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for all gas and electricity customers

Gas Distribution Price Control Review

Price Control Cost Reporting Rules: Instructions & Guidance

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Target Audience: Gas distribution networks (GDNs), independent gas transporters (IGTs), gas shippers and suppliers, consumers and their representatives and any other interested parties.

Overview:

The supplementary appendices contain the purpose and instructions for completion of each table in the RRP, the definitions to be applied in completing the RRP, the Regulatory Reporting Pack (RRP), and the cost commentary.

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Price Control Cost Reporting Rules: Instructions & Guidance

Context

This document contains 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 Gas Distribution Networks (GDNs), in accordance with Standard Special Condition A40 (Price Control Review Information) of the gas transporter's licence (the "licence").

This version of the rules will apply for reporting for the year ending 31 March 2009. Revised versions of the rules may apply for subsequent years.

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Associated Documents

GDPCR Final Proposals, December 2007 (Ref. 285/07);

GDPCR Cost Reporting Consultation (Ref.185/07); and

GDPCR One Year Control Final Proposals, December 2006 (Ref. 205/06).

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Appendix 2 – RRP Purpose and Instructions

General Instructions for Completion

Overview

1.1. The Regulatory Reporting Pack (“RRP”) is an Excel workbook. It consists of a number of data entry sheets with other summary and comparison to 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 1.2](#).

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

1.3. The RRP is to be completed pursuant to these instructions in appendix 2 and the definitions provided in appendix 3. The RRP is to be submitted to the Authority in electronic Excel file format.

Structure of the RRP

1.4. The RRP has been separated into the following sections:

-Financial Tables: - Tables 1.1 to 1.7 request financial information

-Operating Cost Tables: – Tables 2.1 to 2.13 request operating expenditure (opex) information and other associated data to understand the performance and position of the GDNs.

-Capital Expenditure: - Tables 3.1 to 3.8 request capital expenditure (capex) information and other associated data to understand the performance and position of the GDNs.

-Replacement Expenditure: - Tables 3.9 to 3.11a request replacement expenditure (repex) information and other associated data to understand the performance and position of the GDNs.

-Asset data: - Tables 3.12 to 3.16 request data on LTS asset, capacity & storage, mains and governors, PREs and capacity & demand.

Gas Distribution Business

1.5. The overall objective of the RRP is to develop an understanding of the financial performance of the GDN. Accordingly, the financial information presented in the RRP should relate to activities of the GDN whether carried out by the GDN directly or by another party on behalf of the GDN (eg related parties or third parties carrying out

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activities for the GDN). De minimis businesses are to be included where such activities are carried by the licensee (which has been consented to by the Authority in accordance with Standard Special Condition A36).

1.6. For the purposes of filling out the RRP, all excluded services and de minimis costs should be reported separately from the transportation costs. Specific columns have been included in the RRP to capture these costs.

1.7. For National Grid, all workload and costs associated with the Outer met area should be reflected in the return for East of England.

Definitions and Accounting Policies




1.8. The tables should be prepared on a cash typical basis. Subject to this they should use the same accounting policies as in the preparation of the Regulatory Financial Statements, in accordance with UK GAAP unless otherwise stated.

1.9. In the event that the accounting policies applied to prepare the RRP differ from those used in the Regulatory Financial Statements (for some or all years) you are requested to include appropriate details including quantification of the variance.

Data Entry

1.10. As the RRP is a series of Excel spreadsheets, links and formulae have been included to limit, where possible, the amount of manual data entry required. To preserve the integrity of the data and format of the RRP the majority of cells have been 'locked' in the capex and repex sections of the spreadsheets and cannot be changed.

1.11. Should any link or formula cell errors be identified, please forward the relevant spreadsheet to Ofgem for correction. The colour scheme used in the spreadsheets is as follows:

Yellow  = cells requiring data entry;
Light grey  = cells summing rows and columns, or containing other calculations; and
Dark grey  = cells where no data should be input.

1.12. Except where stated otherwise, all data is to be input in £'m (nominal) rounded to the nearest £100,000 (i.e. one decimal place).

1.13. All costs are to be entered as positive numbers except where indicated otherwise. In the Capex and Repex tables, Capex and Repex should be presented as +ve numbers (i.e. as additions to assets) and customer or other contributions should also be entered as +ve numbers. (The tables will deduct customer contributions from gross expenditure to calculate net expenditure)

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1.14. Except where indicated, all costs are to be entered on a cash typical costs basis, being cash spend exclusive of atypical items. Cash means exclusive of charges to or releases from provisions but includes provision utilisation. All expenses recognised are those expected to be incurred as part of the ordinary level of business. Atypical movements in accruals and prepayments should also be excluded.

Costs for Affiliates and related parties

1.15. Except where otherwise indicated, costs of related parties in performing the licensee's activities should be reported including any margin, profit or management fee for those related parties. Those margins, profits or management fees should be disclosed by activity to be removed from the total cost of those activities. There should also be an explanation of how the margins, profits or fees have been allocated to those activities. For the purpose of this paragraph, related parties includes:

- any "related undertaking" or "affiliate" as defined in the distribution licence;
- xoserve Limited; and
- Fulcrum Connections Limited.

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Treatment of related parties and companies who outsource substantial elements of their activity

1.16. Where substantive elements (ie greater than 35% of the GDN's costs) of the GDN's operations are subcontracted to a single contractor, costs should be reported at the same level of detail as if they were carried out by the licensee.

1.17. The treatment of any margin, profit or management fee of the contractor will depend on whether or not that contractor is a related party and whether the contract for carrying out those activities has been awarded as part of a competitive tender process.

1.18. If the contractor is not a related party and the work has been awarded to the contractor through a competitive tender process, the fees, profits or margins of the contractor will be an allowed cost, but the fees, profits or margins of any substantive contractor (as defined in paragraph 1.16) should be disclosed by activity together with an explanation of how these fees, profits or margin have been allocated across activities.

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1.19. If the contractor is a related party, or if the contract has not been awarded through a competitive tender process (or both), then the fees, profit or margin are not an allowed cost and should be disclosed together with an explanation of how these fees, profits or margins have been allocated across activities.

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Analysis of expenditure or work volumes for affiliates and related parties

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1.20. Where an analysis of expenditure or work volumes is required by direct labour and contract labour, direct labour should include direct labour within related parties.

Definitions

1.21. [Appendix 3 contains the detailed definitions to be adopted.](#) GDNs must ensure that the definitions are clearly understood and are complied with when entering any data into the RRP. Where there is doubt or uncertainty, please refer to Ofgem for clarification. This is to ensure consistency and comparability of data entry across GDNs.

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Use of Estimates and Allocations

1.22. Apportionments should be avoided wherever possible. However where a licensee (and any affiliate or related undertaking of the licensee) does not capture data on the same basis as the cost reporting definitions, and in completing the tables the licensee has to apportion costs across one or more activities, the basis of apportionment, or any change therein from the previous year, must be provided in the narrative commentary and the licensee's quantification of the driver and metrics of the assumptions used for making such apportionments must be stated.

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Items classified as 'Other'

1.23. Unless otherwise stated, individual items classified in the 'other' category that are greater than £500,000 are to be separately described in an attachment to the applicable table. This will ensure that the nature of the expense and the rationale for its presentation is clearly understood thereby facilitating the presentation of consistent and comparable financial information.

Other

1.24. If you think that any additional information beyond that requested is necessary to develop a complete understanding of the information presented in the tables of the RRP, please include such information in an appendix to your submission.

Worksheet Protection

1.25. The excel workbooks have not been locked or password protected. However GDNs should only make entries in the indicated cells. If a GDN believes it is necessary to make any other change (eg insert extra columns or rows or change formulae) they must inform Ofgem before making any such change so that Ofgem can confirm the change is appropriate and advise other GDNs accordingly

Specific instructions for completing each schedule

NGG exemptions

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1.26. Certain financial information relating to NGG plc as a corporate entity (debt, tax) is collected for NGG plc as a whole in the gas transmission RRP, and then apportioned between the NTS, each of the four retained GDNs and non-transportation business lines. To avoid duplication of effort, NGG need not complete the equivalent schedules in the RRP for each of its four GDNs, providing that the transmission RRP continues to collect the data on a basis that allows comparison between NGG's GDNs and the other four GDNs and against the assumptions made in setting the price control.

Exempt schedules

Type of information	Gas Distribution RRP schedule reference	Gas Transmission RRP schedule reference
Debt	1.3 Debt analysis	3.2 Financial Asset and Liabilities Schedule
Tax	1.4 Licensee tax computations, 1.5 Licensee capital allowances	3.3 Taxation
Related parties	2.1 related party margins	2.3 related party margins
Pensions	2.9 Pension data	3.1 Pension data

1.27. ~~These schedules are due for submission to Ofgem on 31 July.~~

1.28. The breakdown of Indirect activity costs by category of expenditure incurred in Table 2.1 is not required for NGG's retained GDNs. Instead NGG will complete a similar breakdown of their Business Services activities within the transmission cost reporting pack and show how those costs are allocated to the indirect activities for each retained GDNs and any adjustments necessary to bring costs onto the same basis used for distribution cost reporting. The total for each indirect activity for each GDN will then be shown in Table 2.1

Opex

1.29. The following sections contain guidance notes on the completion of each table for the purposes of the RRP for opex.

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
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	submitted by GDNs and to monitor resubmissions and track changes in those resubmissions.
Instructions for Completion	<p>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 2009. Ofgem may subsequently specify which post investment appraisals will be required.</p> <p>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.</p> <p>Section 2: enter a cross ("x") to indicate that the table has been completed and submitted.</p> <p>Section 3: enter a cross ("x") to indicated that the additional information has been completed and submitted.</p> <p>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.</p> <p>In addition for each resubmission, 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.</p>

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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 GDNs 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. GDNs should rectify the reason for any unsatisfactory checks and should not submit packs to Ofgem which display this message.
Instructions for Completion	<p>No data input is required.</p> <p>The worksheet is entirely formula driven from links to other worksheets in the RRP.</p>

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Fixed Data

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<p>Purpose and Use by Ofgem</p>	<p>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.</p> <p>This data automatically populates names and dates throughout the RRP and the individual licensee's historic data in table 1.6 "RAV Roll Forward"</p>
<p>Instructions for Completion</p>	<p>Input the regulatory year for which the return is submitted in the format 200X/OY.</p> <p>Input the required dates as text in the format "31 March 200X".</p> <p>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).</p> <p>Input from the table the number allocated to the licensee to whom the RRP relates. 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 GDNs data.</p> <p>Input the full names of the GDN, other GDNs in the same group, related parties and all pension schemes.</p> <p>Input the abbreviations for all other GDNs in the same group, related parties and pension schemes. Where another GDN is already listed use the same abbreviations as in the table.</p>

1.1 Summary

<p>Purpose and Use by Ofgem</p>	<p>This sheet is simply a high level summary of the information contained in the cost reporting schedules with comparison to price control allowances or assumptions where appropriate</p>
<p>Instructions for Completion</p>	<p>No input is required</p> <p>GDNs should ensure that their commentary addresses the variances highlighted by this table.</p>

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1.2 Reconciliation to Regulatory Accounts

<p>Purpose and Use by Ofgem</p>	<p>This table identifies the adjustments made to opex and capex from the Regulatory Accounts to arrive at the opex and capex as stated in table 2.1 and table 3.1. <u>It also identifies differences between debt as reported in the Regulatory Accounts to that reported in table 1.3.</u> The reconciliation will enable Ofgem to tie back the RRP opex and capex submission to a data source which has been audited.</p> <p>The reconciliation will also list atypical items of expenditure that the GDNs may want to highlight as having affected their performance during the year.</p>
<p>Instructions for Completion</p>	<p>There are two categories of costs:</p> <ol style="list-style-type: none"> 1. Transportation; and 2. Metering, De minimis & Other. <p>The 'Transportation' cost column is for transportation costs only. This should be as reported in the Regulatory Accounts.</p> <p>Non-formula costs should not be included under Transportation costs. If there are any non-formula costs included in the transportation costs in the Regulatory Accounts, this should be shown as a reconciling item and moved to the 'Metering, De minimis & Other' column.</p> <p>The 'Metering, De minimis & Other' column is to capture all other categories of costs (not being Transportation) as reported in the Regulatory Accounts.</p> <p><u>Debt: Insert the net debt as shown in the Regulatory Accounts and the reconciling items to the free form rows marked in yellow. The table 1.3 numbers are shown for comparison.</u></p>

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1.3 Debt Analysis

<p>Purpose and Use by Ofgem</p>	<p>This table sets out details of the licensees' external and intercompany loans and finance costs.</p> <p>This information is used to monitor how licensees finance themselves and also to determine if we need to make an adjustment at the end of the price control for excess debt</p>
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	<p>tax shield.</p> <p>This data will be collected on a statutory basis – for NGG, this data is therefore being collected in the NTS RRP. Since their debt schedule was developed specifically with NG in mind it is different from the GDPCR draft schedule.</p> <p>The table is designed to cover both direct funding and indirect (either through derivatives, or through financial guarantees).</p>
<p>Instructions for Completion</p>	<p>The table is for the level of financial obligations, funding costs and obligors as indicated.</p> <p>Where the summary information does not fully explain the obligations of the regulated entity, in order that Ofgem can analyse the actual and forecast financing costs, please provide any additional detail required.</p> <p>Input cash balances, short-term deposits, bank overdrafts, finance leases and borrowings – both external (i.e. third party) and internal (i.e. with affiliates and related parties).</p> <p>Input in Table A: “Schedule of cash, short term deposits and overdrafts” under the prescribed headings for the balance per the regulatory accounts at the regulatory financial year end and interest expense and received in both the Profit and Loss account and Cashflow statement for the regulatory financial year.</p> <p>Input in Table B: “Analysis of External borrowings, bonds, loans and finance leases” the name of the lender and the nature/description of the instrument, the redemption date, the rate of interest, the amount of interest charged in the profit and loss account (or income and expenditure statement), the interest paid (as reported in the cash flow statement), the balance at the regulatory financial year end;</p> <p>Input in Table C: “Analysis of loans from other group companies” the name of the lender and the nature/description of the instrument, the redemption date, the rate of interest, the amount of interest charged in the profit and loss account (or income and expenditure statement), the interest paid (as reported in the cash flow statement), the balance at the regulatory financial year end;</p> <p>Input in Table D: “Analysis of loans to other group companies” the name of the lender and the nature/description of the instrument, the redemption date, the</p>

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rate of interest, the amount of interest receivable reported in the profit and loss account (or income and expenditure statement), the interest received (as reported in the cash flow statement), the balance at the regulatory financial year end;

Input in Table E: "Analysis of amounts due to (from) group companies (memorandum)" showing the name of each affiliate, the nature of the balance (e.g. the trading balance, cash on deposit) and separately the amounts payable and receivable.

