

Gas Distribution Price Control Review Cost Reporting Consultation

A Response by National Grid Gas

September 2007

Section 1: Summary

1. This is National Grid's response to the Gas Distribution Price Control Review Cost Reporting Consultation Document published by Ofgem in August 2007. We confirm our response can be made public. While there is more work to be done to refine template outputs and develop summary reports, we are supportive of the benefits of annual reporting and welcome the opportunity to respond to Ofgem's proposals.
2. Section 2 contains our detailed responses to the questions raised by Ofgem in the consultation document. However, in summary, our main comments are as follows:
3. Cost reporting has already been introduced for Gas Transmission. We are therefore disappointed that common reporting formats for the Transmission and Distribution packs have not yet been adopted where there is an opportunity to do so, especially after Ofgem have given a commitment to follow this approach. This comment is particularly pertinent to the debt, taxation and pensions schedules, where we can see no reason for different reporting formats for essentially the same dataset. Differing formats will increase the administrative burden within NG (as well as for Ofgem who will have to cross check submissions) and we would strongly recommend common formats be adopted. We also realise that improvements will be made to the evolving Transmission RRP following their first year of completion, and where applicable modifications should be applied consistently to the Distribution and Transmission packs.
4. Apart from the adoption of common formats we believe that some improvements to the proposed formats can be made (see Appendix 1 for details), the keys ones being:
 - The proposed regulatory accounts reconciliation does not deal adequately with non formula costs. This would be resolved by use of the Table 8 format provided as part of the 2006/7 actuals submission;
 - We would recommend that formats be amended to be able to capture future new costs such as TMA and waste management;
 - Having agreed improvements for the June/July 2007 BPQ update, we are surprised to see the proposed investment schedules reverting back to the main BPQ submission from October 2006 formats, including resurrection of additional detail that is not available in our accounts;

- We would welcome consistency of definitions for indirect costs between the Distribution and Transmission packs.
5. We are of the view that further disaggregation of data over and above that which has been submitted as part of BPQ submissions is not appropriate. Indeed we would support a reduction in areas where there is a superfluous level of detail, or where it appears that the detail has not been utilised by Ofgem during GDPCR.
 6. Associated with this point, we are surprised to see in the consultation document the assertion “As such there is a limited historical dataset for individual GDNs, which arguably covers an atypical period of change in ownership and management. This gives us less confidence in the results of top down benchmarking” This is the opposite of our experience to date, when bottom up analysis of actual expenditure has been undermined by normalisation issues with Ofgem (effectively) reverting to a frontier based top-down regression.
 7. We support a relaxation of the requirement to publish audited regulatory accounts, in due course. We do not believe that the current format of the regulatory accounts provides any substantial value to stakeholders beyond that which is available in the statutory accounts. By contrast, we believe that, once established, the RRP will provide more relevant information to stakeholders.
 8. We would support the publication of data showing comparisons of actual spend against allowances, summary financials (once the regulatory accounts are no longer required) together with a supporting commentary. However, we do not believe that it would be appropriate to publish all of the RRP on the grounds of commercial sensitivity and an unnecessary high volume of detail. We would wish to work together with Ofgem to define which specific tables and/or summaries should be published.
 9. The provision of the Distribution RRP is a new requirement and additional resources will be required. However no cost allowance has so far been made by Ofgem since the derivation of opex allowances has been based on 2006/7, which does not include the cost of providing the RRP. We believe that Ofgem should make an allowance to cover this additional cost, estimated to be £350,000 per annum for NGG.

Section 2: National Grid's detailed response to specific questions raised.

Chapter Two: Cost reporting outputs and timetable

Question 1: Are the proposed contents of the annual report appropriate?

10. See Appendix 1 for our detailed comments.
11. Our main concern is that common formats have not been adopted from the Transmission pack which, if not changed, will add considerably to the administrative burden within National Grid. The Transmission debt schedule is a good example of where we have spent a considerable time formatting the Transmission report to match Ofgem's requirements and ensuring the report directly flows from the statutory accounts. Data from the Transmission report cannot be "read across" to the Distribution report since Ofgem are proposing a different level of detail.
12. Apart from the adoption of common formats we believe that a number of improvements to the proposed formats can be made, especially by reducing the level of detail. This could be achieved by:
 - Consolidating low value items, particularly some of the subjective analysis rows;
 - Reverting to the investment schedules that were agreed with Ofgem for the 2006/7 and July BPQ update.
13. However, we believe it would be beneficial to add in lines to capture future new costs such as TMA and waste management.
14. Please note that we have not checked the spreadsheet formulae. However, Appendix 2 gives details of any errors that we have come across as part of our review of the formats.

