcement (including DNO comments box)

### **Substation Description:**

- Input the substation name and the primary and secondary voltages of the substation. Where a site has more than one voltage transformation it therefore may have more than one substation. In such case please list their details in a separate row.
- Where a substation may comprise of one 66kV/11kV transformer and one 132kV/11kV transformer operating as a pair e.g. connected onto a common busbar then these should be treated as a one substation (or group).
- The voltage configurations may include;
  - 132 kV / EHV Levels
  - 132 kV / HV Levels
  - EHV Levels /HV Levels

Note that a customer specific substation connection site should not be included in the table.

### **Capacity information**

- **Total number of transformer on site**

This column is used as an indicator to account for single



transformer sites relying on transfers at secondary voltage networks for n-1 conditions. It is also used for the formula calculation of [P].

Input the total number of transformers in the substation to supply the demand (including transformers at hot standby).

- **Cyclic rating of transformers**

Inputs in this column should relate to the transformers that are normally connected and supplying load and any transformer(s) that are on hot standby at the substation.

The cyclic rating should be consistent with the season when the substation maximum demand occurs and the rating normally used by the DNO for network design purposes.

- **Substation firm capacity under single circuit outage conditions ( J )**

This relates to the cyclic rating of the remaining transformer(s), *capacity of normally connected secondary interconnection* (see below\*) following the fault, and any *additional capacity* made available under auto transfer schemes (i.e. the capacity that is immediately available post an n-1 incident), and excludes manual transfers.

In the special case of single transformer substations, the firm capacity should take into account the transfer capability that can be made available from the secondary voltage networks either by manual or automatic transfer.

Where transfer capability is manual then this value should also be entered into the column titled – Manual transfer capability from adjacent load groups.

The formula that calculates [P] does take that factor into account by looking at the user input in number of transformers at the substation in order to avoid the double counting in case it is not a single transformer substation.

**\*Note: Capacity of Normally Connected Secondary Interconnection**

This relates to the capacity of secondary interconnection that is:

- Operated “closed” such that primary substations are normally running in parallel on the secondary voltage level.
- It should be the power flow in the interconnector under the particular fault that determines the substation firm capacity.
- Utilised immediately via auto changeover arrangements (including transformers at hot standby).

Any secondary interconnection that is “manually switched in” after the occurrence of an outage should be regarded as “Manual transfer capability from adjacent load groups” which has been catered for in the risk management section of the

table.

- **Limiting factor**

This should be categorised as either one of the following using the drop down menu:

- (a) Cyclic rating of a transformer
- (b) Rating of the incoming circuit(s)
- (c) Capacity of normally connected secondary interconnection
- (d) Rating of the secondary switchboard
- (e) Rating of any ancillary equipment

- **Load information**

- **Substation Maximum Demand (corrected for weather and abnormal running conditions) – [K]**

The inputs in this column should be the maximum demand on the substation after:

- The load that has been met by metered distributed generation has been added back. The rationale for this add back is that P2/6 (or ETR130) has a prescribed approach for assessing the contribution that distributed generation can make to security of supplies. The contribution of distributed generation to security of supply is catered for in 'Risk Management' section of the table;
- High demands experienced during abnormal running conditions have been eliminated; and
- Demands have been weather corrected as appropriate for the season in which the maximum demand occurs.

It is anticipated that this data would be consistent with that provided in the LTDS.

- **Weather Correction Factor for substation maximum demand**

Where a weather correction has not been applied input one ("1").

Where a weather correction factor is applied to the 'substation maximum demand' input the appropriate factor (value).

- **Substation demand as a % of substation capacity (K/J)**

This ratio refers to 'substation maximum demand K' as a percentage of 'substation capacity under single circuit outage conditions J'. The worksheet automatically calculates this value and it does not require user input.

- **Time (Hours) when substation demand is  $\geq 95\%$  of substation firm capacity**

This should be the duration of time (in hours) during the season(s) when the Substation Demand (K) exceeded 95% of

the "Substation Capacity Under Single Circuit Outage Conditions". This can be calculated either by:

- 1) Number of 1/2 half hours multiplied by 30 minutes and convert to and input as hours; or
- 2) Time above 95% should systems allow.

**NOTE:**

For example: For the regulatory reporting year 2007, the load related table will be populated from loading data from 1 April 2005 – 31 March 2006 and is subsequently utilised within the LTDS published in November 2006. Therefore where the table identifies substations to be equal to or greater than 100% of firm capacity, the forecast year in which the substation will reach firm capacity will be reported as 'current year' i.e. 2005/2006. On that basis a substation that is forecast to reach its firm capacity in year 1 would equate to 2006/07. This is in line with the forecasts expressed within the LTDS.

- **Forecast year(s) in which substation demand will reach substation firm capacity**

Data reported within this part of the table shall be reported from 1st April to 31st March of the year in question. Specifically an entry declared as 'current year' should equate to the year the specific loading data was determined. Year 1 shall represent the year following that which the loading data was calculated and the forecast was estimated from.

Input the number of years (e.g. current year, 1, 2, 3, 4, 5 years or >5 years) when the forecast demand at the substation is expected to reach its firm capacity.

- **Risk Management – for substations operating at >=100% of firm Capacity**

- **Manual Transfer Capability from Adjacent Load Groups**

Should be the capacity which can be made available (by network switching) from alternative sources.

- **Contribution from Distributed Generation to Security of Supply**

Where contribution from DG has been assessed and included then a comment should be provided in the comments field to indicate whether ETR130 or P2/6 table 2 has been used for assessment.

- **Substation Total Capability (P)**

The value is formulaic and is equal to the sum of [J], manual transfer capability from adjacent load groups and the contribution from Distributed Generation to the security of supply.

- **Headroom**

Total capability of the substation (after summation of firm capacity-J, all manual transfers, contribution from distributed generation) minus the substation maximum demand **K**.

\* Please note that the formula in the cell takes account of

'single transformer substation's and since all available transfers at secondary voltage network should be taken into account when calculating firm capacity for these sites (which includes manual transfers), it avoids adding back manual transfers twice for the substation capability value.

- **Reinforcement**
  - **Planned Reinforcement Year**

The year returned in this part of the table shall be from 1st April to 31st March of the year in question. For example, a substation planned for reinforcement in February 2011 should be input as 2011 and a substation planned for reinforcement in August 2010 should also be input as 2011. In these examples both substations are planned for reinforcement within the period 1st April 2010 to 31st March 2011 and therefore fall within 2011 regulatory year.

Input the year (e.g. 2009) when the substation is likely to be reinforced due to load growth, new connections, P2/6 compliance, etc.

- **Comments on Nature of Work**

This column is for DNO comments related to the substation and may include the reasons for reinforcement or otherwise for the substation or comments relating to risk management aspect of the table.

**Part 3:** Provides the definitions and guidance at a summary level to aid the population of the table and selection from the list of options.

### Table 4.4 Network Analysis: Non-Load Related Network Risk

**Purpose and Use by Ofgem**

The purpose of this worksheet is to give an indication of non-load related ("NLR") network risk with respect to asset replacement needs based on remaining useful life. It is expected that the year on year trend in the number of assets that needs replacement based on the remaining useful life will give some measure of a DNO's view on the condition of the assets.

The table only looks at switchgear and transformers at EHV and 132kV voltage level and going forward Ofgem and DNOs intend to develop it for other network assets.

**Instructions for Completion**

**Asset Categories**

The asset categories in table are taken from table 3.1 for EHV and 132kV switchgear and transformers only. Where no assets or very few assets were previously reported in an asset category then those asset categories have been excluded from the list.

The total asset quantities for each asset category should be equal to table 3.1 (i.e. asset register as at 31 March of reporting year). In situations where a DNO has a more holistic view of the remaining asset lives (e.g. population of 33kV circuit breaker all types) this value could be different and DNOs should input an

explanation for this in the comments columns stating which assets have been merged and how they have been reported.

**Asset Distribution Based on Estimated Remaining Useful Life:**

This section of the table holds the data relating to the estimated useful remaining life of the assets in three different bands classified on the basis of number of years. Data reported within this part of the table shall be reported from 1 April to 31 March of the year in question.

- **Remaining useful life less than 2 years**

For assets categorised with a remaining useful life of less than two years, the period is defined as 1 April (current reporting year) to 31 March (current reporting year + 2). Input the number of assets among the assets in population that have remaining useful life of less than 2 years. This should be based on individual DNO assessment and experience and other NLR investment drivers. It is a DNO view and may not be equal to the quantity of assets which the DNO actually plans to replace in the next two years.

- **Remaining useful life 2-5 years**

For assets categorised with a remaining useful life of 2 -5 years, the period is defined as 1 April (current year + 2) to 31 March (current year +5). Input the number of assets in the population that have remaining useful life of 2 - 5 years. This should be based on individual DNO assessment and experience and other NLR investment drivers. It is a DNO view and may not be equal to the quantity of assets which the DNO actually plans to replace in the next 2 - 5 years.

- **Remaining useful life > 5 years**

For assets categorised with a remaining useful life of greater than 5 years, the period is defined from 1 April (current year + 5) onwards. Input the number of assets among the asset population that have remaining useful life of greater than 5 years. This should be based on individual DNO assessment and experience and other NLR investment drivers. It is a DNO view and may not be equal to the quantity of assets which the DNO actually plans to replace beyond 5 years.

**DNO Comments:**

Input comments relating to the population of the table and the banding of the assets into the useful remaining life columns. Please indicate where any form of estimation has been applied, e.g. where a DNO has 30% of asset coverage for health indices and it has extrapolated the information to have that view for all of the asset categories then report this as a comment on the percentage of asset surveyed to show the DNOs view of remaining useful life.

If a DNO has merged some of the asset categories and listed them in one row then it should be explained in the commentary. For example if all 33kV circuit breaker assets have been reported in '33kV – CB – GIS – indoor' row then the total of all the 33kV circuit breaker assets say all indoor, outdoor, and other should be equal to the one declared in asset data table 3.1.



## Appendix 2 – Definitions

This appendix provides definitions of key terms included in these Rules and in the Tables. Where no definition is given for specific electricity-related items, those in the Electricity Act 1989 (as amended), standard and special licence conditions of the distribution licence should be applied, similarly for standard accounting terms, IFRS/IAS and/or UK GAAP and Companies Act 1985 (“CA85”) definitions should be applied.

Words and expressions used in the Rules have the same meaning as in the standard and special licence conditions of the distribution licence unless otherwise stated.

**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 Regulatory Reporting Pack (“RRP”).

132kV	<p>Is the abbreviation used to define that part of the distribution system contained within the voltage boundaries described under “132kV Systems” in Appendix 4 of the Quality of Service Regulatory Instructions and Guidance version 5 (March 2005).</p> <p>SEE ALSO:           EHV, HV, LV and LV Services.</p>
accounting standards	<p>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”) and the International Financial Reporting Interpretations Committee (“IFRIC”) interpretations.</p>
accruals and prepayments	<p>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.</p>
affiliate	<p>Has the meaning given in standard condition 1 of the electricity distribution licence.</p> <p>SEE ALSO:           related party, related undertaking.</p>
agency staff	<p>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.</p> <p>EXCLUDES           • professional services.</p>
apprentices	<p>Employees engaged under an approved apprenticeship scheme.</p>

assets installed by DNO or related party	In respect of Load Related New Assets and Reinforcement activity, see definition under load related new assets and reinforcements activity.
assets installed by others	In respect of load related new assets and reinforcements activity, see definition under load related new assets and reinforcements activity.
atypical costs	<p>The total costs (less credits and receipts) of resources employed in response to an atypical event.</p> <p><b>INCLUDES</b></p> <ul style="list-style-type: none"> <li>• direct and indirect resources utilised to assist in dealing with the atypical event.</li> </ul> <p><b>EXCLUDES</b></p> <ul style="list-style-type: none"> <li>• depreciation of capitalised costs relating to 'atypical events';</li> <li>• late payment interest related to fines and penalties; and</li> <li>• any general apportionment of indirect costs.</li> </ul>
atypical event	<p>A specific event or incident that is not expected to recur regularly under normal circumstances due either to its size or nature.</p> <p><b>INCLUDES</b></p> <ul style="list-style-type: none"> <li>• all severe weather events that meet the relevant exceptionality requirement defined in annex B of special condition C2 of the electricity distribution licence; and</li> <li>• restructuring.</li> </ul> <p><b>EXCLUDES</b></p> <ul style="list-style-type: none"> <li>• cost overruns or cost arising from delays in completing a project or programme.</li> </ul>
atypical faults costs	<p>Costs incurred as a result of Severe Weather Exceptional Events</p> <p><b>INCLUDES</b></p> <ul style="list-style-type: none"> <li>• costs of restoration and repair of the network</li> </ul>
atypical tree cutting	Additional tree cutting costs incurred as a result of a known backlog.
the "Authority"	Has the meaning given in standard condition 1 of the electricity distribution licence.
bad debt expense	<p>The charge/credit to the profit and loss account (income statement under IAS) for bad and doubtful debts.</p> <p><b>INCLUDES</b></p> <ul style="list-style-type: none"> <li>• debts written off or a provision against non-recovery; and</li> <li>• debts recovered after they have been written off.</li> </ul> <p><b>EXCLUDES</b></p> <ul style="list-style-type: none"> <li>• the cost of debt recovery (include under Finance and Regulation).</li> </ul>