Input in Table F: "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.

Input in Table G: "Derivative financial instruments at year end (per Balance Sheet)" any derivative financial instrument (as defined in accounting standards) extant at the yearend relating to or in respect of any loan or balance disclosed in boxes A, B, D, E, F and G in this Table 1.3 under the prescribed headings.

Only the value of cross currency swaps (used in the gearing calculation) is linked into Table A.

Input in Table H: "Analysis of Net Interest", the amounts relating to the prescribed rows.

Input in Tables I, J & K: "SWAPS in existence (detail)", the analysis of the SWAPS summarised in Table G.

The balance sheet value as per Regulatory Accounts
The P&L charge in the year (if any)

The rationale should quote the value hedged against and with the reference allow linking of the SWAP to the item hedged. The reference should quote the reference number(s) of debt that the SWAP relates to taken from column J of tables B, C & D and column I of table E.

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1.4 Licensee Tax Computation

Purpose and Use by Ofgem	<p>This sheet sets out details of the licensee's tax computations.</p> <p>This sheet helps to understand factors affecting the GDN's effective tax rate and if HMRC treatment of any of their expenditure has changed.</p>
Instructions for Completion	<p>Requires the preparation of draft tax computations, consistent with the capital allowances schedules</p> <p>Input details of taxation as indicated by the yellow shaded boxes on the table.</p>

1.5 Licensee Capital Allowances

Purpose and Use by Ofgem	<p>This sheet is complementary to Table 1.4 and collects information on capital allowances</p> <p>The identification of capital allowances will assist in and monitoring and comparing allocations across time.</p>
Instructions for Completion	<p>Requires the allocation of assets between the pools with differing capital allowances.</p>

1.6 Fixed Assets – Disposals

Purpose and Use by Ofgem	<p>This worksheet collects information relating to fixed asset disposals to assist the reconciliation of the financial model to accounts and RAV calculations.</p>
Instructions for Completion	<p>Input financial details as indicated by the yellow shaded boxes on the table.</p>

1.7 RAV Roll forward

Purpose and Use by Ofgem	<p>This sheet sets out the indicative RAV for the GDN for the duration of the price control, based on actual capex.</p> <p>The return on RAV is determined ex-ante as part of the price control, and so any additional expenditure over and above that allowed for will not earn a return in this price control.</p> <p>It will eventually earn a return equal to a fixed percentage</p>
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	<p>of the capex costs, and so interested parties may wish to consider it as included in the RAV. A symmetric approach is taken for the treatment of underspend.</p> <p>Note that RAV figures are only indicative and will not be confirmed until the next price control is set.</p> <p>Calculation of variances from non matrix allowances for LTS repex, relay after escape, other domestic services and multi-occupancy buildings for adjusting the RAV will only apply from 2008-09 onwards.</p>
Instructions for Completion	The table is designed to be automatically populated from entries in other sheets

2.1 Analysis of Operating Costs

Purpose and Use by Ofgem	<p>This sheet collects details of the operating expenses incurred within the main activities by the GDNs.</p> <p>The presentation of a summary of the operating expenditure incurred for each year will:</p> <ul style="list-style-type: none"> - facilitate an understanding of the performance of the GDN compared to the allowances set at the last price review; and - review and analyse the historical trend to inform about the base year and future costs. - allow comparison of costs across the GDNs.
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Instructions for Completion

General

Gross Costs

The table is to be completed using gross costs.

Cash Typical

Cost data is to be input on a cash typical basis. This is accounting costs exclusive of:

- charges or releases of provisions to/from the P+L account/income statement
- atypical accruals and prepayments
- atypical / exceptional costs; and
- cost recoveries in respect to an atypical item.

These amounts should be recognised in tables 2.10 and 2.11.

Cash typical will include:

- cash utilisation of provisions, and
- movements in accruals/provisions relating to the normal day-to-day activities of the DN and providing these movements are neither atypical nor exceptional.

It should be noted that the definitions and reporting requirements of these Rules have precedence over UK GAAP or IFRS reporting

Total costs reported on this table 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 'Reconciliation to Regulatory Accounts' Table 1.1.

Related parties and significant outsourcing margins

Costs shown in the main part of this schedule should be inclusive of related party and outsourcing margins. The amount of margin included in the operating costs from each related party should be shown in the relevant section at the bottom of the schedule.

Allowed margins are: those within premiums paid to an

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insurance captive where the premiums charged to the GDN have been tested against market premiums; and, margins, profits and management fees paid to a non-related party contractor carrying out a substantive element (>20% by cost) of the GDN's activities.

All other forms of management fees to subcontractors, margins and profits are disallowed.

Direct Costs

This table request details of the operating expenses incurred within the main direct activities of the GDN. The activities used are:

- Work management; split by asset management (including network policy); operations management and SHE (including contract management); customer management (inc. customer call centre) & network support (including digitisation); and system control;
- Emergency;
- Repairs;
- Maintenance;
- Independent networks;
- Other direct activities;

These activities are defined in appendix 3.

The table also requests details of the following costs of the GDN:

- Main categories of support services or indirect activities and other charges in (also defined in appendix 3)
- De minimis
- Excluded services
- Metering
- Consented Services

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Support services (or indirect activities):

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These are costs that do not relate directly to the main activities above, but are incurred to support all activities. They may be incurred within the licensee, or within a related (or third) party and charged to the licensee. The following activities treated as support services :

- Research and Development
- Stores and Procurement/Logistics
- IT and Telecoms
- Property Management
- Human Resources
- Training & apprentices
- Audit, Finance and Regulation
- Insurance
- CEO and Group Management, Legal and Company Secretary, Community Awareness.

These activities are defined in Appendix 3.

xoserve

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The xoserve charge entered on schedule 2.1 should be the portion of xoserve's charges relating to operating expenditure (as identified by xoserve) and should be **entered on the xoserve row under other direct activities**. The portion relating to xoserve's capital expenditure should be shown on schedule 3.6 'other capex' for inclusion in the RAV.

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Shrinkage

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Shrinkage costs should be recorded on the shrinkage row under other direct activities.

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Advantica

Advantica costs should be recorded as a separate line within "Other" Controllable costs under the appropriate activity that has given rise to the cost.

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"Other" Direct Activity Non Controllable Costs

For the sake of consistency across GDNs, the following Non Controllable costs should be included under the Other Direct Activity classification

- shrinkage

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- [Ofgem Licence fee](#)
- [Network rates](#)
- [pension deficit/surplus](#)
- [NTS pension contributions](#)
- [bad debts](#)

Any other items included under Non Controllable Other Direct costs category should be identified on the face of Table 2.1 or described in the accompanying commentary.

For Controllable Other Direct activity costs, see the definition of Other Direct in Appendix 3.

TMA/NRSWA Costs

The costs of TMA/NRSWA compliance should be included under the activities giving rise to the costs in the first instance (regardless of where costs are managed within the GDN organisation). Most costs would therefore be expected to appear under emergency, repair and possibly maintenance activities rather than under any particular Work Management category.

All shared / common TMA costs

De minimis, excluded services, metering and consented

Have the same meaning as given in the gas transporter's licence applicable to the GDNs.

Costs above £500k should be separately identified.

Costs are to be reported gross; no offsetting is permitted.

Cost recoveries

Monies received against the activities on this schedule carried out by the DN but not forming part of the turnover recognised in the regulatory accounts. This includes insurance receipts or refunds under alternative risk transfer arrangements, recoveries of costs of third party damage, and any other recoveries of costs that are not categorised or required to be disclosed under de minimis activities.

Any cost recoveries should be recorded only on the Cost Recoveries line.

Cost Recoveries should be recorded as a negative amount.

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2.2 Analysis of Maintenance Costs

Purpose and Use by Ofgem	The purpose of this worksheet is to provide an analysis of spend incurred in respect to maintenance activities.
Instructions for Completion	<p><u>Routine Maintenance</u></p> <p>Enter the amount spent in respect of routine maintenance for:</p> <ul style="list-style-type: none"> -Storage -LTS; and -Other. <p><u>Non-Routine Maintenance</u></p> <p>Under each category of</p> <ul style="list-style-type: none"> -Storage; -LTS; and -Other. <p>Where the non-routine maintenance activity incurs costs greater than £500k provide a description of that activity in the free form space provided. Individual activities of less than £500k can be aggregated together.</p> <p>The total maintenance cost should agree to that detailed in the direct opex matrix 2.1 under the 'Maintenance' Activity Centre.</p> <p>For definitions of Routine and Non Routine maintenance, see Appendix 3.</p>

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2.3 Analysis of Related Party Transactions

Purpose and Use by Ofgem	The purpose of this worksheet is to provide an analysis of the allowed and non allowed margins paid by each DN in respect to goods and services provided by related parties.
Instructions for Completion	<p>For each related party:</p> <p><i>Description of goods / services</i></p> <p>Enter a description of the services provided by the related party.</p> <p><i>Turnover data</i></p>

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	<p>Input positive numbers the turnover data for the related party as charged to</p> <ul style="list-style-type: none"> (i) the distribution business; (ii) the total of the distribution business in the group (regulated); (iii) other group companies (non-regulated); and (iv) external customers. <p><i>Costs</i></p> <p>Input the cost incurred by the related party in respect to the provision of the service to each of</p> <ul style="list-style-type: none"> (i) the distribution business; (ii) the total of the distribution business in the group (regulated); (iii) other group companies (non-regulated); and (iv) external customers.
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2.4 Analysis of Excluded, Consented and De Minimis Services

Purpose and Use by Ofgem	<p>The worksheet collects costs and revenues relating to Excluded, Consented, Metering and De Minimis services provided by the distribution business by type of service.</p> <p>The information will enable Ofgem to understand and monitor the various services provided and the costs and revenues of services provided.</p>
Instructions for Completion	<p>Enter a description of the service provided as well as the cost and or revenue in the relevant category:</p> <ul style="list-style-type: none"> (i) De minimis; (ii) Excluded Services; (iii) Metering; and (iv) Consented Services. <p>Please only include services that are greater than £500,000.</p>

2.5 Year on Year Opex Movements - **Controllable and Non Controllable**

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Purpose and Use by Ofgem	<p>The purpose of this worksheet is to provide an analysis of the reasons for the movements <u>in each activity</u> from the prior level to that in the current year.</p> <p>This worksheet will be used by Ofgem to complement the</p>
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	<p>explanations in the Cost Commentary (in appendix 5) <u>and build up a picture of the underlying cost and workload changes for GDNs in aggregate, and the savings that are being generated to reduce costs/mitigate cost increases.</u></p>
<p>Instructions for Completion</p>	<p><u>Changes in Definitions / Activity</u></p> <p>“Cost reclassifications to comply with latest years' 'Rules'” should detail any movements arising from changes the definitions of an activity or other changes in the Rules.</p> <p><u>Other Upward Cost Pressures</u></p> <p><u>Designed to capture increases in the cost of inputs above/below RPI. This may include internal cost pressures (wage settlements above RPI, changes in total remuneration packages not in wage settlements, etc) or real increases in the price of external goods or services. Typically these may reflect real movements in underlying indices for materials - which may have been mitigated/offset by quantifiable management initiatives shown in subsequent section.</u></p> <p><u>Workload Changes & Mix Changes</u></p> <p><u>Section to be used to explain changes in the total amount of work (Volume & mix) undertaken in the current year compared with that undertaken in the previous year. This may be due to external factors (PRES), management choices (maintenance activities capable of being deferred/deferred last year but now required), or intrinsic in the nature of the work required (project work ramping down/up in the year)</u></p> <p>- Volume</p> <p>Additional outputs which have been delivered as part of the funded programme (if any) should be highlighted here. Also, outputs delivered may be lower than anticipated. Volume <u>changes</u> attributable to timing should be captured within this category.</p> <p>- Mix</p> <p>Where there have been changes to the respective workload mix as per GDPCR output assumptions e.g. repairs type, such variations should be quantified and reported within this category.</p>

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Fill in the reasons for changes in costs in the boxes shaded in yellow.