Question 2: Are there any reasons why consistent with our desire to promote transparency, we should not publish RRP data?

15. The current status to date with the Transmission RRP is that a summarised position will be published, i.e. a table showing performance against each individual allowance. This is also consistent with our understanding of the approach taken with the Electricity Distribution RRP. We believe that a consistent approach should be taken across all RRP's and published data should be limited to a comparison of actual against allowances at a summary level, together with a supporting commentary.

16. In any event, there would be some RRP data that we would not wish to be published on the grounds of commercial sensitivity. For example, we have some concerns that publishing forecasts for unapproved LTS projects may set a cost expectation and therefore prejudice our negotiating position when tendering for works.
17. In addition we do not believe it would be in the public interest to provide such extensive, detailed information especially in the initial years of development.
18. However, if there is a demand from stakeholders for further information we would wish to work with Ofgem to understand the requirements and develop the appropriate supplementary reports for publication.

Question 3: Do you have views on the annual timetable including deadlines for submission of information to Ofgem?

19. If the timing of the Transmission and Distribution submissions is staggered after year end this would enable NG to use a smaller dedicated resource. In any case we would wish to have some flexibility for the first year as initially there will be additional work in getting this new process embedded in the business and ensuring the quality of submitted information.

Chapter Three: Issues

Question 1: Is it realistic to seek to create benchmarking opportunities across sectors for generic cost types, such as indirect costs.

20. Whilst in theory this appears to be an attractive proposition, the inter-GDN benchmarking work already undertaken by Ofgem as part of the current price control has already shown that “activity” level benchmarking even within sectors is inherently difficult due to:
 - *Interpretation of activity definitions* – it is difficult to define activities to such a level of detail that leaves no scope for interpretation
 - *Different coding to cost pots* - particularly for direct activities can evolve over time, which may take time to identify and normalise;
 - *Normalising for different sized firms* - in deriving a comparator group, it is imperative that normalising adjustments are made to ensure a like for like comparison. So far Ofgem have not been able to provide robust benchmarking analysis when using external comparators;
 - *Different operating practices* – differences in operating models have led to differences in the level of capitalisation and intra-group charging methodologies, with Ofgem so far being unable to normalise for these differences;

- *Different operating environments* - for example where there is reliance on one company to provide wider industry support. In addition different operating models lead to some support activity costs remaining within line management;
- *Dealing with one-offs or atypical trends* – it has proven to be difficult to agree on and correctly remove atypical costs from submissions.

21. These difficulties have been clear even using “internal” benchmarking and the resultant flawed comparisons would be further exaggerated if benchmarking was to be extended to other utility sectors.

Question 2: How should we determine the criteria for requiring details of cost information from GDNs’ service providers whether they are classified as related third parties or not? What practical issues are there in requiring detailed third party cost information?

22. We believe that it is reasonable for Ofgem to expect GDNs to supply cost information in a consistent format and we would expect this to be as a minimum an analysis across activities to enable comparisons across GDNs to be undertaken on a like-for-like basis.

23. However we do not believe it is reasonable or practical to request cost information at a more detailed (subjective cost) level since:

- External suppliers are not obliged under current contracts to supply us with this type of information;
- The likelihood is that this information would be regarded as company confidential;
- If imposed in future contracts there would be additional costs incurred, with little perceived benefit;
- There would be difficulties in ensuring adherence to cost reporting rules;
- The level and extent of allocations would result in meaningless data being provided.

Question 3: Should we seek to collect detailed xoserve data directly from xoserve, or via each GDN’s RRP?

24. We agree that it would be more efficient for Ofgem to deal directly with xoserve for collecting cost data and for any follow up reviews and queries, but the GDNs will remain obliged to provide the data.

Question 4: Should we look to commission external audit work on any aspect of the RRP or should we rely on our own review process? If so should we rely on the GDNs' statutory auditors?