bad debt provision	A provision against a debt that may be uncollectible in whole or in part.
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"> <li>• network rates; and</li> <li>• water rates.</li> </ul>
capex allowance	The assumption for capital expenditure requirements included in the Electricity Distribution Price Control Review: Statutory consultations on the licence modifications (February 2005) to calculate allowed revenue.
capital contribution	Has the same meaning as customer contribution.
capital expenditure ("capex")	<p>Any expenditure which, for the purpose of the regulatory accounts, has been included in the value of the fixed assets of the distribution business provided that:</p> <p>(a) the expenditure conforms with at least one of the following:</p> <ul style="list-style-type: none"> <li>• the expenditure relates to the purchase, development or construction of a new asset;</li> <li>• the expenditure will increase the capacity or functionality of the distribution assets;</li> <li>• the expenditure will significantly reduce the ongoing maintenance of the assets; and/or</li> <li>• the expenditure will extend the service life of distribution assets beyond that expected when the assets were originally installed; and</li> </ul> <p>(b) the expenditure is determined in accordance with applicable accounting standards.</p> <p>EXCLUDES</p> <ul style="list-style-type: none"> <li>• renewal and replacement of insulation medium (e.g. SF6 and oil) in switchgear, whether reprocessed or not;</li> <li>• capitalised interest; and</li> <li>• revaluation amounts.</li> </ul> <p>SEE ALSO: Load-related new assets and reinforcement, Non-load related replacement and other non-fault, Non-operational new assets and replacement.</p>
capitalisation adjustment	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, insurance captive.</p>

## cash atypicals

Costs which are not typical cash costs and which are not incurred as part of the ordinary level of business.

### INCLUDES

- cash payments incurred in response to an atypical event (not part of the ordinary level of business activities);
- costs resulting from Severe Weather Events;
- costs resulting from restructuring, including redundancy costs; and
- fines and penalties (including for late payments) from tax authorities (e.g. VAT, PAYE compliance, National Insurance and corporation tax penalties).

### EXCLUDES

- all accruals and prepayments;
- all provisions (as defined by CA1985 and accounting standards) whether incurred as part of ordinary level of business activities or otherwise;
- cash payments for the utilisation of a provision;
- typical cash costs; and
- early retirement costs, except as a result of redundancy (i.e. early retirement costs for staff where the post is retained as typical and not atypical).

## cash typical costs

All costs incurred and paid in cash or normally paid in cash, subject to short timing differences, as part of the ordinary level of business.

### INCLUDES

- all accruals and prepayments that are incurred as part of ordinary level of business activities, these include holiday pay provisions, normal trade accruals and prepayments, and which are expected to be paid within the entities standard terms of business;
- assets acquired under a finance lease; and
- cash payments for the utilisation of a provision.

### EXCLUDES

- All provisions (as defined by CA1985 and accounting standards) whether incurred as part of ordinary level of business activities or otherwise;
- the cost or transfer value of assets acquired from a related party which have been previously used in or by the distribution business;
- all accruals and prepayments that relate to atypical events; and
- atypical cash costs.

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 DNOs whose distribution services areas are in Scotland and 33.3 years otherwise).</p> <p>Catch-up depreciation only arises once the vesting assets have been fully depreciated.</p>
CEO	Chief Executive Officer or equivalent.
CEO and Group Management, Legal & Company Secretary, Community Awareness activity	Combines and encompasses the separately defined activities of CEO & Group Management; Legal & Company Secretary; and Community Awareness.

### **CEO and Group Management**

Costs of the CEO (or equivalent role or title) that does not have specific departmental responsibility, costs of non-executive directors of the DNO and share of the charges for senior group management and group directors not directly attributable to a specific activity. Such costs may be within the DNO itself or charged through to the DNO via a parent or other related party.

- INCLUDES**
- Non-executive & group directors labour costs & Board meeting costs:
    - the labour and all on-costs of the CEO;
    - the labour and all on-cost of non executive directors of the DNO;
    - the charges for senior group management and group directors not directly attributable to a specific activity;
    - the costs of hosting and attending board meetings;
    - annual (or any other) general meetings of shareholders of the company or of any controlling undertaking; and
    - 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 his or her labour should be allocated to his or her usual activity.
  - Management charges from a parent or related undertaking not for a specific purpose or defined activity.

- EXCLUDES
- any of the IT systems associated with the CEO and group management (include under IT & Telecoms).

### **Legal & Company Secretary**

The activities performed by the company secretary and legal department within the DNO itself or charged through to the DNO via a related party.

- INCLUDES
- legal service provided by own employees;
  - legal services provided by external organisations.

- EXCLUDES
- any of the IT systems associated with Legal & Company Secretary (include under IT & Telecoms);
  - insurance management (include under Finance and Regulation);
  - legal advice relating to wayleaves/servitudes/easements (include under wayleaves/servitudes/easements); and
  - any of the costs associated with other Indirect Cost Activities as defined in this document.

### **Community Awareness**

The activity of promoting community awareness in respect of the licensed entity.

- INCLUDES
- corporate communications;
  - any brand advertising, including notification of telephone contact numbers to the public domain;
  - customer satisfaction and similar surveys;
  - external entertaining; and
  - branding or rebranding of vehicles or buildings.

- EXCLUDES
- any of the IT systems associated with Community Awareness (include under IT & Telecoms); and
  - annual (or any other) general meetings of shareholders of the company or of any controlling undertaking.

SEE ALSO: Corporate Communications

Claims handling (in-house only)

The activity of processing claims (in-house only) where claimants have experienced a financial loss.

condition	In relation to assets - see definition under non-load non-fault new and replacement assets.
congestion charges	Charges introduced under powers in the Greater London Authority Act 1999 and the Transport Act 2000 (and similar legislation) and implemented by Transport for London (and similar bodies) for charging in respect of vehicles entering certain designated zones.
connection charges	Has the meaning for ES2 given in Appendix 1 of special condition A2 of the electricity distribution licence.
contractor	<p>A third party that has entered into contractual relations with the DNO or related party thereof to supply goods and/or services.</p> <p>EXCLUDES</p> <ul style="list-style-type: none"> <li>• staff employed on a temporary basis or via a recruitment agency by the licensee or an affiliate of the licensee;</li> <li>• third parties providing professional services; and</li> <li>• related parties.</li> </ul>
contractor costs	<p>The charges invoiced by contractors.</p> <p>EXCLUDES</p> <ul style="list-style-type: none"> <li>• charges for 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).</li> </ul>
contributions	<p>Payments to the DNO or related party for works undertaken that are not covered by Use of System Charges.</p> <p>INCLUDES</p> <ul style="list-style-type: none"> <li>• capital contributions</li> <li>• de minimis contributions</li> </ul>
control centre activity	<p>Operational management and control of the network.</p> <p>INCLUDES</p> <ul style="list-style-type: none"> <li>• HV to 132 kV voltage levels in DNOs whose distribution services areas are in England or Wales and HV to EHV voltage levels in DNOs whose distribution services areas are in Scotland. <ul style="list-style-type: none"> <li>○ approval of planned incident proposals and switching schedules submitted by either DNO's own staff or related parties' staff;</li> <li>○ liaison with transmission companies in order to agree planned incidents that affect the transmission/DNO interface;</li> <li>○ instructing and controlling the execution of network switching,</li> </ul> </li> </ul>

- adjusting of protection relays, issuing of safety documentation associated with both planned and unplanned incidents;
  - o instructing and undertaking the remote control operation of switchgear during both planned and unplanned incidents
  - o dressing the network control diagram in line with network switching etc. undertaken during both planned and unplanned incidents;
  - o updating the network control diagram in respect of sustained changes to the network (e.g. the installation of a new ground type HV substation); and
- incident management and dispatch (at all voltage levels in DNOs whose distribution services areas are in England or Wales, excluding 132 kV voltage level in DNOs whose distribution services areas are in Scotland) (note all incident management is associated with unplanned incidents and relates to the liaison with field staff, depots and offices in order to initiate the dispatch of staff and the receipt of progress reports from field staff).
  - o Interrogation of information systems to determine most appropriate resource to dispatch;
  - o Dispatching resources;
  - o Prioritising incidents;
  - o Updating IT systems with information from site;
  - o Calling customers back with appropriate information regarding unplanned incident;
  - o Updating messaging systems;
  - o Completion of fault reports and entry into fault recording systems (e.g. NAFIRS); and
- Specific LV Control function where it is organised and operated on the same basis as the HV control and is managed centrally.

EXCLUDES

- any employees engaged in Network Policy or Network Design & Engineering (include under Network Policy or Network Design & Engineering);
- operational management and control of the LV network, except incident management or where LV network

switching is remotely control from a Control Centre;

- the issuing of LV switching instructions (this should be included in the appropriate direct activity except where remotely controlled from a Control Centre);
- Raising and sending NRSWA notices in respect of unplanned incidents (include in Engineering Management and Clerical Support);
- Completing, where appropriate environmental notifications (include in Engineering Management and Clerical Support);
- Obtaining billing details in respect of third party damage to DNO property (include in Customer Call Centre (including compensation claims) activity);
- Raising of service orders (include in Engineering Management & Clerical Support);
- Processing Guaranteed Standard failures and associated payments (include in Customer Call Centre (including compensation claims) activity);
- Customer call taking at any time of day;
- any of the IT systems associated with the Control Centre (include under IT & Telecoms); and
- any of the Property costs associated with the Control Centre (include under Property Mgt).

corporate costs (for the purposes of DPCR3 only)

An adjustment made by Ofgem for the purposes of DPCR3.

corporate communications

Activities undertaken to promote the distribution business of the licensee or a brand under which the licensee operates or communicate with customers or the public.

INCLUDES

- general promotional activities;
- public relations;
- investor relations;
- sponsorship;
- donations,
- brand advertising;
- corporate image making;
- provision of shareholder meetings and communications; and
- customer satisfaction and similar surveys.

corporate-type costs	<p>Are costs charged or attributed by affiliates to the DNO's distribution business for central functions or activities that are performed at a group or central level on behalf of a significant number of subsidiaries or related parties, e.g. taxation, treasury, legal, company secretarial, group management, property management, procurement, information technology, marketing, rebranding. These costs may be charged directly or indirectly through another related party.</p>
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><b>INCLUDES</b></p> <ul style="list-style-type: none"> <li>• transmission exit charges;</li> <li>• NTRs;</li> <li>• other excluded services; and</li> <li>• direct costs incurred in the provision of de minimis activity.</li> </ul>
cost recoveries	<p>Is the recovery of costs or the release of excess (normal level of trading) prepayments or accruals in a different financial year from which the costs were originally recorded.</p> <p><b>INCLUDES</b></p> <ul style="list-style-type: none"> <li>• insurance receipts;</li> <li>• refunds of insurance premiums;</li> <li>• recoveries of costs of third party damage faults; and</li> <li>• any other recoveries of costs that are not categorised or required to be disclosed under de minimis activities or as excluded service income.</li> </ul> <p><b>EXCLUDES</b></p> <ul style="list-style-type: none"> <li>• all provision releases;</li> <li>• cash recoveries for atypical events;</li> <li>• the release of amounts or excess amounts set aside for legal claims and contingent liabilities; and</li> <li>• sales of scrap (report on Table 2.6)</li> </ul>
CSV	<p>Composite scale variable, e.g. as used in DPCR4 to benchmark costs, where Network length was weighted at 50% and customer numbers and units distributed at 25% each.</p>
customer call centre (including compensation claims) activity	<p>Covers the activities of the Customer call centre and customer compensation claims administration.</p> <p><b>Customer Call Centre</b></p> <p>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 that a</p>



member of the Call Centre team responds after obtaining additional information.

- INCLUDES**
- 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;
  - responding to initial queries on metering;
  - metering call centre for suppliers, customers and agents; and
  - primary recording of reports or queries and, where appropriate, reporting the information to the appropriate business operation.

- EXCLUDES**
- 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 & Telecoms);
  - any of the Property costs associated with the Customer Call Centre (include under Property);
  - any employees handling and administering insurance claims (include under Finance and Regulation); and
  - customer complaints.