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	<p><u>Management Initiatives</u></p> <p><u>The quantifiable impact on particular activities of initiatives taken by management to reduce costs or mitigate cost increases. Link to specific management efficiency programmes, explaining in commentary what has been done, which expense types have been, influenced (staff costs, materials, contractors) and how the impact has been measured.</u></p> <p><u>Materiality</u></p> <p>Where the movement on the prior year balance within an activity is less than £500k, an explanation is not required, however such that the total movement in costs can be reconciled between the years the total movement (being less than £500k) should be entered against the relevant activity.</p> <p><u>RPI</u></p> <p>The adjustment for the RPI will be an estimate as data for February and March will be unavailable at the time the pack is issued. This will be revised accordingly once data becomes available.</p>
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 ¶ Increased costs due to contract price increase in materials.¶
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For each activity carried out by the GDN please explain the reasons for gross cost movements by cost line in consecutive years above £500,000, such movements include those due to:¶
 ¶
 -changes in input prices;¶
 -changes in activity level or volume; and¶
 -new or modified regulatory or statutory requirements¶

2.6 Cost Mapping to Operating Costs

Purpose and Use by Ofgem	<p>The purpose of this worksheet is:</p> <ul style="list-style-type: none"> -to show the mapping of GDN costs and its related parties costs at the lowest appropriate 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 -to indicate whether each budget holder's costs are allocated to an activity/ies using prime records or on a managerial/accounting allocation basis. <p>This worksheet will be used by Ofgem to review the budget</p>
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	holders' costs / cost centre allocations to activities and the bases of allocation.
Instructions for Completion	<p>Input the data by the lowest appropriate 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.</p> <p>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.</p> <p>Input the basis of allocation to the GDN where costs are allocated or shared across more than one GDN in a group.</p> <p>Any GDN requiring further rows should contact Ofgem.</p> <p>Instructions for completion are to be discussed on an individual GDN basis how they may most appropriately complete this schedule.</p>

2.7 Labour Costs and FTE

Purpose and Use by Ofgem	<p>This table collects information on labour costs, the number of FTEs involved in each key cost activity, as well as a cost per FTE for each activity.</p> <p>This information allows us to monitor labour trends in gas distribution.</p>
Instructions for Completion	<p>Information to be provided for</p> <ul style="list-style-type: none"> (i) 'DN Own'; and (ii) 'Related Parties' (where a related party provides FTE to the GDN). (iii) Related Party Margins <p>Total Labour Costs by activity</p> <p>The total labour costs for all capex, repex and opex activities (excluding agency costs and non-salary staff costs) is to be broken down by:</p> <ul style="list-style-type: none"> (i) Basic salaries and wages (including National Insurance,

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bonuses, PRP, overtime, standby & other allowances)
(ii) Normal Pension Charges
(iii) Share based payments

Across each direct and support service activity.

The amount recognised is to include all employee related overhead (ERO). If ERO cannot be allocated accurately into activities, please allocate in proportion to salaries and wages and state clearly in the narrative if this method of ERO allocation is being used.

Non-Salary staff costs are not to be recognised here. Non-salary staff costs include travel and subsistence payments, car allowances and the like.

Capex and Repex Labour Costs

The total amount charged to capex and repex (as a direct charge or a recharged amount) is to be removed.

Input the relevant amount to be removed against the relevant line item:

- (i) capex salaries and wages
- (ii) capex pensions
- (iii) repex salaries and wages
- (iv) repex pensions

The capex and repex components should equal the labour charges (being direct and recharged) in the relevant capex and repex schedules.

GDNs should expressly state in their commentary; the basis for the allocation of the recharged capex/ repex amounts and whether or not the recharge policy has been consistently applied year on year.

Agency Staff

The remaining labour costs are opex. Please include the relevant value for agency staff (i.e. agency staff costs for opex only) to arrive at the total opex labour cost figure which will flow into Operating Cost Table 2.1.

Full time equivalents (FTEs)

The average number of FTEs employed for the year must be provided for each activity

FTEs need to be split into the following types:

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	<ul style="list-style-type: none"> - Employee FTE - Apprentices/ trainees FTE <u>- Agency staff (but not contractors').</u> <p>If FTEs are not recorded against these activities or cannot be allocated into these activities, please allocate in proportion to salaries and wage if there is no more appropriate basis of allocation.</p> <p>Please state clearly what method has been adopted to allocate FTEs to activities.</p> <p>FTE: Opex / Repex / Capex</p> <p>FTEs should then be split between the opex component and the capex/replex component for each activity.</p> <p>FTEs should be reported to the nearest 0.5 FTE.</p>
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2.8 Apprentices and Training

Purpose and Use by Ofgem	<p>This table collects information on apprentices and training costs together with other initiatives to meet the skills gap identified by GDNs. The costs collected under this heading would also include costs of staff that are not immediately productive to the organisation; for example cost of staff employed via the graduates' scheme route.</p>
Instructions for Completion	<p>Information for apprentices should include similar training schemes for new industrial employees.</p> <p>Information for graduates should include similar training schemes for new management/supervisory employees.</p> <p>Training Costs</p> <p>Should include the specific cost of training courses materials and other costs specifically relating to the training courses.</p> <p>Other initiatives to address skills shortage</p>

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	<p>Where the GDN has identified other initiatives undertaken to address the skills shortage please provide separate narrative details of those initiatives explaining how they help to meet the skills shortage and how the costs associated with the initiatives have been derived.</p> <p>Cost of Recruitment</p> <p>Please input the total cost of recruitment. Full time equivalents (FTEs)</p> <p>The average number of FTEs employed for the year should be provided.</p> <p>FTEs should be reported to the nearest 0.5 FTE.</p>
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2.9 Pensions Data

Purpose and Use by Ofgem	<p>This sheet collects pension data relating to cash costs of funding pensions obligations, and the costs of meeting current service obligations as charged to the profit and loss account.</p> <p>Used in conjunction with labour costs schedule, this data will enable Ofgem to calculate any under/over funding adjustment to be applied in the next price control period.</p>
Instructions for Completion	<p>The pension data requested all relates to cash costs of funding the pension obligations for the regulated business.</p> <p>Data is collected for both defined contribution and defined benefit schemes separated into whether the scheme is principally a GDN scheme, a Group scheme with costs re-allocated to the GDN or a related party/other scheme.</p> <p>Data is collected on:</p> <ul style="list-style-type: none"> -current service contributions, deficit contributions and other receipts into the , -current surplus / (deficit), -administration costs and PPF levy; and - related payroll data. <p>All data is requested by scheme categories identified and as allocated to the transportation business, in order that</p>

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	<p>we can reconcile back to the actuarial reports.</p> <p>In addition we request that each year you provide copies of the latest available underlying reports from the actuaries, including:</p> <ul style="list-style-type: none"> -final or interim actuarial valuations including FRS 17 or section 109 valuations; -recommendations for contribution rates; -agreed statement of funding principles; -scheme accounts; and -calculation of required contributions. <p>but also any other ad hoc reports which will help explain any differences between allowed contributions and actual contributions.</p>
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2.10 Provisions

Purpose and Use by Ofgem	<p>These sheets collect information on provisions.</p> <p>The table identifies the movement in the provision balances to enable Ofgem to differentiate between costs arising due to those movements and the underlying cash costs. Important part of the reconciliation to the regulatory accounts and will be used to inform future normalisation and cost comparison exercises.</p> <p>Note that costs reported in table 2.1 are cash typical costs that are exclusive of atypical costs, atypical accruals and one-off or atypical movements in provisions.</p>
Instructions for Completion	<p>Summary of provisions</p> <p>Data is to be provided for all provisions whether or not they are incurred as part of the ordinary level of business activities.</p> <p>Provisions which relate to atypical events should be disclosed as such separately from the other provisions in the space provided.</p> <p>Where a provision is part of a centrally held provision that</p>

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	<p>has been allocated to a GDN, please provide details of the full amount of the provision and explain how the allocation to that GDN has been determined.</p> <p>The total of the provision movements' link to Table 1.2 Reconciliation to Regulatory Accounts.</p> <p>Provisions reported are to exclude those for deferred tax.</p> <p>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. GDN or related parties) and (b) cost row type reported within Total Cost Matrix.</p> <p><u>Additional Information</u></p> <p>Please provide an explanation of any items on this sheet exceeding £500k.</p> <p>Please provide details on whether the charges for the provisions are for capex, repex or opex.</p>
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2.11 Accruals

Purpose and Use by Ofgem	<p>These sheets collect information on opex accruals and their movements that are <u>not</u> incurred as part of ordinary level of business activity (i.e. non-normal level of trading).</p> <p>The table identifies the movement in the accrual balances to enable Ofgem to differentiate between costs arising due to those movements and the underlying cash costs. Important part of the reconciliation to the regulatory accounts and will be used to inform future normalisation and cost comparison exercises.</p> <p>Note that costs reported in table 2.1 are cash typical costs that are exclusive of atypical costs, atypical accruals and one-off or atypical movements in provisions.</p>
Instructions for Completion	<p>Summary of accruals</p> <p>Data is to be provided for opex accruals not incurred as part of the ordinary level of business activities (for accruals over £500k).</p> <p>Where an accrual is part of a centrally held accrual that has been allocated to a GDN, please provide details of the full</p>

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	<p>amount of the accrual; and explain how the allocation to that GDN has been determined.</p> <p><u>Additional Information</u></p> <p>Please provide an explanation of any items on this sheet exceeding £500k.</p>
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2.12 Shrinkage

Purpose and Use by Ofgem	<p>This sheet collects the amounts spent on shrinkage gas split by component and by LDZ.</p> <p>Allows us to monitor actual shrinkage purchases.</p>
Instructions for Completion	<p>Costs reported on this schedule should be the actual costs incurred in procuring the gas for shrinkage as determined under the UNC. Ideally, this figure should agree with the shrinkage figure reported in table 2.1. Any differences should be clearly explained in the commentary.</p> <p>For average system pressure, please specify the date in the designated cells below the table.</p>

2.13 TMA/NRSWA costs

Purpose and Use by Ofgem	<p>This sheet collects data on the cost incurred by each GDN as a result of the Traffic Management Act 2004 ("TMA") (or equivalent Scottish legislation). It collects data on NRSWA costs for 2008-09 (and any NRSWA costs remaining in subsequent years) and will monitor the level of increase in traffic management costs in subsequent years.</p> <p>This data enables Ofgem to monitor the level of actual costs incurred by each GDN as a result of the TMA/NRSWA. Specifically, these costs relate to permits, directions or notices, inspections and penalties and other charges levied by authorities under TMA/NRSWA (or equivalent Scottish legislation). TMA costs were still very uncertain at the time the price control was determined.</p> <p>The data also enables Ofgem to understand which activities (including capex/repex) the TMA will have the greatest impact on.</p>
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<p>Instructions for Completion</p>	<p>Please provide details of both numbers and costs for penalties, permits, directions and inspections associated with the TMA/NRSWA and split between the opex and capex/repex categories given.</p> <p>Please also provide details of costs incurred to administer compliance with the TMA/NRSWA, including dealing with penalties, permits, directions and inspections. Costs of administering should distinguish between one-off costs (such as capital costs developing systems for TMA compliance) and ongoing costs expected to be incurred on an annual basis.</p> <p><u>Additional Information</u></p> <p>Please explain in a separate narrative how the GDN has determined an appropriate level of penalties to minimise overall costs, including details of any specific targets for level of penalties.</p> <p>If the figures for numbers and costs of penalties, permits, directions and inspections for each of the activity categories in this table have not been determined by direct attribution, then please explain the method used and/or any basis of allocation.</p> <p>Where there have been significant changes in the scope and/or level of TMA charges imposed on the GDN by any highway authority during the year please provide details of those changes.</p> <p>Any administrative / staff related costs should be included in the net staff costs row under Network Support (See Pg 75; Network support) and any IT costs should be included in the IT & Telecoms indirect activity within the operating costs schedule 2.1.</p>
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Capex and Repex

The following sections contain guidance notes on the completion of each table for capex and repex.

In all sections, where there are contributions from third parties, these are to be entered as positive figures.

3.1 Capital Expenditure Summary

Purpose and Use by	This sheet is simply a summary of the information
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Ofgem	contained in the capex sheets 3.2 – 3.8
Instructions for Completion	No input is required

3.1a Capital Expenditure : Comparisons Vs Price Control Assumptions Summary

Purpose and Use by Ofgem	This schedule compares the GDPCR assumptions against the respective expenditures building a cumulative profile over a six year programme.
Instructions for Completion	No Input required

3.1b Capital Expenditure (Variance Analysis)

Purpose and Use by Ofgem	<p>This schedule details the year on year expenditures and cumulative variances by the respective drivers :</p> <ul style="list-style-type: none"> - activity / workload - cost changes. <p>The total variances within this schedule should reconcile with the variances shown in schedule 3.1a</p>
Instructions for Completion	<p>There are no inputs required on this schedule, <u>which is fed from the analyses for each part of the programme.</u></p> <p><u>The activity/workload and cost changes categories below should be used to explain respective allowance vs actual variances. Variances should be explained as best possible utilising comments where appropriate.</u></p> <p>Activity / Workload Categories :</p> <ul style="list-style-type: none"> - Timing <p>This covers variances associated with changes in the timing of expenditure as perceived within the GDPCR assumptions. Projects may have been deferred or brought forward and the assumption is that over the</p>

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GDPCR control period this will net out to zero.

- Volume

This category explains the additional outputs which have been delivered as part of the funded programme. Conversely outputs delivered may be lower than anticipated. Volume **changes** attributed to mere timing should NOT be recorded within this category.

- Mix

Where there have been changes to the respective workload mix from the GDPCR output assumptions e.g. mains reinforcement, mains replacement pipe sizes the expenditure variance should be reported within this category.

- Total Workload Changes

The totals are reflective of the cumulative activity / workload effect of timing, volume and mix changes in respect to capital expenditure.

Cost Changes Categories :

- Input Costs

These costs are directly related to input factor costs such as :

- + Direct labour
- + Contract Labour
- + Materials
- + Reinstatement
- + TMA / NRSWA

Entries are only required where management have evidence of real price changes on these types of expenditure.

These input factors may **increase or reduce the cost of delivery** of the required outputs and **reflect price changes above/below RPI**.