25. Clearly, whether to commission an external review is a matter for Ofgem. However, given that the overall cost submission will be reconciled to the (audited) regulatory and statutory accounts, we believe that an external audit below this level would be expensive and unnecessary. Furthermore, submissions will be subject to a review by Ofgem. This package of controls should provide sufficient confidence in the accuracy and consistency of GDN submissions.
26. If an audit is required before the RRP is submitted, then the submission deadline would need to be extended by a month as auditors will generally work off completed data and the current timetable is already extremely onerous. If an external review is required by Ofgem, then NG would prefer it to be carried out by a GDN's statutory auditors, as they already have substantial background knowledge and a lot of the work would dovetail with that done for the regulatory accounts. Use of other reviewers would substantially increase the cost and impose further delays on submission without there being any reason why they should provide a "better" opinion.

Question 5: Do the regulatory accounts as they stand provide value to stakeholders?

27. The regulatory accounts are not used within NG to any great extent, as they do not present information which conforms to the way the business is managed.
28. Furthermore, given that there were no requests prior to 2005/06 (the first year when Ofgem required separate GDN accounts to be produced) for separate information about the NTS and the GDNs, one may assume that that there is limited interest in this information.
29. Finally, we are not aware of any queries raised by Ofgem about information presented in the regulatory accounts.
30. This leads to the conclusion that stakeholders do not place much value on the regulatory accounts.

Question 6: Under what circumstances, if any, should we consider relaxing the requirement to publish audited regulatory accounts?

31. As the current regulatory accounts must conform to the same rules as statutory accounts, they contain a lot of information which we consider to be of limited value for regulatory

purposes or is no more than an allocation of an item to comply with the rules (e.g. disclosures for financial instruments or share-based payments).

32. There is a case for redefining the content of regulatory accounts to include the following information – e.g.
- The contents of the RRP (initially a comparison of spend against allowances);
 - Supporting commentary;
 - Some further detail that can be made public in due course after consultation;
 - Abridged financial statements (the extent of which to be defined and agreed with Ofgem);
 - Appropriate reconciliations to statutory accounts.
33. NG would not support a situation in which some licensees were exempt from preparing regulatory accounts by reason of their business structure as suggested in the consultation document, as this would be discriminatory between licensees.

Question 7: Under what circumstances, if any, should Ofgem consider relaxing the requirements to submit a statement of allocation of costs and revenues and have the application of that methodology audited?

34. NG considers that it is appropriate for Ofgem to request a statement of allocation of costs and revenues and for it to be audited. Cost allocations will be a major component of the RRP and we believe that Ofgem will still require the comfort of a formal statement. Therefore, this is an area where more scrutiny will be needed given the increasingly different structures.

Appendix 1 – Comments on report formats

1.2 Reconciliation to regulatory accounts

35. Some difficulties were experienced in the 2005/6 reconciliation with the treatment of non-formula costs (i.e. excluded and de minimis) between the regulatory accounts and the BPQ submission.
36. These difficulties were satisfactorily resolved in the 2006/7 update with the inclusion of an improved reconciliation format. We recommend that Ofgem's proposed reconciliation format is replaced with the "Table A8" format provided as part of the 2006/7 actuals submission.
37. The sub-analysis of operating costs from the regulatory accounts shown in the reconciliation is not one that we recognise – we suggest that the reconciliation simply starts with total operating costs per the regulatory accounts.
38. We note that the Transmission RRP also includes a reconciliation from the statutory accounts to the regulatory accounts for NGG NTS – Ofgem may wish to consider a similar reconciliation for NGG Distribution.

1.3 Net Debt, Borrowings and Gearing (statutory entity level)

39. The information contained in this report is in many ways more detailed than the information National Grid is providing in the Transmission reporting pack and unnecessarily adds to the workload required to provide information to Ofgem. Therefore we would request that the schedule for Distribution is brought into line with that recently agreed with Ofgem for Transmission.
40. The additional detail that is currently proposed for the Distribution pack is:
 - Amount of "Open Hedges" : this is not a term we recognise and is not something that can be taken from the accounts;
 - Breakdown of cash and short term investments: we are unclear as to the benefits of such a breakdown;
 - Guarantees given on behalf of other group companies: It is not clear that these should form part of net debt, neither is it clear which guarantees are relevant or how these should be valued;
 - Individual detail of all of our swap and derivative instruments. This list would be very long and the schedule is too simplistic to be completed in the manner requested .The closest we could do is repeating the statutory disclosure note that summarises the hedge types. If we present the swap information as we have done for Transmission

(at a summary level and detailing the value of any cross currency swap that is directly related to the bond) then it becomes meaningful;

- Breakdown of interest charge and paid, by debt instrument. This is feasible, but will require a lot of extra analysis work. We use and report net interest by bond and related swaps together, which shows the true interest cost of the bond after hedging;
- Breakdown of trading balances with other group companies. Trading balances are irrelevant to net debt, as they are settled on a monthly basis and so should not feature as part of this schedule.
- Breakdown of interest received/paid by each inter-company loan instrument.