### **Customer Compensation Claims Administration**

The activity of responding to and administration of customer compensation claims and ex gratia compensation payments.

- INCLUDES**
- any employees administering the handling and calculating of customer compensation claims; and
  - customer complaints.

- EXCLUDES**
- any of the IT systems associated with this activity (include under IT & Telecoms);
  - any of the Property costs associated with this activity (include under Property);
  - any employees making the actual payments (include under Finance &

- Regulation).
- any employees handling and administering insurance claims (include under Finance and Regulation); and
- Insurance claims paid directly by the distribution business or an insurer (include under Finance and Regulation).

customer contribution

Financial contribution received from a customer in respect of the provision of a new connection to the DNO's network.

- INCLUDES
- contribution(s) made to a related party undertaking connection to the DNO's network; and
  - refundable contribution(s) (which will be reversed when refund actually made to the customer).

- EXCLUDES
- de minimis contributions.

SEE ALSO: capital contribution.

customer specific reinforcement

The costs to be recorded relate to assets installed for the purpose of providing additional network capacity necessary in order to meet the specific requirements of customers for new or augmented demand connections. Where the minimum scheme to meet the customer's specific requirements is implemented, the full cost of reinforcement assets should be included under this heading, even when, due to the use of standard plant and equipment ratings, the minimum scheme provides extra capacity. Where a scheme in excess of the minimum scheme is implemented, at the discretion of the DNO, any costs in excess of the minimum scheme costs should not be included under this heading.

- INCLUDES
- Costs which are 'chargeable' to customers through the application of the 'Connection Charge Apportionment Rules'.
  - Costs which are 'non-chargeable' to customers through the application of the 'Connection Charge Apportionment Rules'.
  - Costs of Customer Specific Reinforcement associated with Non relevant Distributed Generation

- EXCLUDES
- The costs of Customer Specific Reinforcement associated with relevant Distributed Generation (include within Distributed Generation).
  - Costs incurred, at the discretion of the DNO, in excess of the minimum

scheme costs required to meet the customer's specific needs.

data cleansing adjustment	This adjustment includes the number of items of plant/equipment identified during the process of updating network asset database information systems which are to be included or excluded from the assets, e.g. migration to new system, deleting disconnected MPANs, network vectorisation.
de minimis activity	<p>The activity of conducting de minimis business, i.e. non-distribution business activities, which are subject to the limitation provided for in standard condition 43 of the electricity distribution licence.</p> <p>INCLUDES</p> <ul style="list-style-type: none"><li>• Rental Income received on property owned by the DNO.</li></ul>
de minimis business	Has the meaning given in standard condition 1 of the electricity distribution licence.
de minimis contributions	Financial contributions received from a customer or third party in respect of the provision of capital expenditure for the de minimis business undertaken by the licensee or an affiliate of the licensee and not disclosed with de minimis turnover/income.
de minimis costs	Expenditure incurred in the provision of de minimis activity.
deferred revenue expenditure	In the corporation tax and capital allowance context means allowed revenue expenditure which has been accounted for by posting the expense somewhere on the balance sheet (whether to fixed or current assets) rather than by writing it off immediately to the profit and loss account /income account as it is incurred. The expenditure is then usually written off to the profit and loss account/income account over a period of time, by being charged as an expense or depreciated; and from 1 April 2005 is tax deductible in line with capital expenditure when charged to the profit and loss account/income account.
diesel generation costs (permanent emergency backup on islands)	<p>The cost of providing diesel fuel to run or test generators situated on offshore islands which have been installed as emergency back up facilities in case of disconnection of the mains supply to the island. These should be reported on the "Materials" row.</p> <p>EXCLUDES</p> <ul style="list-style-type: none"><li>• diesel for Lerwick power station which should be included within Shetland balancing costs in non-activity costs on Table 2.6.</li></ul>
direct activity	for the Distribution Activities are those activities which involve physical contact with system assets.

	<p>INCLUDES</p> <ul style="list-style-type: none"> <li>• Load-related New Connections &amp; Reinforcement;</li> <li>• Non-load non-fault new &amp; replacement assets;</li> <li>• Faults;</li> <li>• Non-operational New Assets &amp; Replacement;</li> <li>• Inspections &amp; Maintenance (exc. Tree Cutting); and</li> <li>• Tree Cutting</li> </ul>
direct contractor (for the purposes of DPCR4 only)	A third party that has entered into contractual relations with the DNO or related party to work on specific system assets and/or operational premises and can include elements of labour, materials, etc.
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, i.e. specific, identifiable physical, system assets. (Note: This can include the element of labour costs associated with trench excavation staff, craftsmen, technicians, technical engineers, administration and support staff, network planners and designers where a portion of their time involves physical contact with system assets and only that proportion of their time.) Accordingly direct labour excludes the costs associated with depot staff, technical engineers, administration and support staff, network planners and designers, investment strategy or planning, developing or maintaining technical standards or asset specifications or procurement standards, any work prior to financial authorisation of a project, etc. (except for that proportion of their time that involves physical contact with system assets above).
direct materials (for the purposes of DPCR4 only)	Materials drawn from supplies for specific system assets or operational premises and supported by stores issue notes and all materials delivered directly to site.
dismantlement	The physical activity of de-energising, disconnecting and removing (where appropriate) network assets.
	<p>INCLUDES</p> <ul style="list-style-type: none"> <li>• Network assets at all voltage levels as defined in the Quality of Service Regulatory Instructions and Guidance (i.e. LV services, LV system, HV</li> </ul>

system, EHV system and 132 kV system).

distributed generation ("DG") (relevant and non-relevant DG)	<p>Has the meaning given in special condition A1 of the electricity distribution licence.</p> <ul style="list-style-type: none"><li>• Relevant distributed generation: where quotation for work/ work undertaken after 1 April 2005 and paying charges under the new arrangements i.e. 'shallowish connection charge plus use of system charges'.</li><li>• Non-relevant distributed generation: where the quotation of work received before 1 April 2005 even if some work is undertaken after 1 April 2005. This includes all other distributed generation where connection charges were paid in accordance with charging methodologies that existed prior to 1 April 2005, i.e. paying charges on the old basis ('deep connection charge' and no use of system charge).</li></ul>
distributed generation ("DG") activity	<p>The connection of distributed generation by the licensee and the distribution of units entering the licensee's network from connections to distributed generators.</p>
distribution assets	<p>Has the same meaning as system assets.</p>
distribution activity	<p>Is the activity undertaken to perform "distribution business" but excluding any business ancillary thereto, metering activity, DG activity and de minimis activity.</p>
distribution business	<p>Has the meaning given in standard condition 1 of the electricity distribution licence.</p>
distribution business activities	<p>Has the meaning given in standard condition 1 of the electricity distribution licence.</p>
distribution network operator ("DNO")	<p>Has the same meaning as "relevant electricity distributor" given in standard condition 52 of the electricity distribution licence.</p>
distribution price control 3 ("DPCR3")	<p>The distribution price control for the electricity distribution businesses, which covered the five years from 1 April 2000 to 31 March 2005 and which was set out in the special conditions of the electricity distribution licence in the form in which it existed on 31 March 2005.</p>
distribution price control 4 ("DPCR4")	<p>The distribution price control for the electricity distribution businesses which covers the five years from 1 April 2005 to 31 March 2010 and which is set out in the special conditions A1, A2, A3, A4, B1, B2, C1, C2, C3, D1, D2, E1 and G1 of the electricity distribution licence.</p>
distribution price control 5 ("DPCR5")	<p>The distribution price control for the electricity distribution businesses, which is due to commence on 1 April 2010.</p>

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><b>EXCLUDES</b></p> <ul style="list-style-type: none"> <li>• the provision of other than basic metering services, being excluded services;</li> <li>• de minimis business; and</li> <li>• relevant distributed generation activities.</li> </ul>
distribution services area	Has the meaning given at paragraph 5(b) of standard condition 2 of the electricity distribution licence.
distribution system	Has the meaning given in standard condition 1 of the electricity distribution licence.
DPCR4 allowances	Amounts allowed for calculating revenue set out in special conditions B1 and B2 of the electricity distribution licence which covers the five years from 1 April 2005 to 31 March 2010.
early retirement deficit costs ("ERDC")	Early retirement programmes which have been financed by the employer making additional contributions to their pension scheme(s) to offset the associated increase in liabilities arising as a result of such programmes.
easements	<p>An interest in land owned by another that entitles its holder to a specific limited use of that land. The term encompasses the Scottish equivalent, servitude.</p> <p><b>SEE ALSO:</b>       servitudes                           wayleaves</p>
easement costs relating to new assets	In respect only of load related new assets and reinforcements activity, see definition under load related new assets and reinforcements activity.
EHV (Extra High Voltage)	<p>Is the abbreviation used to define that part of the distribution system contained within the voltage boundaries described under "EHV Systems" in Appendix 4 of the Quality of Service Regulatory Instructions and Guidance version 5 (March 2005) (e.g. 22, 25, 33 and 66kV).</p> <p><b>SEE ALSO:</b>       EHV, HV, LV and LV Services.</p>
eligible IFI project	Has the meaning attributed to it in paragraph 3.2 of the Distributed Generation Innovation Funding Incentive and Registered Power Zones Regulatory Instructions and Guidance.
engineering management & clerical support	The office-based activities of engineering and clerical support staff (i.e. depot clerical staff, managers, work planners, etc) managing or assisting the employees working in the field (i.e. field staff) on system assets.

## INCLUDES

- Line management of staff undertaking direct activity work including tasks such as:
  - standards of performance, disciplinary and sickness absence procedures,
  - monitoring absence, back-to-work-interviews and welfare visits;
- Work planning, budgeting, allocation of work and control such as:
  - identifying inspections and maintenance work requirements for the year;
  - forecasting fault activity for the year;
  - forecasting capital activity;
  - identifying resource requirements;
  - developing annual budgets;
  - developing inspections and maintenance programmes for the year and monitoring delivery;
  - monitoring delivery of major works;
  - monitoring fault activity;
  - monitoring budgets for Inspections and maintenance, faults and major works;
  - setting and agreeing performance targets, monitoring actual performance; and
  - reporting and analysis of Key Performance Indicators (“KPIs”).
- Identification and implementation of improvement initiatives, such as:
  - redesign of business processes; and
  - customer service improvements.
- Populating, updating and auditing the physical asset register(s);
- Operational performance management, such as:
  - health and safety checks on work and personnel,
  - compliance checks on staff and contractors' work carried out,
  - site safety inspections,
  - investigation, report and corrective action following an accident,
  - authorisation of team members for operational and non-operational duties, and
  - operational field safety checks
- Providing safety advice to persons working in proximity to network assets;
- Clerical Support:
  - Clerical support for staff undertaking new connections work such as:

- dealing with verbal and written enquiries for new connections,
- programming of minor works,
- issuing of work instructions,
- preparation of quotations for minor works,
- sending quotations to customers,
- customer liaison,
- liaising with contractors,
- Clerical support for staff undertaking street lighting such as:
  - answering verbal and written enquiries regarding street lighting faults,
  - dealing with instructions from lighting authorities,
  - liaising with contractors and lighting authorities, and
  - providing statistics to local authorities.
- Clerical support and administration associated with the New Roads and Street Works Act (NRSWA) such as:
  - sending NRSWA notices in advance of DNO works,
  - clearing invoices,
  - liaising with contractors,
  - dealing with street works defects,
  - liaising with local authorities, and
  - preparing statistics.
- General clerical support such as:
  - preparing plans, schematics, notices, materials schedules and work instructions,
  - updating asset databases, and
  - preparing shutdown notices.
- Mobile Generation management:
  - managing the use of mobile generation; and
  - managing and scheduling the maintenance of mobile generation.
- Apprentices whilst undertaking non-field based training (i.e. in a training centre or classroom).

EXCLUDES

- any employees engaged in Network Policy, Network Design & Engineering and Project Management (include under Network Policy and Network Design & Engineering and Project Management);
- any of the IT systems associated with Engineering Management & Clerical Support (include under IT & Telecoms);
- any of the Property costs associated with Engineering Management &



- Clerical Support (include under Property Mgt);
- any of the costs associated with the Control Room (include under Control Room);
- any employees managing other indirect activities (e.g. Logistics Manager) (include under the relevant indirect activity heading);
- any design work relating to new connections new or replacement assets;
- Responding to NRSWA notices sent to the DNO by other parties (include under System Mapping – Cartographical);
- Maintenance of mobile generation plant (include under Vehicles and Transport); and any employees engaged in maintaining the financial asset register; and
- Idle, down and sick time of direct field staff (include with their normal direct time in the appropriate direct activity).

environmental capital expenditure

Capital expenditure in respect of non-load related replacement and other non-fault assets where the prime driver of the work is compliance with environmental legislation.