- Management Initiatives / Efficiencies

These **changes** should **arise from positive**

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	<p>management action <u>eg - to achieve</u> better utilisation of resources <u>through new/enhanced</u> project planning, material purchases, <u>technology changes</u>, improved contractual arrangements etc. Cost savings should be quantified in relation to the specific activity and the type of expense impacted by the realised benefits. These may be indicated using the same category as above.</p> <p>- Project Specific Factors</p> <p>Specific costs unique to particular projects should be recorded which fall outside the categories already identified (<u>eg - particularly adverse ground conditions, river crossings, etc</u>).</p> <p>- Total Cost Changes</p> <p>The total is the cumulative total of input costs, management initiatives / efficiencies and project specific costs.</p> <p>- Total Variance</p> <p>This is the sum of total activity /workload and total cost changes.</p> <p>- Unit Cost</p> <p>This is automatically calculated as a proportion of expenditure to the respective workload for the current reporting period.</p>
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3.2 LTS Actual and Forecast

Purpose and Use by Ofgem	<p>Collects capex for LTS Reinforcement and new storage by individual project.</p> <p>These investments may take place over a number of years so we can only evaluate them in the context of the total cost of the project. We have therefore included costs in previous years and future forecast costs for all projects in which expenditure is planned to be incurred up to and including 2012-13. This wil allow identification of changes</p>
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	<p>to LTS plans as well as changes to expenditure already incurred. All historical and forecast costs should be in current year prices.</p>
<p>Instructions for Completion</p>	<p><u>Projects</u></p> <p>List all projects where the total project expenditure is or will be £0.5m or more in the categories listed.</p> <p>Indicate the LDZ/LDZs to which the project relates. If there are projects which give rise to interactions between LDZs, please explain interactions in the supporting text.</p> <p>Above Ground Installations other than Pressure Reduction Stations (PRSs) are included with the pipe-line. The amount incurred in respect to the Above Ground Installation and PRSs should be recognised separately, as appropriate, with the same project name. Where a pipe-line project has storage benefit, include the project under either storage or pipe-lines (only once) dependent on which is the main driver for the investment. For pipe-line projects state the start and finish points of the pipe-line in the project name.</p> <p>All pipe-lines, whether transmission or storage, should be included in the pipe-lines section. This will provide details of length and diameter. Storage pipe-lines should also be included under the storage section to present pressure swing and volume information. The costs should be placed against the main driver (transmission or storage), but not both. Where a pipe-line appears in both sections, the same name should be used to identify it.</p> <p>Where a pipe-line is included in the storage section, please include the length and diameter of the pipe-line in the project title (e.g. North Wales reinforcement 20km 600mm pipe-line)</p> <p>Data for projects where total spend will be less than £0.5m is collected on an aggregate basis per LDZ, but if there are fewer than 5 projects in any category above £0.5m (completed or substantially completed), list the 5 highest spend projects per GDN.</p> <p>Where the total value of a multi-installation project (e.g. off take + pipe-line + 2PRSs) exceeds £0.5m, list all elements, regardless of individual values.</p> <p>Where total project expenditure will be < £0.5m, each GDN should split the expenditure items into separate amounts for each LDZ</p>

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	<p><u>Key size data</u></p> <p>Provide key size data for each project.</p> <p>This is to identify projects with similar characteristics for comparative analysis and to ensure that a cross section is selected for review.</p> <p><u>Gross Expenditure</u></p> <p>Enter the expenditure in each year in £m for each project (and aggregate of projects where total spend will be below £0.5m). Costs should be entered to the nearest £100k.</p> <p>Expenditure should be inclusive of capitalised overheads</p> <p><u>Contribution</u></p> <p>Enter the annual contribution, if any, in £m received for each project (and aggregate of projects where total spend will be below £0.5m) in each investment category for each year. Contributions should be entered as a positive number.</p> <p><u>Net Expenditure</u></p> <p>No entry is required. The net expenditure is calculated by subtracting the contribution from gross expenditure</p> <p>Supporting Information – to be developed as commentary required from DNS</p> <p>Principal Investment Driver</p> <p>Supporting narrative / information should provide enough information so that the principal investment driver for each project can be ascertained</p> <p>Such as</p> <ul style="list-style-type: none"> Mandatory - Safety Mandatory - Security of Supply Mandatory - Other Statutory Non-Mandatory - Business Support Non-Mandatory - Economic/Other <p>This recognition will increase understanding of the expenditures proposed in each LDZ to meet load growth, including diurnal storage, and the expenditures needed to</p>
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	<p>maintain the existing LDZ capacity. This categorisation of expenditure will facilitate comparative analysis between GDNs (and between LDZs) both in the provision of capacity and in common areas of expenditure such as pre-heaters</p> <p>Flat v Flex</p> <p>Please provide a narrative as to what the projects are delivering – flex v flat capacity and how this ties in with the demand capacity forecasts.</p>
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3.2a LTS : Comparison Vs Price Control Assumptions Summary

Purpose and Use by Ofgem	This schedule compares the GDPCR assumptions against the respective expenditures building a cumulative profile over a six year programme.
Instructions for Completion	<u>No input is required.</u>

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3.2b LTS Pipelines > £0.5m (Variance Analysis)

Purpose and Use by Ofgem	<p>This schedule details the year on year expenditures and cumulative variances by the respective drivers :</p> <ul style="list-style-type: none"> + activity / workload + cost changes. <p>▼</p> <p>▼</p> <p>The total variances within this schedule should reconcile with the variances shown in schedule 3.2a</p>
Instructions for Completion	<p>Inputs required within the yellow coded input cells. Refer to 3.1b for definition of input categories.</p> <p><u>This table explains expenditure variances to respective allowances.</u></p>

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Price Control Cost Reporting Rules: Instructions & Guidance

3.2c NTS Offtakes > £0.5m & Other Direct Feeds (Variance Analysis)

Purpose and Use by Ofgem	<p>This schedule details the year on year expenditures and cumulative variances by the respective drivers :</p> <ul style="list-style-type: none"> - activity / workload - cost changes. <p>The total variances within this schedule should reconcile with the variances shown in schedule 3.2a</p>
Instructions for Completion	<p>Inputs required within the yellow coded input cells. Refer to 3.1b for definition of input categories.</p>

3.2d PRSs' > £0.5m (Variance Analysis)

Purpose and Use by Ofgem	<p>This schedule details the year on year expenditures and cumulative variances by the respective drivers :</p> <ul style="list-style-type: none"> - activity / workload - cost changes. <p>The total variances within this schedule should reconcile with the variances shown in schedule 3.2a</p>
Instructions for Completion	<p>Inputs required within the yellow coded input cells. Refer to 3.1b for definition of input categories.</p>

3.2e Storage > £0.5m LTS Linepack (Variance Analysis)

Purpose and Use by Ofgem	<p>This schedule details the year on year expenditures and cumulative variances by the respective drivers :</p> <ul style="list-style-type: none"> - activity / workload - cost changes.
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	The total variances within this schedule should reconcile with the variances shown in schedule 3.2a
Instructions for Completion	Inputs required within the yellow coded input cells. Refer to 3.1b for definition of input categories.

3.2f Storage > £0.5m Non LTS (Variance Analysis)

Purpose and Use by Ofgem	<p>This schedule details the year on year expenditures and cumulative variances by the respective drivers :</p> <ul style="list-style-type: none"> - activity / workload - cost changes. <p>The total variances within this schedule should reconcile with the variances shown in schedule 3.2a</p>
Instructions for Completion	Inputs required within the yellow coded input cells. Refer to 3.1b for definition of input categories.

3.3 Mains Reinforcement

Purpose and Use by Ofgem	<p>Collects data on general and specific mains reinforcement, both by pipe-line diameter band and by project.</p> <p>It collects sufficient data to support a meaningful comparison of unit costs between activities and companies.</p> <p>We collect information by diameter band in order to understand how unit costs vary by pipe-line size.</p>
Instructions for Completion	<p><u>7 Bar</u></p> <p>This table includes investment on the network below 7 bar. Reinforcement above 7 bar should be included in Table 3.2.</p> <p><u>Activities and Projects</u></p> <p>The data is to be recognised in the aggregate ranges provided for general reinforcement and specific reinforcement.</p> <p>Data is collected by installed pipe size in 8 ranges (from</p>

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less than 75mm to greater than 630mm).

All investments must be entered in the specified pipe band categories. However, where there are identified reinforcement projects with a total value of £0.5m or more, these should also be identified separately. All data for projects < £0.5m is collected on an aggregate basis. However, if there are fewer than 5 projects >£0.5m that are completed (or substantially completed), list the 5 highest spend such projects. Data for these major reinforcement projects will thus be entered in two formats (by pipe size and by project).

Gross Expenditure

Enter the annual expenditure in £m for each activity category and for each year. Costs should be entered to the nearest £100k.

Capitalised overheads should be included in Gross Expenditure.

Workload

Enter the length in km of the installed pipe commissioned for each activity area and each project.

Contribution

Enter the annual contribution, if any, in £m received in each investment area for each year.

Unit Cost

No entry is required. The unit cost is calculated from gross expenditure and length

Net Expenditure

No entry is required. The net expenditure is calculated by taking the contribution from gross expenditure.

Project Spend > 1 year

Where expenditure will be incurred on a project over more than one year, please also input the above information for the total project spend to date (including the year which

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	this cost reporting pack relates to) and projected total project costs (spend to date and anticipated spend to completion).
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3.3a Mains Reinforcement : Comparison Vs Price Control Assumptions Summary

Purpose and Use by Ofgem	This schedule compares the GDPCR assumptions against the respective expenditures building a cumulative profile over a six year programme.
Instructions for Completion	No input is required.

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3.3b Mains Reinforcement (Variance Analysis)

Purpose and Use by Ofgem	<p>This schedule details the year on year expenditures and cumulative variances by the respective drivers :</p> <ul style="list-style-type: none"> - activity / workload - cost changes. - Unit Costs <p>This is automatically calculated as a proportion of expenditure to workload measured in £ per metre.</p> <p>The total variances within this schedule should reconcile with the variances shown in schedule 3.3a</p>
Instructions for Completion	Inputs required within the yellow coded input cells. Refer to 3.1b for definition of input categories.

3.4 Governors

Purpose and Use by Ofgem	<p>Collects data for district governor investment</p> <p>Data is collected for growth driven general reinforcement as well as for any other renewal of district governors, split</p>
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	by pressure tier to support a meaningful comparison of unit costs between activities and companies
Instructions for Completion	<p><u>Activities</u></p> <p>Data is collected for five categories of expenditure on governors</p> <p>(i) IP/LP Renewal (ii) MP/LP Renewal (iii) IP/LP Growth (iv) MP/LP Growth (v) Domestic Service Governor (vi) Non Domestic Service Governor</p> <p><u>Gross Expenditure</u></p> <p>Enter the annual expenditure in £m for each activity category for each year. Costs should be entered to the nearest £100k.</p> <p>Include capitalised overheads in these costs.</p> <p><u>Workload</u></p> <p>Enter the number of governors installed for each activity area</p> <p><u>Unit Cost</u></p> <p>No entry is required. The unit cost is calculated from gross expenditure and number of governors.</p> <p><u>Contribution</u></p> <p>Enter the annual contribution, in £m received for each activity for each year</p> <p><u>Net Expenditure</u></p> <p>No entry is required. The net expenditure is calculated by taking the contribution from gross expenditure</p>

3.4a District Governors : Comparisons Vs Price Control Assumptions Summary

Purpose and Use by Ofgem	This schedule compares the GDPCR assumptions against the respective expenditures building a cumulative profile over a six year programme.
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Price Control Cost Reporting Rules: Instructions & Guidance

Instructions for Completion	No input is required.
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3.4b District Governors (Variance Analysis)

Purpose and Use by Ofgem	<p>This schedule details the year on year expenditure and cumulative variances by the respective drivers :</p> <ul style="list-style-type: none"> - activity / workload - cost changes. <p>- Unit Costs</p> <p>This is automatically calculated as a proportion of expenditure to workload measured in £k per unit.</p> <p>The total variances within this schedule should reconcile with the variances shown in schedule 3.4a</p>
Instructions for Completion	<p>Inputs required within the yellow coded input cells. Refer to 3.1b for definition of input categories.</p>

3.5 Connections

Purpose and Use by Ofgem	<p>Table collects expenditure and activity data for mains general reinforcement investment, including reinforcement investment that is driven by specific connection requests, governors and services connections activities that are directly customer driven.</p> <p>The table collects sufficient data to support a meaningful comparison of unit costs between activities and companies.</p> <p>Disaggregation of mains data is required in order to separately identify the unit costs for mains pipe size for existing housing, new housing, non-domestic, and network extensions (fuel poor and other).</p>
Instructions for	<u>Activities</u>

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Completion

Data is to be recognised as follows:

- Mains in 3 activity categories; new housing, existing housing and non-domestic. For each of these activity categories the length of main installed is required to be split between up to 180mm and above 180mm diameter. Only complete activity categories where relevant.

There are two categories of network extensions, one related to connections to the fuel poor and the other one related to all other network extension connections. Households that fall within the 20% most deprived areas as determined by the Government's Index of Multiple Deprivation are to be considered fuel poor (see definition of 'network extensions' in Appendix 3). 'Network extensions other' is a subset of new housing, existing housing and/or non-domestic. Network extensions fuel poor is a subset of existing housing.

The analysis of network extensions will be revised from 2008-09 onwards, reflecting the revised policy of including fuel poor domestic premises within 23 metres in the subsidy arrangements.

- Each of district and service IP and MP governors.

Gross Expenditure

Enter the annual expenditure in £m for each activity category for each year. Costs should be entered to the nearest £100k.

Include capitalised overheads in these costs.

Workload

Enter the length of mains installed in km and the number of governors or services installed for each activity area. Length of mains for each activity is required to be split between $\leq 180\text{mm}$ and $> 180\text{mm}$ but a more detailed breakdown into diameter bands is required for total length of mains installed.