41. We also do not believe that this pack will enable Ofgem to calculate gearing on the same basis as they are intending to calculate it for the Transmission businesses. In particular, this schedule would not allow Ofgem to track the contract rate swapped amortised cost of foreign currency debt instruments or of floating rate debt instruments that have subsequently been swapped to fixed rate. The schedule will therefore not allow Ofgem to strip out the impact of interest rate variations on the value of some debt or calculate the "Old UK GAAP" value of debt which we understood was the purpose of the Transmission report. A gearing calculation using a net debt figure derived from the proposed Distribution report would then not be comparable with what we understand is Ofgem's own modelling practice and so could not be used in any comparison of actuals against Ofgem's own forecasts.
42. Furthermore, the schedule does not seem to envisage the possibility of foreign currency debt subsequently swapped into sterling.
43. We would dispute the inclusion of guarantees in net debt. We are happy as part of our overall compliance to provide a schedule of guarantees, but until a guarantee is called upon, it is a contingent liability rather than part of net debt.
44. In summary we believe that since we have spent a considerable time formatting the Transmission report to match Ofgem's requirements, this report should be mirrored for Distribution. The Transmission report directly flows from the statutory accounts and proofs back to avoid reconciliation issues. We have found that the completion of the 2006/7 Transmission schedule has worked particularly well. It cannot be more onerous for the other GDNs to complete than the proposed Distribution schedule and should allow Ofgem to calculate gearing on a basis more consistent with that of their modelling.

1.4 Tax reconciliation for the Licensee by segment

45. We are unclear whether Ofgem require the tax computation to be based on the statutory or regulatory accounts. We would recommend that it is based on the statutory computation (mindful of the intent to relax the requirement to publish regulatory accounts) so that there can be a clear trace to the statutory accounts and the submitted tax computation to HMRC.
46. The UK tax calculations are based on the figures included in the accounts of National Grid Gas plc (Company only) prepared under UK GAAP. Therefore if the starting point to the tax calculation in the RRP is the profit before tax prepared under IFRS, then the reconciliation should include adjustments for items recognised under IFRS only.
47. The heading “Taxable profits on ordinary activities before deferred tax” is confusing. Deferred tax is an accounting concept and does not affect taxable profits. The reference to deferred tax should be removed. It should be headed “Taxable profits on ordinary activities”. The tax on ordinary activities before deferred tax should also be renamed as “Current tax charge on taxable profits”.
48. With regard to the group tax and cash tax reconciliation section we are unsure why the tax position for National Grid Group has been included - we cannot see any reason why Group figures would be relevant to Ofgem – the Transmission RRP includes a tax reconciliation without reference to the Group position.
49. Overall, we would prefer that the schedule is amended to include all the entities so that one taxation schedule can be completed, and that is consistent for both the Transmission and Distribution RRP. This should not impose a burden on the other GDNs, who can complete the number of columns appropriate to their company. We note that the line by line detail in the Transmission and Distribution RRP tax schedules is (slightly) different, and see no reason why they should not be the same.

1.5 Capital allowances for the Licensee

50. Again, we would prefer the capital allowance schedules for Transmission and Distribution to be consolidated into one return.

1.6 RAV roll forward

51. We assume that the RAV roll forward will include “pot 2” as spent, rather than deferred for five years.

2.1 Analysis of operating costs

52. We do not believe that there should be any further disaggregation of activities, without very specific and agreed definitions. Further disaggregation will result in RRP submissions being more prone to errors and misallocation.
53. Indeed there is a case for rolling together some columns (activities) and rows (subjective headings) where there are only small values thus limiting the data requests to that which is considered to be essential.
54. We would recommend the following changes to activity headings:
- Replace the storage, LTS and other maintenance activities with
 - Routine Maintenance
 - Non Routine Maintenance
 - Combine Legal and Corporate centre & communication
55. It would be helpful if the indirect cost categories are aligned to those of Transmission RRP so that the same set of numbers do not have to be reported twice but differently. We note that allocations to Distribution GDNs are also required in the Transmission RRP statement for Business Services.
56. We would recommend the following subjective headings :