INCLUDES

- reduction of noise pollution;
- Installation of oil spillage protection at existing sites (e.g. bund walls); and
- prevention of the release of material (e.g. insulating fluid or SF6) into the environment (as set out in the environmental legislation).

EXCLUDES

- visual amenity; and
- replacement of fluid filled/pressure assisted cables.

ESQCR

the Electricity Safety, Quality and Continuity Regulations 2002 or any regulations which amend or replace them.

ESQCR costs

In Tables 2.4 and 2.6 has the meaning attributed in special condition A3 of the electricity distribution licence, i.e. under Regulations 17 and 18 of ESQCR.

EXCLUDES

- new ESQCR costs

ex gratia compensation payment

Discretionary compensation payment to customers not covered by the guaranteed standards of performance compensation scheme.

- INCLUDES
- Payments to customers who have experienced dissatisfaction.
- EXCLUDES
- Payments to customers who have experienced a financial loss (include under Finance and Regulation); and
  - any payments in respect of employees.

excluded services Has the meaning given in standard condition 1 of the electricity distribution licence and as further defined in special condition A2 of the electricity distribution licence.

fault Has the same meaning as “unplanned incident”.

faults activity Includes both Fault opex and Fault capex only.

### **Faults capex**

The reactive replacement of a system asset following an occurrence where the asset’s functional failure has resulted in an unplanned incident and where the asset must be replaced before full system functionality can be restored.

- INCLUDES
- Expenditure incurred in relation to an Unplanned Incident, as defined for Quality of Service 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, rectification works have been completed and the DNO foresees no further work to be required to achieve pre-incident performance.

- EXCLUDES
- All costs where assets are not replaced;
  - the cost of planned asset replacement; and in particular, excludes replacement of assets which have faulted in the past (on one or more occasions), have 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’s having occurred) – (include in Non-Load non-Fault new and replacement assets).

### **Faults opex**

Expenditure incurred in relation to an ‘unplanned incident’ 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, rectification works have been completed and the DNO foresees no further work to be required to achieve pre-incident performance.

- INCLUDES
- rectification work relating to a fault which does not include any asset replacement; and
  - emergency generation costs.

- EXCLUDES
- 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 Non-Load non-Fault new and replacement assets);
  - any subsequent maintenance work identified and planned at the time of rectifying the fault (include in Inspection and Maintenance); and
  - the cost of repairing faults on the IT Telecontrol network.

SEE ALSO: Non-QoS faults, unplanned incidents, third party cable damage, and diesel generation costs.

field staff

Employees of the DNO and affiliates who are not engaged in office based activities and who do not normally work in non-operational premises. This is intended to encompass depot staff, drivers and direct labour.

finance and regulation activity

Performing the statutory, regulatory and internal management cost and performance reporting requirements; and customary financial and regulatory compliance activities for the DNO.

- INCLUDES
- Accounts processing:
    - payments and receipts;
    - DUoS billing; and
    - credit and debit control.
  - Banking and treasury management
  - Financial management:
    - financial planning, forecasting and strategy;
    - financial accounting;
    - management accounting;
    - statutory (excluding regulatory) reporting;
    - tax compliance and management;
    - audit (both internal and external); and

- maintaining the financial asset register.
- Insurance management;
- Insurance premiums;
- Claims handling (in-house only) where claimants have experienced a financial loss;
- Income management:
  - transmission exit charges administration;
  - tariff formulation; and
  - revenue forecasting.
- Regulation:
  - regulation management and compliance reporting;
  - financial regulatory reporting – costs, revenues, regulatory accounts, financial resources;
  - reporting of quality of service performance.
- Connections management:
  - connection charge policy formulation;
  - un-metered connections records; and
  - connection agreement administration.
- Meter Point Registration System (MPRS):
  - database management.
- Subscription to trade associations such as the ENA.
- Fines and penalties (other than in Lane rentals) - see Fines and penalties.

- EXCLUDES
- maintaining the physical asset register(s); and
  - any of the IT systems associated with Finance and Regulation (include under IT & Telecoms).

SEE ALSO: Insurance management, Claims handling (in-house only)

financial year                      A period of 12 months beginning on 1 April of any year and ending on 31 March of the following calendar year.

SEE ALSO: Statutory accounting financial year.

finances and penalties            Items disallowed from the calculation of RAV arising under any legislation including but not limited to those from tax authorities (e.g. VAT, PAYE compliance, National Insurance and corporation tax penalties including for late payments.

See also Finance and Regulation, Lane Rentals and

permit scheme costs.

flexible benefit scheme	A scheme whereby an employee may select from a menu of tariff flexible benefits which substitute the selected defined benefit(s) for salary or other benefits.
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.
general reinforcement	In respect of load related new connections and reinforcements activity, see definition under 'load related new connections and reinforcement' activity.
graduate trainees	Graduates employed under a formal training programme.
group recharges	Charges made by one affiliate to another affiliate that are included in the costs charged by that second affiliate to the licensee.
guaranteed standards compensation payment	Payments to customers required by the guaranteed standards of performance (below).
guaranteed standards of performance ("gsop")	Standards of performance which are set for licensed electricity distributors by the Authority in accordance with the provisions of Section 39A of the Electricity Act 1989 (as amended) and the Electricity (Standards of Performance) regulations 2005 and under which failure to meet the specified standards creates a liability for the licensed electricity distributor concerned to make a specified compensation payment to the customer(s) affected by the failure.
health & safety and operational training activity	<p>The activity of training of staff involved in direct activities and the activity of promoting and maintaining health and safety of employees, contractors, customers and the public.</p> <p>INCLUDES</p> <ul style="list-style-type: none"><li>• training, courses and training centre costs for staff involved in direct activities;</li><li>• any staff who organise and provide training;</li><li>• engineering and health and safety training, courses and training centre costs for staff involved in indirect activities;</li><li>• developing the company's overall health and safety policy;</li><li>• establishing procedures to comply with best practice for health and safety;</li><li>• maintenance of records to show compliance with Factory and Health and Safety at Work Acts; and</li><li>• providing advice on security matters</li></ul>

both for property and personnel and provision of advice on fire prevention.

- EXCLUDES
- Health and Safety checks on work and personnel (in Engineering Management and Clerical Support) such as:
    - Compliance checks on staff and contractors' work carried out,
    - Site safety inspections,
    - Investigation, report and corrective action following an accident,
    - Authorisation of team members for operational and non-operational duties, and
    - Operational field safety checks
  - any of the IT systems associated with Health & Safety (include under IT & Telecoms);
  - any time of employees attending training (include as labour cost under the relevant activity of that employee);
  - any time of apprentices undergoing 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); and
  - any purchase of equipment (include under non-operational capex).

human resources & non-operational training activity ("HR")

The activity of personnel management for all staff and the training of office-based staff.

- INCLUDES
- provision of the Human Resources function;
  - Industrial and employee relations including developing HR strategy, policies and procedures;
  - facilitating and operating training courses for office-based staff;
  - any staff who organise and provide non-operational training;
  - facilitating and undertaking recruitment;
  - monitoring equal employment opportunity;
  - facilitating staff performance development and reviews;
  - payroll and pensions' management and operation;
  - provision of communications to staff, including staff magazine; and
  - cost of IT & Telecoms training.

- EXCLUDES**
- any costs associated with staff whose line management responsibilities require them to apply HR policies;
  - any of the IT systems associated with HR and payroll (include under IT & Telecoms);
  - 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); and
  - any purchase of equipment which is capitalised (include under non-operational capex).

**HV (High Voltage)** Is the abbreviation used to define that part of the distribution system contained within the voltage boundaries described under “HV Systems” in Appendix 4 of the Quality of Service Regulatory Instructions and Guidance version 5 (March 2005) (e.g. 6.6kV, 11kV, 20kV).

**SEE ALSO:** 132kV, EHV, LV and LV Services

**HV BLX type construction** This includes covered conductor construction to ENA TS 43-121 i.e. single circuit overhead lines of compact covered construction on wood poles for use at high voltage up to and including 33kV) (e.g. BLX).

**HV conventional type construction** The conventional construction includes all forms of open wire construction including short spans of covered conductors over road or railway crossings.

**Independent Connection Provider (‘ICP’)** A provider of connections services that is not a related party.

- EXCLUDES**
- any related party

**IFRS/IAS** See “accounting standards”

**indirect activities** are those activities which do not involve physical contact with system assets:

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.

- INCLUDES**
- network policy (inc R & D);
  - network design & engineering;
  - project management;
  - engineering management & clerical support;
  - wayleaves administration;
  - control centre;
  - system mapping - cartographical;

- customer call centre (inc compensation claims administration);
- stores & procurement;
- vehicles & transport;
- information technology & telecoms;
- property management;
- human resources & non-operational training;
- health & safety and operational training;
- finance and regulation; and
- CEO & group management / legal & company secretary / community awareness.

**inflation** is the arithmetic average of the monthly RPI figures for the regulatory financial year under review compared to the average of the index for the previous year.

**inflation adjustment** Adjustment applied to the RAV balance for inflation

**information technology ("IT")** Means, for the purposes of 'Table 2.8 IT & Telecoms', the purchase, development, installation, and maintenance of computer and telecommunications systems and applications.

IT is sub-divided into:

- New assets – operational has the same meaning as "operational IT"
- New assets – non-operational has the same meaning as "non-operational IT"
- IT maintenance and running costs: The cost of the maintenance and all the operating costs of the IT infrastructure and management costs and Applications costs; and EXCLUDING:
  - new assets – operational; and
  - new assets – non-operational.

IT is further sub-divided into:

- IT Infrastructure & Management Costs
- IT Applications Costs

SEE ALSO: 'IT & Telecoms activity'

- INCLUDES**
- operational IT systems;
  - non-operational IT systems;
  - telecommunications systems (operational and non-operational);
  - related licences; and
  - remote data storage.

- EXCLUDES**
- those items excluded under the definitions of Operational and Non-operational IT;
  - Ordnance survey data / licences; and
  - training.



IT & Telecoms activity	<p>For the purposes of 'Table 2.2 Total Cost Matrix', represents the 'IT Maintenance and Running Costs' relating to:</p> <ul style="list-style-type: none"> <li>• IT Infrastructure and management costs; and</li> <li>• IT Applications Costs</li> </ul>
IT applications costs	<p>The costs of application software and related licences.</p> <p>INCLUDES</p> <ul style="list-style-type: none"> <li>• IT applications maintenance and running costs.</li> <li>• IT new application software and upgrade costs.</li> </ul> <p>EXCLUDES</p> <ul style="list-style-type: none"> <li>• Ordnance survey data / licences.</li> </ul>
IT applications maintenance and running costs	<p>The cost of all –</p> <ul style="list-style-type: none"> <li>• first and third party application software maintenance; and</li> <li>• software licence and licensing costs for existing applications.</li> </ul> <p>EXCLUDES</p> <ul style="list-style-type: none"> <li>• New application software and upgrade costs.</li> </ul>
IT clients support / services	<p>The cost of all -</p> <ul style="list-style-type: none"> <li>• security administration;</li> <li>• IT procurement;</li> <li>• help desk fault management; and</li> <li>• on-going configuration and new requests, for client's personal computers, laptops, printers, hand held devices and monitors.</li> </ul>
IT environmental control systems	<p>The costs of physical IT environmental costs and maintenance (i.e. air conditioning, uninterruptible power supply, fire and flood prevention and detection) where these can be differentiated from the costs of property management.</p>
IT infrastructure and management costs	<p>The cost of developing, purchasing, installing and maintaining:</p> <ul style="list-style-type: none"> <li>• propriety or bespoke new IT system hardware;</li> <li>• the physical IT environmental systems (i.e. air conditioning, uninterruptible power supply, fire and flood prevention and detection equipment); and</li> <li>• the cost of the maintenance and all the operating costs of the above infrastructure and management costs activity.</li> </ul> <p>INCLUDES</p> <ul style="list-style-type: none"> <li>• IT network provision;</li> <li>• IT network maintenance;</li> <li>• IT voice and data network usage;</li> <li>• IT telecontrol network;</li> <li>• IT servers support / services;</li> <li>• IT environmental control systems;</li> <li>• IT clients support / services; and</li> <li>• IT management.</li> </ul>