Unit Cost

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	<p>No entry is required. The unit cost for governors is calculated from gross expenditure and number of governors. The unit cost for all other activities is calculated from gross expenditure and number of services.</p> <p><u>Contribution</u></p> <p>Enter the annual contribution, in £m received for each activity for each year.</p> <p><u>Net Expenditure</u></p> <p>No entry is required. The net expenditure is calculated by taking the contribution from gross expenditure.</p>
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3.5a Connections : Comparisons Vs Price Control Assumptions Summary

Purpose and Use by Ofgem	This schedule compares the GDPCR assumptions against the respective expenditures building a cumulative profile over a six year programme.
Instructions for Completion	No input is required

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3.5b Connections (Variance Analysis)

Purpose and Use by Ofgem	<p>This schedule details the year on year expenditures and cumulative variances by the respective drivers :</p> <ul style="list-style-type: none"> - activity / workload - cost changes. <p>- Unit Costs</p> <p>This is automatically calculated as a proportion of expenditure to workload measured in £ per metre.</p> <p>The total variances within this schedule should reconcile with the variances shown in schedule 3.5a</p>
Instructions for	Inputs required within the yellow coded input cells.

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Completion	Refer to 3.1b for definition of input categories.
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3.5c Governors (Variance Analysis)

Purpose and Use by Ofgem	<p>This schedule details the year on year expenditures and cumulative variances by the respective drivers :</p> <ul style="list-style-type: none"> - activity / workload - cost changes. <p>- Unit Costs</p> <p>This is automatically calculated as a proportion of expenditure to workload measured in £k per unit.</p> <p>The total variances within this schedule should reconcile with the variances shown in schedule 3.5a</p>
Instructions for Completion	<p>Inputs required within the yellow coded input cells. Refer to 3.1b for definition of input categories.</p>

3.6 Other Capex

Purpose and Use by Ofgem	<p>Collects high level data for plant, equipment, land and buildings and other capex. Worksheet makes provision to capture both named projects over £0.5m; aggregated smaller projects and non-project related spend.</p>
Instructions for Completion	<p>Expenditure Items</p> <p>No entry required.</p> <p>Please note that Systems Operation capex includes those IS Systems and Infrastructure costs which are driven by System Operations (i.e. GTMS costs go in Systems Operation Capex)</p> <p>IS infrastructure includes PCs, e-mail, servers, LANs and the like.</p> <p>IS Systems includes work management systems, asset management systems, financial systems and the like.</p> <p><u>Summary of Gross Expenditure</u></p>

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No entry required

Summary of Contributions

No entry required

Summary of Net Expenditure

No entry required

Aggregated Expenditure Categories

A list of aggregated expenditure categories has been provided.

The IS category has been split between Infrastructure (PCs, email, servers, LANs etc) and Systems (Work Management systems, Asset Management, Financial etc).

The xoserve expenditure entered on schedule 3.6 should be the portion of xoserve's charges relating to capital expenditure (as identified by xoserve) to allow inclusion in the RAV. The portion of xoserve's charges relating to operating expenditure should be shown on schedule 2.1.

Gross Expenditure (Aggregated Expenditure)

Enter the annual expenditure in £m for each aggregate category of expenditure (including projects below £0.5m). Costs should be entered to the nearest £100k.

Include capitalised overheads in these costs.

Gross Contributions (Aggregated Expenditure)

Enter the annual contribution, if any, in £m received for each aggregate category of expenditure (including projects below £0.5m).

Net Expenditure (Aggregated Expenditure)

No entry is required. The net expenditure is calculated by taking the contribution from gross expenditure.

Named Projects > £0.5m

For 2007-08, list all projects where the total project expenditure will be £0.5m or more.

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	<p>All data for projects less than £0.5m is to be collected on an aggregate basis for each category of expenditure.</p> <p>If there are fewer than three projects above £0.5m to enter in table 3.6, please list the three highest spend projects in table 3.6 anyway, but ensure that items of expenditure are only entered once either in the project line or the aggregated line. Please ensure that a name is added for each project.</p> <p>Named projects have been pre-populated by way of further guidance as to what expenditure constitutes Systems Operation capex.</p> <p>Free form rows have been incorporated for any further named projects.</p> <p><u>Gross Expenditure (Named Projects > £0.5m)</u></p> <p>Enter the annual expenditure in £m for each Project for each year. Costs should be entered to the nearest £100k. Include capitalised overheads in these costs.</p> <p><u>Contributions (Named Projects > £0.5m)</u></p> <p>Enter the annual contribution, if any, in £m received for each Project .</p> <p><u>Net Expenditure (Named Projects > £0.5m)</u></p> <p>No entry is required. The net expenditure is calculated by taking the contribution from gross expenditure.</p>
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3.6a Other Capex : Comparison Vs Price Control Assumptions Summary

Purpose and Use by Ofgem	This schedule compares the GDPCR assumptions against the respective expenditures building a cumulative profile over a six year programme.
Instructions for Completion	No input is required.

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3.6b Other Capex (Variance Analysis)

Purpose and Use by Ofgem	<p>This schedule details the year on year expenditures and cumulative variances by the respective drivers :</p> <ul style="list-style-type: none"> - activity / workload - cost changes. <p>The total variances within this schedule should reconcile with the variances shown in schedule 3.5a</p>
Instructions for Completion	<p>Inputs required within the yellow coded input cells. Refer to 3.1b for definition of input categories.</p>

3.7 Breakdown of Capitalised Overheads

Purpose and Use by Ofgem	<p>This table is to capture the breakdown of Capitalised Overheads between various cost and capex/repex categories initially captured in opex and then recharged via the accounting systems to capex or repex.</p> <p>To understand the breakdown of opex transfers.</p>
Instructions for Completion	<p>Categories of Opex Transfer</p> <p>Provide a breakdown of the total transfer from the opex account to capex or repex into the categories of:</p> <ul style="list-style-type: none"> Capitalised Labour; Capitalised pension costs; Transport; or Other Capitalised costs. <p><u>Capitalised Labour</u> should not include any direct capex and repex wages. Capitalised labour should recognise</p> <ul style="list-style-type: none"> (a) ERO costs (NI, superannuation, training, holidays, sickness etc) (b) All other Staff Costs in supporting repex and capex activities (for example supervisory, managerial, planning and support) <p>A description must be entered for any sums entered into the 'Other Capitalised Costs' line , with accompanying</p>

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	<p>explanation on the comments box.</p> <p>The Total should also balance with the total transfer from the Opex account</p> <p><u>Recharge from Opex: Direct / Indirect</u></p> <p>For each year, please provide a breakdown of the total transfer from</p> <p>(a) direct opex; and (b) indirect opex (support services)</p> <p>to repex and capex.</p> <p>The Total transfer should equal the total transfer from the Opex account as per 'Categories of Opex Transfer', above.</p> <p><u>Summary Overheads from asset categories</u></p> <p>For each year, please provide a breakdown of the total transfer from the Opex in respect to overheads to capex / repex into the categories of</p> <ul style="list-style-type: none"> -LTS Capex -Mains Capex -Governors Capex -Connections Capex -Other Capex -Repex Mains -Repex Services
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3.8 Analysis of Capital Expenditure by Type

Purpose and Use by Ofgem	<p>Analyses total capex expenditure by activity into the cost categories of direct labour, contractors, materials, reinstatement, TMA/NRSWA and other.</p> <p>This is to understand the impact of different real price effects for different inputs.</p>
Instructions for Completion	<p>Enter in the cost split for each activity between direct labour, contract labour, materials, reinstatement and TMA/NRSWA and other.</p> <p>Reinstatement includes backfilling, making good the surface and disposing of, or otherwise dealing with, waste material from the activity eg disposal of spoil from an excavation. Where the total cost of reinstatement on this</p>

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	<p>schedule has moved by more than 10% and £500k from the previous year please explain the movement with factors such as changes in workload, changes in working practices, increases in costs/levies related to waste disposal etc</p> <p>The values should be provided for the total gross actual activity expenditure, inclusive of overheads and related party labour, for each of the time periods indicated on the table.</p> <p>The % allocation will be derived automatically and no input is required.</p> <p>The "other" heading should be used for any costs which do not fall under the headings of direct labour, contract labour, materials, waste management and Traffic Management Act. An item should be separately identified in the other activity column if it is more than £500,000.</p>
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3.9 Replacement Expenditure Summary

Purpose and Use by Ofgem	This sheet is simply a summary of the information contained in the capex sheets 3.10-3.11
Instructions for Completion	No input is required.

3.9a Repex into RAV Summary

Purpose and Use by Ofgem	This schedule shows the calculation of the repex additions into RAV.
Instructions for Completion	No input is required.

3.9b Mains Replacement Expenditure :-Year on Year Movements (Variance Analysis)

Purpose and Use by Ofgem	<p>This schedule compares year on year expenditure movements building a cumulative profile over a six year programme.</p> <p>The total variances within this schedule should</p>
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	reconcile with the variances shown in schedule 3.9d
Instructions for Completion	No input required

3.9c Services Replacement & LTS Pipeline & Installations : Comparisons Vs Price Control Assumptions (Variance Analysis)

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Purpose and Use by Ofgem	<p>This schedule details GDPCR assumptions against actual expenditures building a cumulative profile over a six year programme.</p> <p>The total variances within this schedule should reconcile with the variances shown in schedule 3.9e</p>
Instructions for Completion	No input required

3.9d Mains Replacement : Year on Year Movement (Variance Analysis) Summary

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Purpose and Use by Ofgem	<p>This schedule details the year on year expenditure movements by the respective drivers :</p> <ul style="list-style-type: none"> - activity / workload - cost changes. <p>The total variances within this schedule should reconcile with the variances shown in schedule 3.9b</p>
Instructions for Completion	There are no inputs required on this schedule.

3.9e Services Replacement & LTS Pipeline & Installations : Comparisons Vs Price Control Assumptions (Variance Analysis) Summary

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Purpose and Use by Ofgem	<p>This schedule details GDPCR assumptions against actual expenditures building a cumulative profile over a six year programme.</p> <p>The total variances within this schedule should reconcile with the variances shown in schedule 3.9c</p>
Instructions for Completion	There are no inputs required on this schedule.

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3.10 Repex Mains

<p>Purpose and Use by Ofgem</p>	<p>This sheet collects details of costs incurred in replacing mains pipe-lines.</p> <p>It collects sufficient data to support a meaningful comparison of unit costs between activities and companies.</p> <p>Mains data is collected by installed pipe sizes in 8 ranges (from less than 75mm to more than 630mm) and for decommissioned pipes (workload only) from < 3" to more than 24".</p> <p>Data is collected for each category of mains replacement – such as the HSE – mandated replacement programme.</p> <p>We will also need to collect data on abandoned mains as part of revenue reporting, but not by replacement reason.</p> <p>LTS pipe-lines are also analysed by project. This data enables us to understand the cost of each replacement programme, and the relationship between the size of pipe abandoned, and the replacement pipe.</p>
<p>Instructions for Completion</p>	<p><u>Gross Expenditure</u></p> <p>Enter the annual expenditure in £m for each activity category. Expenditure must be entered by diameter band. Include here the cost of mains connections and de-commissioning. Costs should be entered to the nearest £100k. Please include capitalised overheads in these costs.</p> <p><u>Workload</u></p> <p>Enter as appropriate, the length in km of the pipe installed for each activity area.</p> <p><u>Unit Cost</u></p> <p>No entry is required. The unit cost is calculated from gross expenditure and workload.</p> <p><u>Contribution</u></p> <p>Enter the annual contribution, if any, in £m received for each activity in each investment area for each year.</p> <p><u>Net Expenditure</u></p> <p>No entry is required. The net expenditure is calculated by taking the contribution from gross expenditure.</p>

 Price Control Cost Reporting Rules: Instructions & Guidance

Replacement MainsHSE Enforcement Policy

Enter expenditure, workload etc. for replacement mains required under the HSE's Enforcement Policy for the Replacement of Iron Gas Mains.

Other Policy and Condition Mains

Enter expenditure, workload etc. for replacement mains required under other policy or through condition (i.e. in addition to the HSE iron mains programme), including replacement of Medium Pressure Ductile Iron (MPDI).

Non-Rechargeable Diversions

Enter expenditure, workload etc. for diverted mains that are not re-chargeable.

Total replacement mains

No entry required. Sums costs and workloads of all replacement mains except re-chargeable diversions

Rechargeable Diversions

Enter expenditure, workload etc. for diverted mains that are re-chargeable.

LTS Pipe-lines and Installations

Enter data for LTS Repex activities for all where the total project expenditure is or will be £0.5m or more.

All data for projects will be less than £0.5m should be entered on an aggregate basis.

Enter here any pipe-line diversions. Show contributions for enforced diversions.. A diversion does not affect the build date of the pipe-line (see asset sheets) unless it is from node to node.

For projects which span more than one year, enter the data for spend workload etc to date.