Staff)
Contractors) this level of detail is required to measure real price effects
Materials)

TMA)
Waste) required to provide visibility of new costs

Shrinkage
xoserve
Other Controllable costs
Total Controllable Costs

Depreciation
Formula Rates
Ofgem Licence
Release of customer contributions

Profit/Loss on disposal of assets

Total Non-Controllable Costs

57. We would like to see the above approach adopted in the Transmission RRP for consistency.

2.2 Year on year opex movements

58. We suggest that this covers all variances over £0.5m, consistent with Transmission.

2.3 Cost mapping to operating costs

59. We are unclear as to the level of detail required in this schedule and would request further guidance. We do not believe that it is practical to provide this type of analysis easily in a standard format, and would prefer any questions regarding cost mappings to be covered afterwards as part of the review process.

2.4 Analysis of Labour Costs and FTEs

60. It would be helpful if the indirect cost categories are aligned to those of TPCR so that the same costs do not have to be reported twice but differently.
61. Indirect employee numbers are only available for total department; they are not split by individual GDN or business.

2.5 Pension Data

62. The reporting for GDN pensions should be the same as for Transmission. As the packs stand at the moment, they are completely different with the GDN pack requiring much more information. We note that further work is being carried out on the Transmission Pension schedule and would wish the Distribution schedule to be consistent with the finalised Transmission version.
63. In the GDN pack, there is a recognition of “overs and unders” for deficit contributions but not for ongoing payments. We anticipate that Ofgem will be including a table showing a comparison of actual pensions costs against allowances (similar to the one included in the Transmission RRP), together with an “overs and unders” calculation for ongoing pensions.
64. We note that the allocation of pension costs across accounts does not include capex or repex. We believe that it would improve reconciliations to show total gross pensions costs and then show how these have been split across non-formula, opex, capex and repex.

2.6 Summary of Atypicals, Provisions and Accruals

65. We believe to allocate these costs across activities is not meaningful (e.g. restructuring costs for shared services would be an allocation at a total shared services level to Gas Distribution) and we would prefer a separate column to be provided on the opex schedule.
66. We discount some of our provisions, due to the long period over which the expenditure will be incurred, but this movement is not shown on the analysis (unwind of discount). This entry would need to be included in order to reconcile to the provisions included in the regulatory accounts.

2.7 Shrinkage

67. We believe it would be beneficial to include additional rows and calculations to be able to compare the actual shrinkage costs with shrinkage costs recovered from customers as part of the shrinkage incentive mechanism.

3.2 LTS

68. The totals of columns H-J (previously spent (current projects only)) are meaningless. Data will only be included for projects with spend in the reporting year. It is difficult to see the value of a statistic of how much has been spent on this random collection of projects in previous years.

3.3 Mains Reinforcement

69. A limited number of mains reinforcement projects have expenditure over more than one year. The draft template does not allow GDNs to indicate this. There may be value in adding prior year and future year spend columns for the specific project listings, ensuring that full details of specific projects are collected. As we have pointed out throughout the GDPCR process, the cost diameter split requested is at a much greater level of granularity than collected in the accounts.

3.4 District Governors

70. Detailed information is not collected by pressure tier as specified. This template should be made consistent with schedule C3 as requested by Ofgem for the 2006/7 actuals and the July BPQ update.

3.5 Connections

71. Our management information systems do not generate information in the format and degree of disaggregation required resulting in a requirement for synthesis. We have made representations throughout the GDPCR process to move to reporting of costs and workloads at a total connections level for each market sector. This would be consistent with the regression approach that has been adopted for this activity during GDPCR.

3.8 Capex Summary

72. We recommend that the subjective columns be expanded to capture the costs of direct labour, contactors, materials (to monitor changes in real prices) waste and Traffic Management Act (to monitor the level of new costs).

3.9 Repex Summary

73. We recommend that the subjective columns be expanded to capture the costs of direct labour, contactors, materials (to monitor changes in real prices) waste and Traffic Management Act (to monitor the level of new costs).