	EXCLUDES	<ul style="list-style-type: none"> <li>• any of the property costs associated with IT &amp; Telecoms (include under Property Mgt), except where the cost of specific IT environmental control systems can be distinguished from other property costs.</li> </ul>
IT management	<ul style="list-style-type: none"> <li>• The costs of managing the IT &amp; Telecoms activity that do not relate to any specific IT infrastructure or IT applications.</li> <li>• INCLUDES: <ul style="list-style-type: none"> <li>○ senior IT &amp; Telecoms department management labour costs, except when engaged on specific IT infrastructure or applications;</li> <li>○ administration support within the IT activity / department;</li> <li>○ consumables (e.g. stationery, disks, moveable storage mediums); and</li> <li>○ other costs not relating specifically to other defined IT infrastructure or applications categories.</li> </ul> </li> </ul>	
IT network provision		The cost of voice and data network circuit rentals for inter-office, home to office, Private Mobile Networks (PMRs) and field handhelds.
IT network maintenance	The costs of all	<ul style="list-style-type: none"> <li>• voice and data network, PABX, private mobile radio circuits ("PMR"), router and switch maintenance costs; and</li> <li>• related hardware licence fees.</li> </ul>
IT new application software and upgrade costs	The cost of	<ul style="list-style-type: none"> <li>• purchasing and installing propriety new application software and their licence fees; and</li> <li>• purchasing and installing upgrades to existing application software, and developing bespoke application software specifically for the licensee's business by the licensee or a related party.</li> </ul>
IT servers support / services	The costs of all	<ul style="list-style-type: none"> <li>• hardware maintenance and operating systems;</li> <li>• data centre operations;</li> <li>• system administration;</li> <li>• database administration;</li> <li>• Enterprise management covering monitoring, backup, scheduling and capacity planning; and</li> <li>• disaster recovery;</li> </ul>
IT telecontrol network	The costs of all	<ul style="list-style-type: none"> <li>• distribution network telemetry circuit charges and usage;</li> <li>• RTU and rural automation hardware;</li> <li>• related hardware licence fees; and</li> <li>• repairing faults on the IT Telecontrol network</li> </ul>

IT voice and data network usage	<p>The costs of all</p> <ul style="list-style-type: none"> <li>• usage charges for land line, mobile phones, facsimiles, field handhelds and PMR services wherever situated;</li> <li>• data usage charges;</li> <li>• call centre usage; and</li> <li>• authorised home telephone account usage.</li> </ul>
innovation funding incentive ("IFI")	<p>Has the meaning and purposes attributed to the innovation funding incentive scheme in paragraph 1(a)(ii) of standard condition 51 of the electricity distribution licence.</p>
inspection	<p>The visual checking of the external condition of assets.</p> <p><b>INCLUDES</b></p> <ul style="list-style-type: none"> <li>• helicopter and foot patrols;</li> <li>• all asset surveys of whatsoever nature and purpose, including asset condition surveys;</li> <li>• inspection of tools (including lifting tackle inspections and PAT testing); and</li> <li>• reading gauges.</li> </ul> <p><b>EXCLUDES</b></p> <ul style="list-style-type: none"> <li>• use of diagnostic testing equipment;</li> <li>• supervisory input to plan workloads and manage staff (include under Engineering Mgt &amp; Clerical Support);</li> <li>• data review except the initial recording on site (include under Engineering Mgt &amp; Clerical Support);</li> <li>• inspection of non-system assets (include under Property Mgt);</li> <li>• any of the costs associated with the indirect activities as defined in this appendix; and</li> <li>• any of the costs associated with maintenance.</li> </ul>
inspections & maintenance (exc. tree cutting) activity ("I&M")	<p>The activity of both:</p> <p>(a) inspection, which has the definition ascribed to it above and</p> <p>(b) maintenance, which has the definition ascribed to it below.</p>
insurance captive	<p>See captive insurer</p> <p><b>EXCLUDES</b></p> <ul style="list-style-type: none"> <li>• insurance claims handling carried out by third parties.</li> </ul>
insurance management	<p>The activity of managing and administering the insurance function, internally and externally by third parties.</p> <p><b>INCLUDES</b></p> <ul style="list-style-type: none"> <li>• arranging the contracts of insurance;</li> <li>• brokers fees; and</li> <li>• cost of in-house insurance team.</li> </ul>

	<p>EXCLUDES</p> <ul style="list-style-type: none"> <li>• insurance premiums;</li> <li>• compensation claims handling; and</li> <li>• claims handling (in-house only) where claimants have experienced a financial loss.</li> </ul> <p>See also:     claims handling (in-house only)</p>
insurance premium	<p>The periodic payments made on an insurance policy.</p> <p>INCLUDES</p> <ul style="list-style-type: none"> <li>• insurance premium tax; and</li> <li>• the refund of premiums received as part of an asset risk transfer or similar agreement.</li> </ul> <p>EXCLUDES</p> <ul style="list-style-type: none"> <li>• arranging the contracts of insurance.</li> </ul>
insurance proceeds received	<p>The financial reimbursement received under a contract of insurance as a result of an insured event.</p>
IT clients support/services	<p>In respect of IT &amp; Telecoms activity, see definition under IT &amp; Telecoms activity.</p>
IT maintenance and running costs	<p>In respect of IT &amp; Telecoms activity, see definition under IT &amp; Telecoms activity.</p>
IT management	<p>In respect of IT &amp; Telecoms activity, see definition under IT &amp; Telecoms activity.</p>
IT servers support / services	<p>In respect of IT &amp; Telecoms activity, see definition under IT &amp; Telecoms activity.</p>
labour (excluding employer pension costs)	<p>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.</p> <p>INCLUDES</p> <ul style="list-style-type: none"> <li>• gross salaries and wages of all employees, including payments resulting from bonus and profit-related payment schemes;</li> <li>• employer's National Insurance contributions;</li> <li>• salary sacrifice payments;</li> <li>• sick pay;</li> <li>• sickness benefits;</li> <li>• private health insurance;</li> <li>• (non pension related) retirement awards;</li> <li>• death in service benefits;</li> <li>• paid leave;</li> <li>• company cars or payments in lieu thereof;</li> <li>• standby costs;</li> <li>• subsistence;</li> <li>• travel;</li> <li>• entertainment expenses;</li> </ul>

- share options (including employee share purchase plans, employee share option plans);
- medical insurance costs;
- childcare assistance;
- protective clothing; and
- welfare costs.

- EXCLUDES
- professional services;
  - contractors;
  - company vehicles take home over night, other than company cars (include under Vehicles and Transport activity);
  - small tools and equipment (include under Non-operational new assets and replacement);
  - pension costs (employer only); and
  - pension deficit charges.

lane rentals

A term in the RRP encompassing costs in respect of either or both of:

- “road occupation”, which category of costs is prescribed in regulations made pursuant to Section 74A of the New Roads and Street Works Act 1991; and
- “permit scheme”, which category of costs is prescribed in regulations made pursuant to Part 3 of the Traffic Management Act 2004.

References to the Traffic Management Act 2004 are to be interpreted as, in relation to Scotland, the Transport (Scotland) Bill as enacted.

SEE ALSO: road occupation costs, permit scheme costs.

lease

A written agreement under which an asset owner passes ownership of that asset for a specified period of time to another party in return for a consideration.

- INCLUDES
- finance leases (open-ended lease);
  - operating leases; and
  - capital leases.

licence fees

Payments by the licensee to the Authority determined in accordance with standard condition 3 of the electricity distribution licence.

licensed distributor

As defined in standard condition 1 of the electricity distribution licence.

licensee

Has the same meaning as licensed distributor.

load-related new connections and reinforcement

New system assets installed on the network as a result of a new customer connection (contestable and non-contestable works); reinforcement as a result of a new connection; and general reinforcement required due to

changes in demand on the system.

For new connections and customer specific reinforcement the costs are to be recorded against the voltage level of the connection, e.g. the costs of both the HV & LV assets required to provide LV connections should be recorded under LV connections.

For general reinforcement the costs are to be recorded against the voltage of the assets being installed.

INCLUDES

- New Connections carried out by the DNO or Related Party.
- Includes connections installed by contractors employed directly by the DNO or Related Party.
- New Connections carried out by a Third party
- The adoption costs of those new connections.
- Customer specific reinforcement determined to be chargeable through the application of the Connection Charge Apportionment Rules.
- Customer specific reinforcement determined to be non-chargeable through the application of the Connection Charge Apportionment Rules.
- General reinforcement
- The costs of providing additional network capacity necessary as a result of demand changes rather than as a result of specific customer connection.
- Easement/servitude costs relating to new assets.
- The dismantlement of existing assets (at all voltage levels) where the dismantlement is undertaken as part of the load related capital project to install new assets.

EXCLUDES

- 'Out of distribution service area' connections;
- easements / servitudes arising from the conversion of wayleave arrangements (included in Non-load Non Fault new and replacement assets);
- wayleaves;
- wayleave, easement or servitude management or administration costs;
- capitalised interest; and
- asset revaluation amounts.

LV

Is the abbreviation used to define that part of the distribution system contained within the voltage boundaries described under "LV Systems" in Appendix 4 of the Quality of Service Regulatory Instructions and

Guidance version 5 (March 2005).

SEE ALSO: 132kV, EHV, HV and LV Services.

LV board open busbar type A distribution board in an LV system with open type assembly without protection against direct access to live parts usually used for live withdrawal/insertion of fuse-links.

LV feeder pillars (indoor & outdoor) 400/230 V outdoor/indoor distribution board equipped with, for example, 1600A incomer transformer disconnecter and with 6x630A outgoing ways including associated fuses.

LV services Is the abbreviation used to define that part of the distribution system contained within the voltage boundaries described under "LV services" in Appendix 4 of the Quality of Service Regulatory Instructions and Guidance version 5 (March 2005). (For the purposes of the Rules includes the inspection and maintenance costs of unmetered services.)

SEE ALSO: 132kV, EHV, HV and LV.

LV system Is the abbreviation used to define that part of the distribution system contained within the voltage boundaries described under "LV system" in Appendix 4 of the Quality of Service Regulatory Instructions and Guidance version 5 (March 2005).

LV underground link boxes Used to interconnect or isolate (switch) adjacent sections of underground low voltage cables (e.g. 4 way 4 core). Normally open LV link boxes used for interconnection of substations to the LV networks of adjacent substation for teed or looped in/out of main feeder.

maintenance The invasive ('hands on') examination of plant and equipment.

- INCLUDES
- oil pumping;
  - oil for fluid filled cables;
  - renewal and replacement of insulation medium (e.g. SF6 and oil) in switchgear, whether reprocessed or not;
  - diesel generation costs;
  - environmental clear-ups;
  - painting of towers, substations, plant; and
  - substation building maintenance including weed clearance, fencing, outdoor and indoor maintenance;
  - the functional testing of plant & equipment;
  - the use of diagnostic testing equipment to assess the condition of

- plant and equipment;
- minor repairs carried out at the same time as the maintenance visit;
- the physical dismantlement of existing assets (at all voltage levels) where the cost of dismantlement is not chargeable to a third party and no new assets are to be installed;
- remedial work; and
- provision of electricity for substations

- EXCLUDES
- 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);
  - maintenance of non-system assets (include under Property Mgt);
  - tree cutting and tree clearance (include under Tree Cutting);
  - any of the costs associated with the indirect activities as defined in this appendix;
  - any costs resulting from physically repairing an asset and restoring supply following a fault (include under Faults); and
  - any of the costs associated with inspection.

materials

The physical components that go into 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.

- 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;
  - purchase, rent or lease of vehicles (only where they are “non-operational new assets & replacement”);
  - fuel for the operational fleet (include under the Vehicles and Transport activity)
  - materials provided by a contractor where the costs have been separately identified; and
  - postage and stationery.

- EXCLUDES
- company cars;
  - procurement management; and
  - storage of the materials unless the purchase price includes the cost of storage by the supplier



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.
metered LV services	An LV service where a meter is used to measure electricity usage.  SEE ALSO: LV Services
metering activity	Is the activity of providing basic "metering services", which has the meaning defined in standard condition 1 of the electricity distribution licence and are the activities covered by the metering price control.
metering price control	Is the term applied to the restriction of basic metering charges set out in special condition F1 of the electricity distribution licence.
modern equivalent asset ("MEA")	The currently available asset which most closely matches the specification and performance of an existing asset which is no longer available or no longer meets minimum standards.
modern equivalent asset value ("meav")	the net value of a modern equivalent asset, i.e. the cost of replacing an old asset with a technically up to date new asset with the same service capacity, less accumulated current cost of depreciation.
net debt	Borrowings less surplus cash and short-term investments, including all funds borrowed from or lent to external or related parties and amounts due on finance leases.
net non-fault operational capex (for the purposes of DPCR4 only)	Has the meaning given at paragraph A1.12 in Appendix 1 (RAV Roll Forward and Incentive Mechanisms) in the Electricity Distribution Price Control Review Final Proposals (November 2004) document.
network	Has the same meaning as "distribution system" given in standard condition 1 of the electricity distribution licence, excluding meters and energy usage metering equipment as these are subject to a separate price control.
network design and engineering activity	All processes and tasks involved in the: <ul style="list-style-type: none"> <li>• strategic planning of the distribution network at all voltages; and</li> <li>• detailed engineering design of new connections, extensions and changes to the distribution network at all voltages.</li> </ul> <p>INCLUDES</p> <ul style="list-style-type: none"> <li>• load forecasting;</li> <li>• maintenance of network design data models;</li> </ul>

- development of Long Term Development Statements;
- capital planning for business plans and budgets;
- network modelling;
- strategic planning of the network in respect of new connections, load related network reinforcement, distributed generation and all aspects of the “non load non fault new and replacement asset installation” activity;
- detailed network and engineering design of the network to accommodate new connections, specific changes in either demand or distributed generation and all aspects of the “non load non fault new and replacement asset installation” activity;
- provision of connection charge quotations;
- approval of network designs undertaken by other parties, such as independent connection providers, IDNOs and related parties;
- the surveying of a specific overhead line in order to identify the detailed work required to address an identified problem/issue;
- the determination of land profiles in order to select the routes and pole sizes for either new lines or lines that are to be rebuilt;
- the surveying associated with new and existing operational sites in order to identify detailed work requirements; and
- network performance monitoring and evaluation of impact of salient policies.