Abandoned MainsHSE Enforcement Policy

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	<p>Enter lengths abandoned under the HSE's Enforcement Policy for the Replacement of Iron Gas Mains (enter only iron mains included on the HSE approved/forecast programme).</p> <p><u>Other Policy and Condition Mains</u></p> <p>Enter lengths abandoned under other policy or through condition.(i.e. in addition to the HSE iron mains programme)</p> <p><u>Non-Rechargeable Diversions</u></p> <p>Enter lengths abandoned for diverted mains that are not re-chargeable.</p> <p><u>Rechargeable Diversions</u></p> <p>Enter lengths abandoned for diverted mains that are re-chargeable.</p>
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3.10a Mains Replacement : Year on Year Movements Summary

Purpose and Use by Ofgem	This schedule compares year on year expenditures building a cumulative profile over a six year programme.
Instructions for Completion	<u>No input is required.</u>

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3.10b LTS Pipelines & Installations : Comparisons Vs Price Control Assumptions Summary

Purpose and Use by Ofgem	This schedule compares GDPCR assumptions against expenditures building a cumulative profile over a six year programme.
Instructions for Completion	<u>No input is required.</u>

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3.10c Mains Replacement : Incentive Mechanism (Variance Analysis)

<p>Purpose and Use by Ofgem</p>	<p>This schedule details the year on year expenditure movements by the respective drivers :</p> <ul style="list-style-type: none"> - activity / workload - cost changes. <p>▼</p> <p>▼</p> <p>The total variances within this schedule should reconcile with the variances shown in schedule 3.10a</p>
<p>Instructions for Completion</p>	<p>Inputs required within the yellow coded input cells. Refer to 3.1b for definition of input categories.</p> <p><u>Year on year movements in expenditure should be accounted for where possible utilising the appropriate explanatory categories.</u></p>

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3.10d Rechargeable Diversions (Variance Analysis)

<p>Purpose and Use by Ofgem</p>	<p>This schedule details the year on year expenditure movement by the respective drivers :</p> <ul style="list-style-type: none"> - activity / workload - cost changes. <p>▼</p> <p>▼</p> <p>The total variances within this schedule should reconcile with the variances shown in schedule 3.10a</p>
<p>Instructions for Completion</p>	<p>Inputs required within the yellow coded input cells. Refer to 3.1b for definition of input categories.</p> <p><u>Year on year movements in expenditure should be accounted for where possible utilising the appropriate explanatory categories.</u></p>

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Price Control Cost Reporting Rules: Instructions & Guidance

3.10e LTS Pipelines and Installations (Variance Analysis)

<p>Purpose and Use by Ofgem</p>	<p>This schedule details the year on year expenditures and cumulative variances by the respective drivers :</p> <ul style="list-style-type: none"> - activity / workload - cost changes. <p>- Unit Costs</p> <p>The total variances within this schedule should reconcile with the variances shown in schedule 3.10b</p>
<p>Instructions for Completion</p>	<p>Inputs required within the yellow coded input cells. Refer to 3.1b for definition of input categories.</p>

3.11 Services Repex

<p>Purpose and Use by Ofgem</p>	<p>This table collects services expenditure and workload.</p>
<p>Instructions for Completion</p>	<p>Include the cost of replacing service connections, risers and restoring supplies; exclude the cost of any meter work carried out on behalf of others.</p> <p><u>Gross Expenditure</u></p> <p>Enter the annual expenditure in £m for each activity category. Include the cost of replacing service connections and restoring supplies; exclude the cost of any meter work carried out on behalf of others.</p> <p>Costs should be entered to the nearest £100k. Please include capitalised overheads in these costs.</p> <p><u>Contribution</u></p> <p>Enter the contribution, if any, in £m received for each activity in each investment area.</p> <p><u>Workload</u></p>

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Enter as appropriate, the number of services jobs.

Unit Cost

No entry is required. The unit cost is calculated from gross expenditure and the number of services.

Net Expenditure

No entry is required. The net expenditure is calculated by taking the contribution from gross expenditure.

Replacement Services – Domestic

Enter expenditure, workload etc. for domestic services by job type.

This service is now split between incentivised and non incentivised expenditure.

Service transfers workload related to mains replacement should only be recorded under "relaid services associated with mains replacement".

Services to buildings with ground floor, basement and/or first floor premises only should be entered here (including risers).

All services and risers (including ground floor/basement/first floor) to buildings with premises above first floor should be entered at Multi-Occupancy Buildings

Note:

“Reposition domestic meter” means services that are replaced for condition or economy in the course of the work. Exclude any meter work carried out on behalf of others.

“Service relay domestic meter-work” means work downstream of the new meter position to re-connect consumer pipe-work. Exclude any meter work carried out on behalf of others.

Replacement Services – Non Domestic

Enter total expenditure, contributions and workload for non-domestic services.

Deleted: ¶
¶

Deleted: relays

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This service is now split between incentivised and non incentivised expenditure.

Purge and Relight

Costs to be captured within the activity which caused a purge and relight e.g service relaid after escape, relaid service mains replacement etc

Multiple Occupancy Buildings

Costs and activity for multiple occupancy buildings are analysed by three categories:
 Risers <20m length. To capture the cost of riser, lateral & service replacement to premises within buildings with up to 6 floors above the ground floor;
 Risers 20 - 40m length. To capture the cost of riser, lateral & service replacement to premises within buildings with up to 12 floors above the ground floor;
 Risers >40m length. To capture the cost riser, lateral & service replacement to premises within buildings with more than 12 floors above the ground floor

Multiple Occupancy Buildings Planned Replacement

For each category:
 Enter riser gross expenditure and contributions
 Enter riser workload in metres and number of multi occupancy buildings
 Enter service connections (including laterals) gross expenditure and contributions
 Enter the service workload (number of supply points)

Notes:

Enter costs etc. on a building basis, e.g. all premises within a 12 floor building will be entered in the (20-40m length) category.

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	<p>Mains outside of the building should be entered at C8.</p> <p>Exclude work to buildings with ground floor, basement and first floor premises only, these should be included in C9.8 above.</p> <p>Proactive work occurs where a riser pipe system is selected for replacement, or (in the future) with a potential riser replacement programme</p> <p><u>Multi Occupancy Buildings Replacement on Failure</u></p> <p>Enter details as in Multiple Occupancy Buildings Planned Replacement above, but where replacement is unplanned/re-active. Exclude compensation payments for failure of supply</p> <p>Reactive work occurs when a riser pipe system has to be replaced following an escape or other emergency occurrence. By its nature, this work is not foreseen in advance</p>
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3.11b Services Replacement : Comparison Vs Price Control Assumptions Summary

Purpose and Use by Ofgem	This schedule compares the GDPCR assumptions against the respective expenditures building a cumulative profile over a six year programme.
Instructions for Completion	<u>No input is required.</u>

Deleted: Inputs required within the yellow coded input cells

3.11c Replacement Services Domestic (Variance Analysis)

Purpose and Use by Ofgem	<p>This schedule details the year on year expenditures and cumulative variances by the respective drivers :</p> <ul style="list-style-type: none"> - activity / workload - cost changes. - Unit Costs <p>This is automatically calculated as a proportion of expenditure to workload measured in £k per unit.</p>
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	The total variances within this schedule should reconcile with the variances shown in schedule 3.11b
Instructions for Completion	Inputs required within the yellow coded input cells. Refer to 3.1b for definition of input categories.

3.11d Replacement Services Non Domestic (Variance Analysis)

Purpose and Use by Ofgem	<p>This schedule details the year on year expenditures and cumulative variances by the respective drivers :</p> <ul style="list-style-type: none"> - activity / workload - cost changes. <p>- Unit Costs</p> <p>This is automatically calculated as a proportion of expenditure to workload measured in £k per unit.</p> <p>The total variances within this schedule should reconcile with the variances shown in schedule 3.11b</p>
Instructions for Completion	Inputs required within the yellow coded input cells. Refer to 3.1b for definition of input categories.

3.11e Multi Occupancy Buildings Planned Replacement (Variance Analysis)

Purpose and Use by Ofgem	<p>This schedule details the year on year expenditures and cumulative variances by the respective drivers :</p> <ul style="list-style-type: none"> - activity / workload - cost changes. <p>- Unit Costs</p> <p>This is automatically calculated as a proportion of expenditure to workload measured in £ per metre.</p>
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	The total variances within this schedule should reconcile with the variances shown in schedule 3.11b
Instructions for Completion	Inputs required within the yellow coded input cells. Refer to 3.1b for definition of input categories.

3.11f Multi Occupancy Buildings Replacement on Failure (Variance Analysis)

Purpose and Use by Ofgem	<p>This schedule details the year on year expenditures and cumulative variances by the respective drivers :</p> <ul style="list-style-type: none"> - activity / workload - cost changes. <p>- Unit Costs</p> <p>This is automatically calculated as a proportion of expenditure to workload measured in £ per metre.</p> <p>The total variances within this schedule should reconcile with the variances shown in schedule 3.11b</p>
Instructions for Completion	Inputs required within the yellow coded input cells. Refer to 3.1b for definition of input categories.

3.11A Analysis of Repex Expenditure by Type

Purpose and Use by Ofgem	<p>Analyses total repex expenditure by activity into the cost categories of direct labour, contractors, materials, waste management, Traffic Management Act and other.</p> <p>This is to understand the impact of different real price effects for different inputs</p>
Instructions for Completion	<p>Enter in the cost split for each activity between direct labour, contract labour, materials, reinstatement and Traffic Management Act and other.</p> <p>Reinstatement includes backfilling, making good the surface and disposing of, or otherwise dealing with, waste</p>

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	<p>material from the activity eg disposal of spoil from an excavation. Where the total cost of reinstatement on this schedule has moved by more than 10% and £500k from the previous year please explain the movement with factors such as changes in workload, changes in working practices, increases in costs/levies related to waste disposal etc</p> <p>The values should be provided for the total gross actual activity expenditure, inclusive of overheads and related party labour, for each of the time periods indicated on the table.</p> <p>The % allocation will be derived automatically and no input is required.</p> <p>The "other" heading should be used for any costs which do not fall under the headings of direct labour, contract labour, materials, waste management and Traffic Management Act. An item should be separately identified in the other activity column if it is more than £500,000.</p>
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3.12 LTS Asset Data

Purpose and Use by Ofgem	<p>This sheet collects non-financial data on movements in total length of pipe-lines (by diameter and operating pressure) during the period. Also includes sundry other LTS population data.</p> <p>To understand changes in the pipe-line assets and the changes that investment makes to the pressure tiers over time.</p>
Instructions for Completion	<p>Table is to be prepared for each LDZ within the DNS ownership.</p> <p>Sheet collects asset data by size and pressure tier and tracks installation and removal. For abandoned or removed assets enter a <u>negative</u> figure.</p> <p>Enter new or abandoned LTS pipe-lines by diameter band. Note: if an LTS pipe-line is down-rated to operate below 7 bar, this should be shown as a new asset in the mains data table.</p> <p>Enter the new or abandoned LTS pipe-lines by pressure. Note: if a pipe-line is down-rated (or uprated) from one</p>

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	<p>LTS tier to another, this should be clearly shown as a + and – entry in the same year in the relevant rows.</p> <p>Enter the number of NTS offtakes and LTS PRSs installed or abandoned in each year.</p>
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3.13 Capacity and Storage Asset Data

Purpose and Use by Ofgem	<p>Sheet collects non-financial data on movements in the amount of storage capacity (by storage type) during the period.</p> <p>Collect this data to understand the changes in the volume of any contracted seasonal storage and the (contracted or planned) capacity of supplies into the LTS.</p>
Instructions for Completion	<p>Information is to be provided for each LDZ within the DNs ownership.</p> <p>For abandoned or removed assets enter a <u>negative figure</u>.</p> <p><u>Storage</u></p> <p>This collection relates to all physical storage installations owned by the GDN and to contracted storage capacity from third party owners e.g. salt cavities, LNG. Enter the absolute usable capacity of HP storage and LP gasholders. Enter the owned or contracted usable annual volume of storage from salt cavities, LNG (direct into LTS), mined caverns or any other direct feed, showing any such volumes built into the long term plan, whether contracted now or not. Abandoned to be entered as negative.</p> <p>For <u>LTS linepack</u> installed, show diminishing value of this in succeeding years, where appropriate, as a negative in 'Lost'.</p> <p>For <u>Mothballed</u>, show as negative in abandoned when it is no longer in the plan as available for re-commissioning.</p> <p>For '<u>Contracted NTS line pack</u>', it should be noted that during the review periods the treatment of contracted NTS linepack has changed. Initially the diurnal storage that a GDN could take from the NTS was agreed between the two parties both as a maximum volume and as a daily profile. In the current arrangement diurnal storage taken from the NTS is referred to as flexibility gas and is formalised in a</p>

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	<p>contract with NG. The maximum total daily volumes of storage from the NTS should be entered for each year of both regimes e.g. agreed volumes in the past and flexibility volumes for the years in which the new regime has applied.</p> <p><u>All off-takes Max Design Capacity</u></p> <p>Enter the changes to maximum installed design capacity for all NTS offtakes and other direct feeds, over time.</p> <p><u>Flat Capacity</u></p> <p>Enter the Flat Capacity daily volume as an aggregate for all NTS offtakes for each time period; 'agreed' volumes up to the regime change date and 'contracted' volumes after that date.</p>
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3.14 Mains and Governors Asset Data

Purpose and Use by Ofgem	<p>Sheet collects non-financial data on movements in the length of mains pipe-lines (by material type) and governors (by type) during the period. Also collects details of the target population of the mains replacement programme and the surveyed number of risers.</p> <p>Collect data to understand the profile of pipe-lines and other assets and the changes that investment is making to that profile.</p>
Instructions for Completion	<p><u>Distribution Mains</u></p> <p>Enter the changes to the asset population and the total at the year end.</p> <p>For each pipe material, enter lengths installed as new and replacement mains and also lengths removed, abandoned, decommissioned.</p> <p>There is an 'adjustment' line – if used, please explain what the adjustment relates to in the commentary box. Sum to new population at year end.</p> <p>Enter the year end population operating at the different pressure tiers i.e. Low Pressure, Medium Pressure and Intermediate Pressure</p> <p><u>Mains Replacement Programme – Target Population</u></p>

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	<p><u>CI/SI/DI Programme</u></p> <p>Enter the population of mains in service, at the end of the year, by diameter band.</p> <p>For mains identified under the HSE Enforcement Policy enter the % of the year end population operating at the higher pressure tiers i.e. % (MP + IP).</p> <p><u>Other Materials</u></p> <p>Enter the % of the year end population of other materials (asbestos cement, PVC etc.) operating at the higher pressure tiers i.e. % (MP + IP).</p> <p><u>Governors</u></p> <p>For each installation type enter the number installed as new and replacement, also enter any removed. Sum to new population at year end.</p> <p><u>Multi-Occupancy Buildings</u></p> <p>Enter the total number of meter points within multiple occupancy buildings connected to risers:</p> <p><20m length (or within buildings with up to 6 floors above the ground floor)</p> <p>20m to 40m length (or within buildings with up to 12 floors above the ground floor)</p> <p>>40m length (or within buildings with > 12 floors above the ground floor)</p> <p>Exclude meter points within buildings with ground floor, basement and first floor premises only</p>
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3.15 Additional Data

<p>Purpose and Use by Ofgem</p>	<p>This table collects additional data to understand network condition and expenditure requirements.</p> <p>Collect this data to understand the trend in PREs and the overall system condition.</p>
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<p>Instructions for Completion</p>	<p><u>Publicly Reported Escapes</u></p> <p>Enter the number of external escapes and internal reports together with the number where no escape was found, under the various pressure levels.</p> <p><u>Actioned Repairs</u></p> <p>For repairs enter the number of actioned reports by diameter band consistent with HSE reporting and also the number of actual repair jobs.</p> <p><u>Property:</u></p> <p>Enter the details of the properties (whose associated costs have been captured in table 2.1 under property management) under this category. Properties should be split according to the heading shown in the table; leased vs. owned, and office vs. depot.</p>
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3.16 Capacity and Demand Data

<p>Purpose and Use by Ofgem</p>	<p>Collects planning data by exit zone for the current year and four years forward, based on three key planning scenarios.</p> <p>Collect this data to understand the basis on which capacity-based investment is judged to be required by the GDN.</p>
<p>Instructions for Completion</p>	<p><u>Name</u></p> <p>Enter the name of the offtake. Include proposed Offtakes from the year in which they will be constructed.</p> <p><u>NTS Exit Zone</u></p> <p>Enter the exit zone number. The completed returns should show the offtakes listed by exit zone, alphabetically within each zone.</p> <p><u>Demand</u></p> <p>Enter the demand under 1 in 20 conditions for each offtake.</p> <p><u>Flow Flat Required</u></p> <p>Enter the Flat capacity daily volume for each offtake under</p>

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1 in 20 conditions.