3.11 Services Replacement

74. Purge and relight costs should be captured within the individual service replacement categories rather than on a separate line, consistent with the approach adopted by Ofgem for deriving matrix values for service activities.
75. We believe it would be sensible to combine the three categories below into one
- Relaid services not associated with mains replacement (bulk relays)
 - Reposition domestic meter - service relays
 - Other domestic services
76. These activities are relatively small in relation to other repex activities, and there has been inconsistency in the use of these lines between GDNs during GDPCR.
77. Total Multi Occupancy Buildings does not reflect the current Ofgem templates used for the July 2007 updates. For example, the July update included all three riser heights, <20m, 20-40m and >40m and a split between planned and replace on failure driven work. However, we believe the workload category would be best assigned as the number of flats rather than using length of riser, as the latter can vary considerably depending on the property layout,

age of building etc. The split between riser, lateral and connection is very difficult to capture and is meaningless given the variety of configuration and complexity of these buildings. A single line of costs and number of flats will give a more meaningful cost per flat unit rate.

3.14 Mains and Governors

78. A simple asset “roll-forward” based on the length of mains physically abandoned (removals) and length of mains physically laid (additions) each year does not take account of the continual improvements in data quality leading to a restatement of populations. The inclusion of a “data cleansing” line would help
79. We no longer have an MPDI replacement programme. Our MPDI population (within 30m of building) would show as 0. If we discover any MPDI main within 30m we have to replace it as soon as reasonably practicable and in any case within 12 months.
80. For multi-occupancy buildings, whilst Ofgem have captured the correct categories to be consistent with the Repex Services data tables in the latest BPQ (unlike table 3.11 in the RRP) the LC21 survey policy only applies to above 6 storey (>20m) buildings. On the basis that the policy is unlikely to change the <20m category in the table needs to be deleted.

3.17 Fixed Asset Disposals

81. We would request further clarification as to what is meant by “Asset type”. This could be the statutory analysis e.g. Land & Buildings or Plant and Machinery (which would include AGIs and governors) or a more business orientated description e.g. Mains, Services, AGIs, Governors.

Additional Schedules to be added

82. **Environmental Costs** – it may be appropriate to include a schedule to cover environmental expenditure as we anticipate that the final proposals will include an environmental allowance.
83. **Related Party Margins** – no schedule has been included for related party margins, which has been a requirement previously in the price control review. We would be happy for the Transmission related party margins schedule to be adopted (this already includes data for National Grid GDNs).
84. **Insurance** – the Transmission pack includes an analysis of insurance costs by type of cost and form of control which has not been included in the Distribution pack.

85. We would support the incorporation of other regulatory reporting requirements into the RRP where it was efficient and practical to do so (eg analysis of the cost of emergency services supplied to IGTs.)

Additional information submitted with this RRP or earlier

Reconciliation of the amount shown in that return to the amounts used in the Tables for the year to which it relates:

86. We would be able to do this only at a company level as we do not prepare the tax return for Distribution. These tax returns or other tax reconciliations provided should not be published.

Capex scheme papers for the LTS projects listed on table 3.2

87. These can be provided for those projects that have been sanctioned.

Post Investment Appraisal papers as identified by Ofgem

88. Project close out papers are now prepared for all projects sanctioned at DPSC which capture key lessons learned, but contain a simplified PIA. These can be provided above an agreed threshold – >£1m is recommended. In depth PIAs are only completed for projects >£30m, and for other projects at the request of either DPSC or National Grid Corporate Centre. There are, therefore, relatively few such PIAs completed in any single year. Those PIAs that have been completed can be provided, but should not be published.

Ten Year Capex Forecast

89. Please note that, for internal purposes, NGGD only produces capex forecasts for a five year planning period. Only an indicative view will be available beyond this time horizon. No pro-forma has been provided to collect this information. NGG cannot therefore comment further on the level of detail required.

Appendix 2 – Spreadsheet Errors

1.2 Reconciliation to regulatory accounts

- 90. There is a formula error in row 32 – it is adding rows 13 and 30 together – it should be rows 14 and 30.
- 91. Row 46 is titled “Total Opex and Capex per Regulatory Accounts” – it should read “Total Repex and Capex per Regulatory Accounts”

1.6 RAV roll forward

- 92. There is a formula error in row 81 – this row should deduct row 76 from

2.3 Cost mapping to operating costs

- 93. Please note the incorrect use of “principle” in the title for the second column.

Check Balances

- 94. We would recommend that a level of tolerance is allowed on the check balances formulae.