#### EXCLUDES

- administration of existing wayleave records and wayleave payments;
- the surveying, patrolling or inspection of overhead lines in order to collect condition information;
- the surveying of operational sites in order to collect condition information;
- any of the costs associated with working in the field on system assets (these are included the Direct Activities);
- any of the costs associated with “Engineering Management & Clerical Support” staff who manage or assist employees working in the field on system assets (these are included under Engineering Mgt & Clerical

	<ul style="list-style-type: none"> <li>Support);</li> <li>• any of the IT systems associated with Network Design &amp; Engineering (include under IT &amp; Telecoms); and</li> <li>• any of the Property costs associated with Network Design &amp; Engineering (include under Property Mgt).</li> </ul>
network policy (inc R&D) activity	<p>All processes and tasks involved in the development and review of environmental, technical and engineering policies, and including research and development.</p> <p><b>INCLUDES</b></p> <ul style="list-style-type: none"> <li>• evaluating the impact of changes in relevant legislation;</li> <li>• development, regular review and updating of asset risk management policies, such as: <ul style="list-style-type: none"> <li>• asset maintenance policy;</li> <li>• asset inspection policy;</li> <li>• technical standards and specifications team;</li> <li>• plant, equipment and component specifications;</li> <li>• vegetation management policy;</li> <li>• asset replacement policy; and</li> <li>• network design and protection policy;</li> </ul> </li> <li>• analysis and interpretation of asset condition data;</li> <li>• development, regular review and updating of environmental policy;</li> <li>• research and development;</li> <li>• fees paid to research and development organisations, such as EATL; and</li> <li>• IFI.</li> </ul> <p><b>EXCLUDES</b></p> <ul style="list-style-type: none"> <li>• any of the costs associated with working in the field on system assets (these are included in Direct Activities);</li> <li>• any of the costs associated with “Engineering Management &amp; Clerical Support” staff who manage or assist employees working in the field on system assets (these are included under Engineering Mgt &amp; Clerical Support);</li> <li>• any of the IT systems associated with Network Policy (include under IT &amp; Telecoms); and</li> <li>• any of the Property costs associated with Network Policy (include under Property Mgt).</li> </ul>
network rates	<p>Rates levied on distribution network assets in accordance with the Electricity Supply Industry</p>

(Rateable Values) (England) Order 2005.

- EXCLUDES
- business rates; and
  - water rates.

network resilience

Relates to the installation of new assets or the replacement of existing assets where the prime purpose is to improve the ability of a network to withstand severe weather.

- INCLUDES
- Costs associated with the replacement of assets that are otherwise fit for purpose (i.e. in good condition or performing adequately) where the intention is to reduce the number of unplanned incidents that would occur as a consequence of a severe weather event; and
  - incremental or extra costs associated with the replacement of existing assets that are planned for replacement on condition assessment or are performing poorly with assets which have a specification that exceeds the nearest MEA. (e.g., the nearest MEA for a conventional HV overhead line constructed to BS1320 is a conventional HV overhead line constructed to EATS 43-40. A specification that exceeds the nearest MEA would be an HV overhead line using BLX construction. The incremental cost of replacing a poorly-performing BS 1320 HV overhead line with an HV line constructed using BLX should be treated as resilience.)

- EXCLUDES
- Costs associated with the replacement of existing assets that are in poor condition or are performing poorly, using their nearest modern equivalent asset (MEA). The replacement of such assets with their nearest MEA should be treated as Non-load related replacement (condition-based non-fault);
  - costs associated with assets installed that are intended to reduce the number of customers affected by an unplanned incident. These costs are to be treated as a quality of service; and
  - costs associated with assets installed that are intended to speed up the restoration of supplies to customers following an unplanned incident. These costs are to be treated as a quality of service.

new application software and upgrade costs	In respect only of IT & Telecoms activity, see definition under IT & Telecoms activity.
new connection assets	In respect of load related new connections and reinforcements activity, see definition under 'load related new connections and reinforcements' activity.
new connections	<p>The costs incurred to connect new demand customers and non-relevant distributed generation to the distribution system.</p> <p><b>INCLUDES</b></p> <ul style="list-style-type: none"> <li>• The dismantlement of existing assets (at all voltage levels) where the dismantlement is undertaken as part of the load related capital project to install new connection assets.</li> </ul> <p><b>EXCLUDES</b></p> <ul style="list-style-type: none"> <li>• the physical dismantlement of existing assets (at all voltage levels) where the cost of dismantlement is not chargeable to a third party and no new assets are to be installed.</li> </ul>
new ESQCR costs	<p>In Table 2.6, has the meaning set out in special condition A3 of the electricity distribution licence, i.e. any regulations which amend or replace ESQCR 2002.</p> <p><b>EXCLUDES</b></p> <ul style="list-style-type: none"> <li>• ESQCR costs.</li> </ul>
new infrastructure costs	In respect only of IT & Telecoms activity, see definition under IT & Telecoms activity.
non-domestic rates	Has the same meaning as business rates.
non-load non-fault new and replacement assets	The installation of new assets and the planned installation of replacement assets for reasons other than either fault replacement or load-related reasons.

## INCLUDES

In respect of the grounds set out below includes:

- the installation of new assets;
- the planned installation of replacement assets; and
- the dismantlement of existing assets (at all voltage levels) where the dismantlement is undertaken as part of non-load non-fault related project.

### **Condition-based non-fault**

- Assets replaced as a result of an assessment of their condition and performance. 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).

### **Quality of Service**

- Has the meaning given for “quality of service capital expenditure”.

### **Safety**

- New and replacement assets installed where the prime driver is to meet safety requirements and to protect staff and the public. This does not include assets replaced as a result of condition assessment or to meet the 3 metre clearance rule under ESQCR.

### **Environment**

- Has the meaning given for “environmental capital expenditure”, note that the replacement of fluid-filled / pressure assisted cables should be included under ‘Condition-based non-fault’).

### **Visual Amenity**

- New and replacement assets installed where the prime driver is to enhance visual amenity (including ‘Undergrounding in National Parks or Areas of Outstanding Natural Beauty’ as described in the Final Proposals.

### **ESQCR**

- New and replacement assets installed where the prime driver is to comply with the 3 metre clearance rule under ESQCR.
- Any future changes to ESQCR requirements which result in any new

or replacement assets being installed should be recorded here.

**Resilience**

- New and replacement assets installed where the prime driver is to improve the resilience of the network – SEE ALSO network resilience.

**Non rechargeable diversions**

- Expenditure incurred in the replacement or upgrading of existing assets in respect of performing diversion work (e.g. as detailed in the New Road and Street Works Act 1991) and due to the termination of wayleaves, for distribution network assets not reimbursed by or not chargeable to third parties.

**Easements / servitudes**

- Easement / servitude payments made arising from the conversion of wayleave arrangements or the payment for a new easement / servitude.

**Strategic spares**

- Purchase of strategic spares in the year held as stock at the year end – SEE ALSO definition of strategic spares.

**EXCLUDES**

- 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 Faults capex);
- all wayleave payments;
- capitalised interest; and
- asset revaluation amounts.

non-operational IT

IT equipment that is either located away from the network assets or does not directly relate to the control of those assets.

**INCLUDES**

- infrastructure; and
- IT applications.

**EXCLUDES**

- operational IT.

non-operational new assets & replacement

Expenditure on new and replacement assets which are not system assets.

**INCLUDES**

- vehicles (including mobile plant and generators);

	<ul style="list-style-type: none"> <li>• plant &amp; machinery;</li> <li>• small tools &amp; equipment;</li> <li>• office equipment;</li> <li>• land and buildings used for administrative purposes;</li> <li>• IT &amp; telecoms; and</li> <li>• IT software upgrade costs.</li> </ul>
	<p>EXCLUDES</p> <ul style="list-style-type: none"> <li>• system assets; and</li> <li>• company cars (except where included under the labour cost).</li> </ul>
non-operational premises	<p>Are premises used by people (e.g. stores, depots and offices) and which are not operational premises (e.g. substations).</p> <p>INCLUDES</p> <ul style="list-style-type: none"> <li>• stores;</li> <li>• depots; and</li> <li>• offices.</li> </ul> <p>EXCLUDES</p> <ul style="list-style-type: none"> <li>• Substations.</li> </ul>
non-pressure assisted cables	<p>Includes all non pressure assisted cables (e.g. plastic, paper insulated cables).</p>
non-QoS faults	<p>The cost of fault incidents that can not be attributed to any of the asset types set out for Quality of Service ("QoS") reporting.</p> <p>INCLUDES</p> <ul style="list-style-type: none"> <li>• cut outs;</li> <li>• street lighting; and</li> <li>• call-out resulting in no restoration or rectification work.</li> </ul>
non-rechargeable diversions	<p>In respect of non-load related replacement and other non-fault, see definition under non-load non-fault related replacement and new assets.</p>
non-relevant distributed generation	<p>SEE: Distributed Generation</p>
non trading rechargeables (NTRs)	<p>Are defined by paragraphs ES5 and ES6 of special condition A2 of the electricity distribution licence.</p> <p>INCLUDES</p> <ul style="list-style-type: none"> <li>• The dismantlement of network assets (at all voltage levels) where new assets are being installed as part of an NTR project (including service alterations);</li> <li>• The dismantlement of network assets (at all voltage levels) at the request of a third party and where the cost of dismantlement is chargeable to the third party;</li> <li>• Short term de-energisation (and subsequent re-energisation) of a metering point, at the customer's request, in order to allow customer to</li> </ul>



	<p>undertake work on their own electrical installation. The physical work undertaken by the DNO would typically be the removal and subsequent re-installation of a cut out fuse; and</p> <ul style="list-style-type: none"> <li>• Dismantling services to street lighting at the request of a third party and where the cost is wholly or partially chargeable to a third party.</li> </ul>
normal pension charges	Employer contributions or normal accruals to a pension scheme that are not pension deficit payments or charges.
normal pension payments	<p>Employer contributions to a pension scheme that are not pension deficit payments.</p> <p>INCLUDES</p> <ul style="list-style-type: none"> <li>• payments to defined benefit schemes;</li> <li>• payments to defined contribution schemes;</li> <li>• funding Funded Unapproved Retirement Benefit Schemes ("FURBS) determined in accordance with tax legislation.</li> </ul> <p>EXCLUDES</p> <ul style="list-style-type: none"> <li>• Salary sacrifice payments.</li> </ul>
Ofgem	The Office of Gas and Electricity Markets.
Ofgem licence fee	Has the same meaning as licence fees.
operating expenditure ("opex")	Expenditure which relates to the day-to-day operations of the distribution business and which is not capital expenditure and includes depreciation.
operational IT	<p>IT equipment which is used exclusively in the real time management of network assets, but which does not form part of those network assets.</p> <p>INCLUDES</p> <ul style="list-style-type: none"> <li>• RTU units and associated items;</li> <li>• communication equipment marshalling kiosks at substations;</li> <li>• communication solely for the purpose of switching (SCADA, antenna, pacnet etc.);</li> <li>• communication equipment receivers at the control centre; and</li> <li>• control hardware and software at the control centre.</li> </ul> <p>EXCLUDES</p> <p>(a) as part of the plant:</p> <ul style="list-style-type: none"> <li>• transducers on the plant;</li> <li>• control/indication panels and relays; and</li> <li>• wiring from plant to control panel.</li> </ul>

(b) as part of the mains:

- auxiliary cables that form part of a pilot cable or are integral with/supported from a main.