Flow Flex Required

Enter the Flex capacity daily volume for each offtake under 1 in 20 conditions.

Peak Rate

Enter the peak rate taken through each of the offtakes.

Min Inlet @SOD

Enter the Min inlet pressure at Start of Day (barg). This is the inlet pressure required to pack the linepack system to the full stock position.

Min Inlet @ SOD contracted by NTS

Enter the pressure contracted by NTS to be available at Start of Day (barg)

Min Inlet @EOD

Enter the Min inlet pressure at End of Day (barg). This is the end of the Storage day, i.e. when linepack systems are expected to be at minimum stock values.

Min Inlet @ EOD contracted by NTS

Enter the pressure contracted by NTS to be available at End of Day (barg).

Total volume of storage needed

Enter the total volume of storage needed for each zone

Enter the total for each zone against the first named offtake only.

Volume of interruption

Volume of interruption. Enter the total volume of interruption for each zone against the first named offtake only.

Total volume of storage available

Enter the total volume of storage available for each zone

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(excluding use of NTS flex). This should include available LP holder volume, available Linepack, HP bullets, and other storage volumes. Enter the total for each zone against the first named offtake only.

Number of Interruptible loads

Identify the number of loads interrupted to correspond with the volume entered in 20.12.

No. of NSLs

Enter the Number of Network Sensitive Loads by offtake zone. Enter the number in the first named offtake for each zone.

Day 46 (Cold)

Repeat the entries above for Day 46 under severe LDC. Storage available and linepack modelling should be carried out assuming that normal operation is taking place and that full interruption has been carried out. This day will have the same total demand as Day 46 Warm (below) but will have a different load distribution depending on the location of interruptible loads.

Day 46 (Warm)

Repeat the entries above for the day when the total demand (Firm and Interruptible demands) is equal to Day 46 on a firm severe load duration curve and assuming that all interruptible loads are being supplied. Storage available and linepack modelling should be carried out assuming that normal operation is taking place with no forecast error.

Confirm that the 1 in 20 day peak is the most onerous transmission day in the commentary section? If not, please complete separate tables for the 1 in 20 day peak and the most onerous transmission day.

Other Information

The RRP requests the following additional information:

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Request	Guidance
Board approved Capex plan	(for GDN own accounting year for year end following this RRP reporting year end)
Corporation Tax return and computation,	as submitted, for the licensee's last statutory accounting financial year for which a tax return has been submitted to the Inland Revenue
Reconciliation of the amount shown in that return to the amounts used in the Tables for the year to which it relates where: (a) the amounts are different; and (b) the statutory and regulatory year ends are not coterminous	
Tax provision workings for the year under review to support Table 1.4.	
Reconciliation of changes to opening capital allowance pools from prior year submission(s) with supporting documentation to support Table 1.5.	
Pension Scheme accounts each year	
Triennial actuarial valuation reports (or any that might be provided more frequently)	
Capex scheme papers for the approved LTS projects listed on Table 3.2	

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List and summary details of post investment appraisals carried out during the year to allow Ofgem to select post investment appraisals for review	Details to include title of the scheme, date of completion and value at which scheme completed.
Copy of accounts of any captive insurance company	
Letter signed by a director on behalf of the licensee confirming that the pack has been completed in accordance with the Rules	

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Appendix 3 - Definitions

1.1. This appendix provides definitions of key terms included in these Rules and in the Tables. Where no definition is given for specific gas-related items, those in the Gas Act 1986 (as amended), standard conditions, standard special conditions and special licence conditions of the gas transporter's licence applicable to the GDNs should be applied, similarly for standard accounting terms, IFRS/IAS and/or UK GAAP and Companies Act 2006 (or 1985 where still relevant) ("CA85") definitions should be applied.

1.2. 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").

1 in 20 peak demand	The level of demand that, in a long series of winters, with connected load held at the levels appropriate for the winter in question, would be likely to be exceeded in one out of 20 winters, with each winter counted only once.
abandoned mains	Distribution pipes decommissioned and purged. This may be as part of the mains replacement programme or may be for other reasons such as mains diversions.
accounting standards	The term encompasses Financial Reporting Standards ("FRS"), Statements of Standard Accounting Practice ("SSAP") and Urgent Issues Task Force ("UITF") statements, International Financial Reporting Standards and International Accounting Standards (together "IAS") and the International Financial Reporting Interpretations Committee ("IFRIC") interpretations.
accruals and prepayments	For the purpose of determining what amounts should be excluded as non cash item are only those items that are not incurred as part of the ordinary level of business activities, the latter being normal trade accruals and prepayments, and holiday pay provisions.
active member	A member of the pension scheme who is currently employed and so accruing benefits under that scheme.
affiliate	Has the meaning given in standard condition 1 of the gas transporter's licence applicable to the GDNs.

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	SEE ALSO: related party, related undertaking.
agency costs	Costs associated with agency staff.
agency staff	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. EXCLUDES professional services.
AGI	Above Ground Installation A site without pressure reduction.
apprentices/trainees	Apprentices are employees engaged under an approved apprenticeship scheme. Trainees are employed under a formal training programme
asset management (inc. network policy)	The activity of managing the assets that comprise the gas distribution network, including: Network integrity Network Controller and Responsible Engineer roles; Providing the GSMR investigation service to the company; Maintaining distribution/ local transmission pipeline and equipment records including; ELD, strip plans, PSSR and SR25 drawings. Planning - identify required maintenance, replacement, reinforcement and survey (e.g. LC20) workloads. Develop rolling investment strategy that includes both short term and long term plans for each asset group. Network policy Evaluating the impact of changes in relevant legislation; Development, review and updating of asset risk management policies, such as: Asset planning policy and procedures; Asset maintenance policy and procedures; Asset inspection policy and procedures; Engineering standards and specifications; Asset replacement policy and procedures; Network design and protection policy and procedures; Analysis and interpretation of asset condition data; Environmental policy and procedures. Network analysis Network validation Standards & Performance including: Maintenance of asset management systems & data warehouses;

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atypical costs	<p>External & internal reporting of HS&E and asset data; Manage audit programme & action plan. Manage & operate the shrinkage model Manage Gas Quality activities Manage the redundant site, structure and contaminated land liability; maintain detailed records and risk assessments for each site; manage remediation programme; manage disposal programme</p> <p>The total costs (less credits and receipts) of resources employed in response to an atypical event.</p> <p>INCLUDES direct and indirect resources utilised to assist in dealing with the atypical event.</p> <p>EXCLUDES depreciation of capitalised costs relating to 'atypical events'; late payment interest related to fines and penalties; and any general apportionment of indirect costs.</p>
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>INCLUDES severe weather events; and restructuring.</p> <p>EXCLUDES cost overruns or cost arising from delays in completing a project or programme.</p>
audit, finance and regulation	<p>Performing the statutory, regulatory and internal management cost and performance reporting requirements; and customary financial and regulatory compliance activities for the GDN.</p> <p>INCLUDES</p> <ul style="list-style-type: none"> - Processing of payments and receipts - Time sheet evaluation where not part of the payroll process - Financial & Risk Management – eg credit & exposure management, - Financial planning, forecasting & strategy - Financial accounting - Management accounting - Investment Accounting - Transportation Income Accounting

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	<ul style="list-style-type: none"> - Pricing - Statutory and Regulatory reporting - Tax compliance and management - Internal audit and management of the relationship with external audit functions. - External audit fees <p>EXCLUDES</p> <ul style="list-style-type: none"> - Any of the IT systems associated with audit, finance and regulation (include under IT & Telecoms). <p>Insurance costs (include under Insurance)</p>
the "Authority"	Has the meaning given in standard condition 1 of the gas transporter's licence applicable to the GDNs.
average system pressure (Mb)	The GDN's operating pressure calculated as part of the leakage model process.
bad and doubtful debt	A debt that may be uncollectible in whole or in part.
bad debt provision	A provision against a debt that may be uncollectible in whole or in part.
capex allowance	The assumption for capital expenditure requirements included in the Gas Distribution Price Control Review: Final Proposals (December 2007) 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 gas distribution business provided that:</p> <p>(a) the expenditure conforms with at least one of the following:</p> <ul style="list-style-type: none"> - the expenditure relates to the purchase, development or construction of a new asset; - the expenditure will increase the capacity or functionality of the distribution assets; - the expenditure will significantly reduce the ongoing maintenance of the assets; and/or - the expenditure will extend the service life of distribution assets beyond that expected when the assets were originally installed; and <p>(b) the expenditure is determined in accordance with applicable accounting standards.</p>

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	EXCLUDES	Replacement expenditure capitalised interest; and revaluation amounts.
capitalised labour		Labour costs included within capex/repex rather than opex.
capitalised pension cost		A category of capitalised overheads that is transferred from the opex account to capex/repex.
captive insurer		An insurance entity that is a related party. SEE ALSO: Related party, affiliate, insurance captive.
cash atypicals		Costs which are not typical cash costs and which are not incurred as part of the ordinary level of business.
	INCLUDES	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - 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; - fines and penalties paid under TMA or NRSWA; 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).
	SEE ALSO:	Atypical costs, atypical event
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.

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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 Companies Act 2006 (or where still applicable, Companies Act 1985) 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.

CEO and Group Management, Legal & Company Secretary, Community Awareness activity

CEO, CFO & Group Management where they are not carrying out specific departmental duties. Also includes the costs of non-executive directors, the costs of hosting and attending board meetings, annual or general meetings of shareholders should be included here. Also included here are costs in relation to Shareholders/Investor Relations and Treasury Management, and also the Management of Rating Agencies.

Legal & Co Secretary provides guidance and legal advice, both internal/external in the areas of energy and regulation, commercial, dispute resolution, information assurance, employment & compliance. The activities performed by the company secretary.

Community Awareness is promoting the GDN's awareness within its local community.

This would include corporate communications, brand advertising, including notification of telephone contact numbers, external entertainment and vehicle/premises rebranding.

Any other organisational costs not directly attributed to a single entity, and not capable of easy allocation across

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categories. Please provide details of such other organisational costs if they exceed £500k.

consented activity	Activities carried out (and costs and revenues attributed or allocated to such activities) that would be de minimis except that the Authority has specifically consented to its being treated as outside the de minimis cap.
contractor	<p>A third party that has entered into contractual relations with the GDN or related party thereof to supply goods and/or services.</p> <p>EXCLUDES staff employed on a temporary basis or via a recruitment agency by the licensee or an affiliate of the licensee; third parties providing professional services; and related parties.</p>
contractor costs	<p>The charges invoiced by contractors.</p> <p>EXCLUDES 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).</p>
contributions	<p>Payments to the GDN or related party for works undertaken that are not covered by Use of System Charges.</p> <p>INCLUDES capital contributions or customer contributions de minimis contributions</p>
contribution rate (or employer contribution rate)	Employer contributions to a pension scheme that are not pension deficit payments, expressed as a percentage of pensionable salaries. Excludes any salary sacrifice payments.
current cash service cost	Employer cash contributions to a pension scheme that are not pension deficit payments or charges.
customer contribution	<p>Financial contribution received from a customer in respect of the provision of a new connection to the GDN's network.</p> <p>INCLUDES contribution(s) made to a related party undertaking connection to the GDN's network; and refundable contribution(s) (which will be</p>

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reversed when refund actually made to the customer).

EXCLUDES de minimis contributions.

SEE ALSO: capital contribution.

customer management (inc. customer call centre) and Network Support (inc. digitisation) Consists of the following activities:

Customer Management

Call Centres

The centres provide services to a range of customers fulfilling obligations to provide a call handling (including the emergency service for NGGD) and enquiries service to the UK population;
Also includes SHE's incident reporting line;

Handling & resolving complex enquiries and complaints received from gas consumers including those received in conjunction with guaranteed and overall standards of service (GSOS, OSOS);

Provides the administration function for GSMR activities.

Customer Account Management

Manage the strategic relationships with the business' key customers including shippers and key user groups.