(c) as part of the substation:

- transducers associated with the substation, e.g. fire/security alarms and weather stations;
- dataloggers and statistical metering (for both of the above, the distinction from (a) is that these are not directly related to the normal operation of the substation); and
- wiring (if any) from (plant) control panels to RTU and marshalling kiosk.

operational premises	<p>Are premises which contain network assets and are not maintained for the purpose of facilitating people except for the purpose of maintenance.</p> <p>INCLUDES</p> <ul style="list-style-type: none"><li>• substations</li></ul> <p>EXCLUDES</p> <ul style="list-style-type: none"><li>• stores;</li><li>• depots; and</li><li>• offices</li></ul>
opex allowance	<p>The assumption for operating expenditure requirements included in the Electricity Distribution Price Control Review: Statutory consultations on the licence modifications (February 2005) to calculate allowed revenue.</p>
opex plus fault costs (for the purposes of DPCR4 only)	<p>Has the meaning given at paragraph A1.13 in Appendix 1 (RAV Roll Forward and Incentive Mechanisms) to the Electricity Distribution Price Control Review Final Proposals (November 2004) document.</p>
other cost recoveries	<p>In relation to atypical costs only, means any form of remuneration or cost recovery or reimbursement received by the licensee, other than 'insurance proceeds received' resulting from an 'atypical event'.</p>
out of area networks	<p>Networks owned or operated by the licensee, which are outside the licensee's distribution services area.</p>
overhead line	<p>Any electric line which is placed above ground and in the open air. This includes service lines, LV lines, HV lines and EHV lines and excludes that part of an underground cable running above ground for the purpose of termination with overhead lines.</p>

overhead line  
refurbishment

Is the planned replacement of overhead line components on a discrete section of the network with the objective of either restoring the overhead line to its original specification or enhancing the overhead line to the nearest MEA specification - the route of the overhead line should be broadly unchanged following refurbishment.

INCLUDES

- the replacement of (any combination of) the following overhead line components:
  - conductors;
  - insulators;
  - poles and other structures;
  - cross arms and other steelwork; and
  - stays.

EXCLUDES

- all the costs where components/assets are not replaced;
- the 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;
- capitalised interest; and
- asset revaluation amounts.

- **Major Refurbishment:** This includes wholesale replacement/upgrading of conductors and/or replacement of insulators, steelwork, fittings, stays and/or replacement of poles/towers as required bringing a line from poor condition to good condition to ensure a prolonged period of further service without additional refurbishment. The cost of such work shall normally be more than 50% of the cost of new line build per km. (In general refurbishment on a like for like basis could be 60% of new build costs; for upgrading this could be 70%)
- In case of replacement it should be reported accordingly in the asset age data in Table 3.2.
- **Minor Refurbishment:** Minimum work required on a line which is in general not in a bad condition but requires piecemeal replacement of selected worn or problematic line components. The cost of such work will normally be less than 25% of the cost of new line build per km.

overstay penalties

Penalties payable to Local Authorities as a result of overrunning of works in accordance either with the New Roads and Street Works Act 1991 or with the Traffic Management Act 2004 (and its Scottish equivalent).

own property

In respect of insurance only refers to all assets owned



	pension scheme actuaries.
pension deficit charges	The costs paid or accrued, directly or indirectly, by the licensee to reduce the pension deficit.  EXCLUDES <ul style="list-style-type: none"> <li>• normal pension charges; and</li> <li>• normal pension payments.</li> </ul>
pension deficit payments	The cash payments made, directly or indirectly, by the licensee to reduce the pension deficit.
permit scheme costs	Those costs, as determined in accordance with special condition A3 of the electricity distribution licence, incurred to comply with obligations under any order or regulations made pursuant to Part 3 of the Traffic Management Act 2004 which impose a permit scheme, otherwise referred to as lane rentals in the RRP.  References to the Traffic Management Act 2004 are to be interpreted as, in relation to Scotland, the Transport (Scotland) Bill as enacted.
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 1990.
pressure assisted cables	All pressure assisted cables (e.g. oil filled and gas filled cables).
price control basis	The basis and/or methodology applied to the treatment of specified costs or types of expenditure in arriving at defined price control allowances, e.g. for DPCR4 as determined in accordance with Appendix 1 to the Electricity Distribution Price Control Review Final Proposals (November 2004) document.
price control 3	See Distribution Price Control 3 ("DPCR3").
price control 4	See Distribution Price Control 4 ("DPCR4").
price control 5	See Distribution Price Control 5 ("DPCR5").
primary substation	Typical primary substation voltages are: <ul style="list-style-type: none"> <li>• 132 kV/EHV;</li> <li>• 132 kV/HV;</li> <li>• EHV/HV</li> </ul>
procurement	Included under 'Stores and Procurement' activity

professional services & subscriptions

Consultancy services employed by the licensee or related party.

- INCLUDES
- non-engineering services provided on a consultancy basis
  - subscriptions to trade bodies including the Electricity Networks Association (ENA); and
  - typically items such as legal services, audit fees, taxation services.

- EXCLUDES
- direct employee costs or agency fees (include under "Labour (excluding employer pension costs)");
  - contracted services of individuals provided through a personal service company (include under "Labour (excluding employer pension costs)"; and
  - engineers whether employed on a consultancy basis or not (include under 'Labour (excluding employer pension costs)' or Contractors, depending on the legal status of their engagement; and
  - analytical engineering work (include under 'Labour (excluding employer pension costs)' or Contractors, depending on the legal status of their engagement.

profits of an insurance captive

To be reported in accordance with the rules for accounting for insurance companies (and before tax).

project management

Project management from authorisation through preparation, construction and energisation to completion.

- INCLUDES
- overall responsibility for major project delivery;
  - determining resource requirements;
  - planning and requisitioning materials and equipment;
  - liaising with procurement for non-standard materials as required;
  - work and resource programming;
  - risk assessments of the overall project content;
  - preparation of work instructions;
  - issue work to own staff and contractors;
  - on-site supervision and technical guidance;
  - quality checks on work undertaken;
  - organising network access and co-ordinating outages;
  - organising and supervising (where appropriate) the undertaking of commissioning tests;

- issuing completion certificates; and
- arranging energisation of assets; and
- cost control.

- EXCLUDES
- any employees engaged in Network Policy, Network Design & Engineering and Engineering Management & Clerical Support (include under Network Policy and Network Design & Engineering and Engineering Management & Clerical Support);
  - any of the IT systems associated with Project Management (include under IT & Telecoms);
  - any of the Property costs associated with Project Management (include under Property Mgt);
  - any of the costs associated with the Control Room (include under Control Room); and
  - any employees managing other indirect activities (e.g. Logistics Manager) (include under the relevant indirect activity heading);
  - any design work relating to new connections new or replacement assets.

property management activity

The activity of managing, providing and maintaining non-operational premises.

- INCLUDES
- 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; and
  - relocation costs.

- EXCLUDES
- network rates (excluded from all activity headings);
  - inspection and maintenance of operational buildings (included under Inspections & Maintenance (exc. Tree Cutting); and
  - any of the IT systems associated with Property Management (include under IT & Telecoms).

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.
quality of service capital expenditure	<p>Relates to the installation of new assets or the replacement of existing assets where the prime purpose is to improve the overall quality of service experienced by customers, where quality of service performance is measured in accordance with the output reporting requirements of the Quality of Service rigs.</p> <p><b>INCLUDES</b></p> <ul style="list-style-type: none"> <li>• Costs associated with the installation of new assets or the replacement of existing assets where the prime purpose is to either: <ul style="list-style-type: none"> <li>○ reduce the average number of customers affected by an unplanned incident;</li> <li>○ reduce the average time that customers are affected by an unplanned incident; or</li> <li>○ reduce the overall fault rate per km of the distribution network.</li> </ul> </li> <li>• Incremental or extra costs associated with the replacement of existing assets that are planned for replacement on condition assessment or are performing poorly, with assets that have a specification that exceeds the nearest MEA. The incremental costs over and above those of the MEA would be treated as quality of service capex.</li> </ul> <p><b>EXCLUDES</b></p> <ul style="list-style-type: none"> <li>• The planned non-load related replacement of assets undertaken, using their nearest modern equivalent asset (MEA), with the objective of ensuring that the underlying condition, performance, integrity and resilience of the distribution network are maintained. The replacement of assets with their nearest MEA would usually be treated as Non-load Related Replacement (condition-based non-fault).</li> </ul>
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 as defined in this document.



RAV additions	Expenditure added to the RAV in the year.
rectification	<p>In relation to unplanned incidents (faults):</p> <p>After the restoration activity has been completed, the work required to locate faulty components, undertake the repair or replacement work and restore the network to pre-incident performance and configuration. In those cases where it has been possible to restore supplies to all customers by network switching as part of the fault restoration activity, the fault rectification activity will not involve the restoration of supplies to customers. However, in those cases where it has not been possible to restore supplies to all customers by network switching as part of the [fault] restoration activity, the [fault] rectification activity will involve the restoration of supplies to those customers remaining off supply.</p> <p>The completion of both temporary and permanent fault rectification is part of this activity.</p> <p><b>INCLUDES</b></p> <ul style="list-style-type: none"> <li>• 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 completion of the repair.</li> </ul> <p><b>EXCLUDES</b></p> <ul style="list-style-type: none"> <li>• Activities undertaken as part of "restoration".</li> </ul>
refurbishment	SEE: overhead line refurbishment.
regulatory accounts	Has the meaning given in standard condition 42 of the electricity distribution licence.
regulatory asset value("RAV")	A measure of the value of the capital employed in the regulated business, based on historical investment costs, on which licensees earn a return and receive regulatory depreciation.
regulatory depreciation expense	The annual expense for the depreciation of assets in the RAV, determined in accordance with paragraphs 8.10 to 8.14 "Depreciation, asset lives and capitalisation" of the Electricity Distribution Price Control Review Final Proposals (November 2004) document.
reinforcement expenditure	<p>The costs incurred to provide additional general network capacity as a result of changes in demand on the system.</p> <p><b>INCLUDES</b></p> <ul style="list-style-type: none"> <li>• Customer-specific reinforcement; and.</li> <li>• general reinforcement.</li> </ul> <p>See under "load-related new assets and reinforcements" for those two definitions.</p>

	EXCLUDES	<ul style="list-style-type: none"> <li>• network reinforcement associated with distributed generation.</li> </ul>
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 margin		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 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.
relevant associate		Has the meaning given in paragraph 4 of standard condition 43 of the electricity distribution licence.
relevant distributed generation		SEE: distributed generation
relevant excluded services		Those excluded services included in "Direct opex & total faults & Non-op capex" for the purposes of the RAV calculation, being ES1, ES3, ES4, ES7A, ES7B, ES8 and ES9 (as defined in those paragraphs of special condition A2 of the electricity distribution licence).
	EXCLUDES	<ul style="list-style-type: none"> <li>• ES5, ES6 and ES10 (as defined in those paragraphs of special condition A2 of the electricity distribution licence).</li> </ul>
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		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.
	EXCLUDES	<ul style="list-style-type: none"> <li>• wayleaves; and</li> <li>• easements / servitudes.</li> </ul>
rent, etc		An abbreviation for the cost category encompassing the cost of rents, leases, utilities, software licences, ordnance survey licences and insurance, excluding recoveries.
research & development		The activity has the meaning attributed to it in the relevant accounting standards.

- INCLUDES
- payments to external or related parties for specific research projects;
  - fees paid to research and development organisations, such as EATL; and
  - expenditure for innovation on eligible IFI schemes.

- EXCLUDES
- any of the IT systems associated with R&D (include under IT & Telecoms).

resilience

In respect of expenditure on non-load related new assets and reinforcements activity, specifically to improve the ability of a network to withstand exceptional events (from unplanned incidents) and to reduce the number of customers affected by the damage caused by a particular event; and not reported under any other item under Non-load related (other non-fault) costs.

SEE ALSO: network resilience

restoration

Network switching undertaken to restore as many customers' supplies as possible prior to any work being carried out on the faulty asset or faulty section of the network.

In some cases restoration will not result in the restoration of supplies to all affected customers.

- 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; and
  - connection of mobile generation.

- EXCLUDES
- undertaking of any further work not defined above.

restructuring

The act of re-organising a business for the purpose of making the organisation more efficient.

- INCLUDES
- redundancy costs (inc. ERDCs)

- EXCLUDES
- early retirement costs (inc. ERDCs)

revenue protection

In relation to metering activities, making metering positions safe and secure and identifying the extent of unrecorded consumption.

revenue return

Has the meaning given in paragraph 5(a) of standard condition 50 of the electricity distribution licence ("the detailed return").

road occupation costs	Those costs, as determined in accordance with special condition A3 of the electricity distribution licence, incurred in order to comply with obligations under any regulations made pursuant to section 74A of the New Roads and Street Works Act 1991, reported within lane rentals in the RRP.
safety	In respect of non-load related replacement and other non-fault, see definition under non-load related replacement and other non-fault.
salary sacrifice scheme	A scheme which allow employers to pay additional pension contributions on behalf of the employee in return or as substitution for a reduction (or sacrifice) in salary; and as a consequence there is a saving to the employee in taxation and for both employee and employer in National Insurance contributions.
SCADA	Supervisory control and data acquisition.
Scottish DNOs	DNOs whose distribution services areas are in Scotland.
Scottish electricity settlement run-off	An activity specifically applicable to DNOs whose distribution services areas are in Scotland in respect of the settlement run-off arrangements and costs as defined for the term "SRSt" in paragraph 5 of special condition B2 of the electricity distribution licence and only applicable for the year end 31 March 2006.
self insured risks	Risks that are not insured with an regulated insurer for an insurance premium and which are either provided for in the licensee's regulatory accounts or which are charged or recharged to it by a related party.
service line or cables	An electric line or underground cable which connects either a street electrical fixture, or no more than four consumers' installations in adjacent buildings, to a distribution main.
servitude	Term used in Scotland for a permanent right of access (in England and Wales this is termed an easement).  SEE ALSO:     easement.
severe weather exceptional event	Weather events that meet the relevant exceptionality requirement defined in annex B of special condition C2 of the electricity distribution licence.
Shetland balancing	The activity relating to the balancing of costs of the provision of electricity in the Shetland Isles as determined by the application of Part 2 of Annex C to special condition B2 of the electricity distribution licence. Such costs are only applicable to Scottish Hydro Electric Power Distribution Limited.
single/double circuit	For overhead lines this should be reported as circuit length and as described in Quality of Service Regulatory

length	Instructions and Guidance version 5 (March 2005).
software licences	Are the licence fees incurred in respect of the use of IT application software.
spans affected by trees	Spans that have vegetation that is, or is likely within the normal cycle of tree cutting to be, within the clearances specified in 'Technical Specification 43-8' of the Energy Networks Association, as amended.
spans cut	The number of overhead line spans around which the vegetation has been trimmed or removed during the reporting year. Note: double circuit lengths count as one span for this purpose.
standby costs	Are the costs incurred when employees are on standby to be called upon if required in the event of a specified occurrence in accordance with their terms of employment.
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.
stores	Included under 'Stores and Procurement' activity
stores and procurement activity	The activity of managing and operating stores and procurement of goods, materials and services.
	<p><b>INCLUDES</b></p> <p><b>Procurement</b></p> <ul style="list-style-type: none"> <li>• identify strategic needs for materials and services;</li> <li>• conduct market analysis;</li> <li>• identify potential suppliers;</li> <li>• undertake background review;</li> <li>• select suppliers and negotiate contracts;</li> <li>• purchase order fulfilment; and</li> <li>• monitoring supplier performance.</li> </ul> <p><b>Stores</b></p> <ul style="list-style-type: none"> <li>• delivery costs of materials or stock to stores;</li> <li>• quality testing of materials held in stores;</li> <li>• the value of losses on materials held in stores; and</li> <li>• the costs of membership of the "NGT spares club".</li> </ul> <p><b>EXCLUDES</b></p> <ul style="list-style-type: none"> <li>• any of the IT systems associated with Stores and procurement (include under IT &amp; Telecoms); and</li> <li>• any property management and maintenance costs of depots / stores</li> </ul>

	locations (included under Property Mgt).
strategic spares	<p>Items of plant and equipment held specifically to cover emergencies, where the equipment is subject to long delivery lead times or it will not be available in the future and where it is of strategic importance to maintain supplies.</p> <p>EXCLUDES • pole mounted transformers</p>
structure	<p>For the purposes of Tables 3.1 and 3.2 a structure is a construction designed to hold an overhead line and maintain required clearances.</p> <p>INCLUDES • Single Pole constructions (includes ;  <ul style="list-style-type: none"> <li>○ Single Pole cross-arm constructions;</li> <li>○ Trident design constructions);</li> </ul> • H-pole construction; and  • Steel lattice tower constructions.</p> <p>EXCLUDES • Substation equipment</p>
submarine cable	<p>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.</p> <p>INCLUDES • HV, EHV and 132kV Cables.</p>
substation	<p>A substation refers to number of operational sites:</p> <ul style="list-style-type: none"> <li>• owned (or operated) by the DNO or another party (e.g. Customer, NGET); and</li> <li>• having a transformer owned and maintained by the DNO, and</li> <li>• energised and commissioned.</li> </ul> <p>INCLUDES • Switching stations, i.e. having only switchgear owned and maintained by the DNO.</p> <p>EXCLUDES • HV &amp; EHV customer supplies i.e. having no step down transformer owned and maintained by the DNO, or  • GSPs where NGET own and maintain the transformers/switchgear.</p>
substation costs	<p>The expenditures in this category are the costs associated with:</p> <ul style="list-style-type: none"> <li>• substation civil works;</li> <li>• safety barriers/signs;</li> <li>• painting; and</li> <li>• vegetation management,</li> </ul> <p>including other costs related to substations other than transformers and switchgear.</p>

switchgear	Equipment which is installed on a distribution network that connects components of that network and which can be arranged to disconnect parts of the network either by manual operation, remote control operation or automatic operation.
switchgear units (including other plant and equipment)	This category includes RMUs, circuit breakers and directly associated equipment including isolators, earthing switches, current and voltage transformers, control & protection equipments, bushings, line traps and surge arrestors.
system assets	All assets on the licensee's distribution system, except connected generation assets not owned by the licensee and 'out of area' assets.
system mapping - cartographical activity	<p>The activity of mapping of the network and operational premises of the network to geographical locations.</p> <p>INCLUDES</p> <ul style="list-style-type: none"> <li>• Updating the geographical system maps with asset and locational information following the installation, removal or repositioning of system assets;</li> <li>• responding to NRSWA notices sent to the DNO by other parties; and</li> <li>• Ordnance Survey licence fees.</li> </ul> <p>EXCLUDES</p> <ul style="list-style-type: none"> <li>• Clerical support and administration associated with New Roads and Street Works Act (NRSWA) (include under Engineering Management and Clerical Support);</li> <li>• any employees employed in the Control Centre (include under Control Centre);</li> <li>• updating the network control diagram (include under Control Centre);</li> <li>• on-site collection of asset and locational information where this task is undertaken with the installation of the asset (e.g. sketches indicating the "as laid" size and route of an HV underground cable) which is part of the associated direct activity; and</li> <li>• any of the IT systems associated with the System Mapping Activity (include under IT &amp; Telecoms).</li> </ul>
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.
tele-control network	In respect only of IT & Telecoms activity, see definition under IT & Telecoms activity.

third party cable damage	Damage caused by third parties to cables for which a recovery of costs is made and which are not Non trading rechargeables (ES5 & ES6).
third party claims paid out	<p>Claims paid out directly by the distribution business to third parties where legal liability admitted or not admitted.</p> <p>EXCLUDES</p> <ul style="list-style-type: none"> <li>• ex gratia compensation payments;</li> <li>• guaranteed standard of performance compensation payments;</li> <li>• insurance premiums; and</li> <li>• insurance management.</li> </ul>
total number of spans	The total number of overhead line spans on the network
tower painting expenditure	Operating expenditure to protect and maintain the life of the distribution network towers and poles via the application of paint.
transformer	Plant used to alter the level of voltage and current.
transmission exit charges	Has the same meaning as that for “transmission connection point charges” given in special condition A1 of the electricity distribution licence.
tree cutting	<p>The activity of physically felling or trimming vegetation from around network assets.</p> <p>INCLUDES</p> <ul style="list-style-type: none"> <li>• the felling or trimming of vegetation as part of a Capital Scheme;</li> <li>• the felling or trimming of vegetation to meet ESQCR requirements;</li> <li>• the inspection of vegetation cut for the sole purpose of ensuring the work has been undertaken in an appropriate manner; and</li> <li>• inspection of tree-affected spans where included as part of a tree cutting contract.</li> </ul> <p>EXCLUDES</p> <ul style="list-style-type: none"> <li>• any of the costs associated with the Indirect Activities as defined in this document;</li> <li>• general inspection costs relating to wires that are subject to vegetation and not performed solely as part of a tree cutting contract or to ensure vegetation has been cut appropriately (include under Inspections &amp; Maintenance);</li> <li>• costs of assessing and reviewing the tree cutting policy (include under Network Policy);</li> <li>• data collection and manipulation relating to vegetation (include under Network Design &amp; Engineering);</li> <li>• the cost of managing the tree cutting</li> </ul>



	<ul style="list-style-type: none"> <li>• contract , except as stated above; and</li> <li>• the cost of procuring the tree cutting contract except as stated above (include under Stores and Procurement).</li> </ul>
turnkey contract	A contract where some aspect of the design emanates from, or is supplied by, the contractor and not the DNO/related party, so that the responsibility for the design, suitability and performance of the work after completion rests with the contractor. 'Turnkey' is treated as merely signifying the design responsibility as the contractor's.
UK GAAP	United Kingdom Generally Accepted Accounting Practice.
ultimate controller	Has the meaning given in standard condition 1 of the electricity distribution licence.
utilities	<p>Within the "rent / leases / rates / utilities / Ordnance survey licences" expenditure category,</p> <p>INCLUDES charges for</p> <ul style="list-style-type: none"> <li>• electricity consumed at non-operational premises;</li> <li>• business rates on non-operational premises;</li> <li>• gas consumed;</li> <li>• water rates;</li> <li>• waster water disposal; and</li> <li>• water consumed,</li> </ul> <p>in the course of the licensee's activities.</p>
underground cable	Any conductor surrounded by insulation which is placed below ground. This includes service cables, LV cables, HV cables and EHV cables.
use of system bad debts	A bad debt arising specially for use of system charges.
unmetered LV services	<p>An LV service where a meter is not used to measure electricity usage.</p> <p>Also see Electricity (Unmetered supply) regulations 2001.</p>
unplanned incidents	Has the meaning given in the Quality of Service rigs and EXCLUDES Island Diesel
vehicles & transport activity	<p>The activity 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.</p> <p>INCLUDES</p> <ul style="list-style-type: none"> <li>• lease costs associated with the vehicle fleet and mobile plant;</li> <li>• maintenance costs of the vehicle fleet and mobile plant, including mobile generation;</li> </ul>

- cost of accident repairs to distribution business's own vehicles where the cost is not covered by insurance;
- fuel costs of the vehicle fleet and mobile plant;
- cost of technical specifications of a vehicle or mobile plant; and
- costs included as part of a tree cutting contract.

- EXCLUDES
- 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 & Telecoms);
  - 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 New and Replacement Assets); and
  - cost of providing company cars to employees which are benefits in kind (include as labour cost under the relevant activity of that employee).

vesting assets	Assets included in the RAV at the vesting date.
vesting asset lives	Being the number of years over which vesting assets are depreciated in rolling forward the RAV.
visual amenity	In respect of non-load related replacement and other non-fault, see definition under non-load related replacement and other non-fault.
voice and data network usage	In respect of Information Technology & Telecoms activity, see definition under Information Technology & Telecoms activity.
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.
wayleaves administration activity	The activity of obtaining, managing and administering wayleaves, substation rents, easements and servitudes.
	<p>INCLUDES</p> <ul style="list-style-type: none"> <li>• negotiating new wayleaves;</li> <li>• managing wayleave terminations;</li> <li>• administration of existing wayleaves including the preparation of payments;</li> <li>• negotiating conversion from wayleave arrangements to permanent easement / servitude;</li> <li>• substation rents; and</li> </ul>

- the actual cost of the wayleave payment.

- EXCLUDES
- the actual cost of the easement / servitude payments (include under either load-related new connections & reinforcement or Non-load non-fault new and replacement assets); and
  - any of the IT systems associated with the Wayleaves administration activity (include under IT & Telecoms).

wayleaves / servitudes / easements payments

In respect of Non-load non-fault new and replacement assets, see definition under Non-load non-fault new and replacement assets; and in respect of Load-related new connections and reinforcement see definition under Load-related new connections and reinforcement.

wheeled units

Units of electricity conveyed on the licensee's distribution system within the licensee's distribution services area but not consumed within the licensee's distribution services area.

wheeled units imported

The activity and costs of the importation of units of electricity conveyed on the licensee's distribution system within the licensee's distribution services area but not consumed within the licensee's distribution services area.

Any words or expressions used in the Utilities Act 2000 or Part I of the Electricity Act 1989 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 in this appendix or in the RRP 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 electricity distribution 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 electricity distribution 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 electricity distribution licence.

## **Appendix 3 – Regulatory Reporting Pack (RRP)**

[refer to Excel document attached]

## **Appendix 4 – Cost Commentary**

See separate Word file.