Quality of Service

External/Internal reporting and evaluation of performance against the standards of service;
Carry out a quarterly surveys to assess customer satisfaction;
Ensure compliance with the statements made within the Code of Practice;
Responding to and administration of customer compensation claims and ex gratia compensation payments;
The costs of paying for the new Consumer Ombudsman.

Contracts

Manage contracts where the business provides services to a variety of customer groups including Siteworks, Meterworks, PEMS, ARCAs, NexAs, Emergency Services to IGTs, independent infrastructure providers;

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Manage the contracts for connections;
 Develop the strategic contract management policy framework for Gas Distribution.

Network Support

Scheduling of work for work execution activities including GSMR activities;
 Plant Protection - a service for anyone wanting to know the location of GDN apparatus at a proposed excavation site;
 NRSWA - issuing and closing down NRSWA notices and local authority interaction with respect to defects and performance challenges;
 TMA - Manage the business preparation for the forthcoming TMA in terms of systems, processes and culture (**but not the direct cost of TMA permits, notices or inspections**);
 Digitisation - update the geographical system maps with asset and location information following the installation, removal or repositioning of system assets;
 Data quality and error management.

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 GDN, any costs in excess of the minimum scheme costs should not be included under this heading.

EXCLUDES Costs incurred, at the discretion of the GDN, in excess of the minimum scheme costs required to meet the customer's specific needs.

de minimis activity

Activities undertaken by the licensee which are not within the definitions of the gas transportation, metering, meter reading or LNG storage businesses and for which the Authority has not given specific consent and which are subject to the limitation provided for in Standard Special Condition A36 (Restriction on Activity and Financial Ring Fencing) of the gas transporter's licence applicable to the GDNs and the National Transmission System (NTS).

de minimis contributions

Financial contributions received from a customer or third party in respect of the provision of capital expenditure for

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	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.
de minimis revenues	Revenues received from the provision of de minimis activity.
deferred members	Members of a pension scheme that are no longer Active Members, but are not yet in receipt of a pension. SEE ALSO: Active Members
deferred revenue expenditure (DRE)	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.
depreciation	The measure of the amount of benefits of a fixed asset consumed during the period.
DI	Ductile Iron
direct activity	This includes the following activities: - Work Management (i.e. Asset Management, Operations Management, Customer Management, and Control Centre); - Work Execution (i.e. Emergency, Repairs and Maintenance); and - Other Direct Activities.
direct labour	That part of the GDN'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. For the avoidance of doubt and to ensure consistency and comparability across GDNs, 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.

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district governors	Pressure reduction equipment installed to reduce the gas operating pressure from a higher to lower operating pressure.
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	An interest in land owned by another that entitles its holder to a specific limited use of that land. Short term rights to specific limited use of land are referred to as wayleaves. The term encompasses the Scottish equivalent, servitude. SEE ALSO: servitude wayleave
<u>emergency</u>	<p>Direct activity costs of providing service to respond to all reported gas escapes to make safe, including a repair allowance and the cost of rechecks.</p> <p>EXCLUDES: -Meter repairs (Excluded Services) -Consultancy services (Work Management) -Emergency Advertising - TV Ads (Indirect) -Emergency Call Centre Costs - Public Reports -Leakage control surveys (Maintenance – Other) -Maintenance - Mains & Services (Maintenance – Other) -Tools & consumables (Other Direct)</p> <p>INCLUDES: - <u>all Waiting / Non Productive time for FCOs</u> - all Activity specific TMA costs</p>
employee contribution rate	Employee contributions to a pension scheme, expressed as a percentage of pensionable salaries. Includes any payments made by means of salary sacrifice.
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.

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	EXCLUDES	Payments to customers who have experienced a financial loss (include under Finance and Regulation); and any payments in respect of employees.
excluded services		Any activities or engagements undertaken by the licensee or any affiliate or related undertaking of the licensee as part of the transportation business but which are not remunerated through formula revenues. Includes services that have been determined by the Authority to be Excluded Services in line with the principles outlined in Special Condition E18 (Supplementary provisions of the revenue restrictions in respect of the Distribution Network) of the gas transporter's licence applicable to the GDNs. Also includes the provision of meter work services by the GDN to the licensee's metering business.
existing housing		Workload and costs associated with connecting existing housing properties to the gas distribution network, including one off domestic and network extensions (or infills).
financial year		A period of 12 months beginning on 1 April of any year and ending on 31 March of the following calendar year.
full-time equivalent (FTE)		The number of normal hours worked by an employee divided by the normal hours of a full-time member of staff in an equivalent role according to his or her contract of employment.
GDN		Gas distribution network - has the same meaning as that given to the term "Distribution Network" in Special Condition E1 of the Gas transporter's licence applicable to the GDNs from 1 April 08.
GDPCR		Gas distribution price control review
graduate trainees		Graduates employed under a formal training programme.
gross expenditure		Total expenditure including all contributions (net expenditure + contributions).
high pressure vessels (mcm)		Equipment used for the storage of gas at high pressures above 7barg.
human resources		Provide services in the full range of professional activity for an individual's career path from recruitment to retirement, and from related professional advice to directly resolving grievances for staff. This would include costs of payroll &

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	<p>pensions management and operation, facilitating staff performance development and reviews, monitoring equal employment opportunities, facilitate and undertake recruitment, industrial and employee relations, including HR strategy, policies and procedures and also HR advice to management, succession planning and also retentions and rewards.</p> <p>EXCLUDES any of the IT systems associated with HR and payroll (include under IT & Telecoms); and training.</p>
HSE	Health and Safety Executive
HSE programme mains	Gas distribution iron mains replaced under the Enforcement Policy initiated by The Health and Safety Executive for the decommissioning of iron gas mains within 30m of buildings.
IGT	Independent Gas Transporter
IFRS/IAS	See "accounting standards"
IP/LP growth	Intermediate to low pressure regulator installed to facilitate growth on the network.
IP/LP renewal	Intermediate to low pressure regulator installed to replace existing piece of equipment due to either a capacity constraint or obsolescence.
Independent Network	Has the same meaning as given to the term "independent system" in Standard Condition A1 of the Gas Transporter Licence.
indirect activities	<p>The separately defined activities of:</p> <ul style="list-style-type: none"> - Research and development - Stores and procurement / logistics - IT and telecoms - Property management - Human resources - Training & apprentices - Audit, finance and regulation - Insurance - CEO and group management / legal and company secretary / community awareness
inflation	The general rate of increase in prices. The inflation measure used by Ofgem in price control calculations is the Retail Price Index (RPI)

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insurance	<p>Support and expertise to develop the business risk profile, managing the claims process and provision of information and understanding to the business in relation to insurable and uninsurable risks.</p> <p>INCLUDES: Insurance premiums Insurance premium tax Insurance contract negotiating and monitoring Insurance claim processing Insurance risk management Payments relating to uninsured claims Costs of in house insurance team Brokers fees</p>
IP	<p>Intermediate Pressure is network comprising the highest pressure mains of the distribution system operating from 2 to 7 bar.</p>
IT & Telecoms	<p>Provision of IS Services for the day to day service delivery. This would include the cost of Help Desk, Data Centres, IT application maintenance/ running support costs, Establishing & maintaining IS Infrastructure projects (IT Network provision, Network Maintenance, Servers support/services), and Voice & Data Telecomms (eg WAN, landline rental charges, call charges, ISDN data). Also includes the cost of mobiles (rental/call charges) except where those mobile costs have been charged directly to user departments.</p>
innovation funding incentive ("IFI")	<p>Has the meaning and purposes attributed to the innovation funding incentive scheme in Special Condition E11 of the gas transporter's licence applicable to the GDNs.</p>
inspection	<p>The visual checking of the external condition of network assets.</p> <p>INCLUDES helicopter and foot patrols; all asset surveys of whatsoever nature and purpose, including asset condition surveys; inspection of tools (including lifting tackle inspections and PAT testing); and reading gauges.</p> <p>EXCLUDES use of diagnostic testing equipment; supervisory input to plan workloads and manage staff (include under operations management); data review except the initial recording on site (include under asset management); inspection of non-system assets (include</p>

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		under Property Mgt); any of the costs associated with the indirect activities as defined in this appendix; and any of the costs associated with maintenance.
insurance captive	See captive insurer	
labour (excluding employer pension costs)	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.	
	INCLUDES	gross salaries and wages of all employees, including payments resulting from bonus and profit-related payment schemes; employer's National Insurance contributions; salary sacrifice payments; sick pay; sickness benefits; private health insurance; (non pension related) retirement awards; death in service benefits; paid leave; standby costs; subsistence; medical insurance costs; childcare assistance; and welfare costs.
	EXCLUDES	professional services; contractors; car allowances.
LDZ	Local Distribution Zone	
leakage factor (%)	Leakage expressed as a percentage of throughput.	
leakage volume (GWh)	Quantity of leakage from the gas distribution network as measured in GWh.	
licence fees	Payments by the licensee to the Authority determined in accordance with standard condition 3 of the gas transporter's licence applicable to the GDNs.	
licensee	Has the meaning given in standard special condition A3 (Definitions and Interpretation) in the gas transporter's licence applicable to the GDNs.	

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linepack	Linepack is the volume of gas held within the Local Transmission System principally to meet diurnal storage needs of the network.
LNG	Liquid Natural Gas cooled until it becomes a liquid. As required the liquid can be re-gasified for entry onto gas networks.
LNG IU	Costs of providing LNG to Independent Undertakings.
low pressure gas holders (mcm)	Column, spiral guided vessels or MAN (waterless) holders associated with the storage of natural gas at pressure <75mbar.
LP	Low Pressure is network comprising the lowest pressure mains of the distribution system operating at less than 75mbar.
LTS	Local Transmission System is the pipe-line system operating at >7 bar that transports gas from NTS offtakes to distribution systems. Some large users may take their gas direct from the LTS.
LTS NTS offtake	Capital expenditure associated with construction of a new connection and offtake site directly from the National Transmission System as well as modifications/upgrades to existing off takes.
LTS pipe-line	Local Transmission pipe-line. Project requiring only LTS pipe-line construction.
LTS pipe-lines and installations	Local Transmission pipe-line with associated installations including pig traps and above ground installations.
LTS PRS	Local Transmission System pressure reduction station.
LTS storage project	New asset constructed on the Local Transmission System primarily to provide diurnal storage for a GDN.
mains (distribution)	A pipe used to distribute gas at a pressure <=7bar to more than two supply meter installations (or with the potential to supply more than two supply meter installations) but not including a riser
maintenance	The invasive ('hands on') examination of plant and equipment.
	INCLUDES Maintenance: Storage
	Low pressure storage and maintenance.

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Maintenance: LTS

DN pipe-line and AGI/PRS maintenance.

Maintenance: Other

Other Leakage Control e.g. mains surveys, gas conditioning, pressure profiling. Distribution Mains and Services – mains and service repair and maintenance. Instrumentation – repair and maintenance. District Governors.

All Activity specific TMA costs

Excludes non - routine maintenance

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

max des cap mcm/h

Maximum design capacity (mcm/h)

max des outlet press barg

Maximum design outlet pressure (barg)

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MOP	Maximum operating pressure
metering activity	Is the activity of providing "metering services", which has the meaning defined in standard special condition A3 (Definitions and Interpretation) of the gas transporter's licence applicable to the GDNs.
MP	Medium Pressure is the network of the distribution system operating from 75mbar to 2 bar.
MPDI	Medium Pressure Ductile Iron
MP/LP growth	Medium to low pressure regulator installed to facilitate growth on the network.
MP/LP renewal	Medium to low pressure regulator installed to replace existing piece of equipment due to either a capacity constraint or obsolescence.
multi-occupancy buildings	Block of low rise or high rise flats containing multiple dwellings.
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 staff cost	Staff costs net of capitalised costs and staff costs associated with repex.
network extensions	Extensions of the gas distribution network to premises lacking mains gas. Also referred to as infills. Non-gas communities that are both further than 23 metres away from an existing relevant main and among the 20 per cent most deprived areas as determined by the current Index of Multiple Deprivation are eligible to receive a discount off of their connection charge as described in GDPCR final proposals ¹ .
network rates	Has the same meaning as that given to "Distribution Network prescribed rates" in Special Condition E3 of the Gas transporter's licence applicable to the GDNs.
new connections	The costs incurred to connect new demand customers and to the gas distribution system.

¹ GDPCR final proposals, 3 December 2007, Ref. No. 285/07

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new housing Workload and costs associated with connecting new build properties to the gas distribution network.

new infrastructure costs In respect only of IT & Telecoms activity, see definition under IT & Telecoms activity.

non-domestic Means workload and costs associated with connecting industrial and commercial and all large loads consuming greater than 75,000 therms per annum except for in the context of table 3.11, where it shall be taken to mean:
Workload and costs associated with services laid to premises at which a supply is taken at a rate which is reasonably expected to exceed 73,200 Kilowatt Hours a year.

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non-domestic meterwork ass. replacement Work downstream of the new meter position to re-connect consumer pipe-work at non-domestic premises. Excludes any meter work carried out on behalf of others.

non-LTS storage project Investment in additional GDN storage connected downstream of the LTS network.

non-operational premises Are premises used by people (e.g. stores, depots and offices) and which are not operational premises.

INCLUDES stores; depots; and offices.

non-operational training Training for activities or skills neither specifically required for working on or with the operational assets of the business nor working in a manner to promote and maintain the health and safety of employees, contractors, customers and the public.

non-rechargeable diversions Mains diversions that are not rechargeable to a third party. This may be due to the nature of the wayleave/easement that is in place (e.g. lift and shift agreements) or because the GDN wishes to move the main for its own purposes (e.g. soil, erosion, landslip).

non-routine maintenance, Those maintenance activities that are irregular in their timing and cost, and have a material distorting effect upon activity and expenditure in the years in which the activity is undertaken. Typically the requirement to carry out this work on any individual site may arise less than once in every five years and the number of individual

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	<p>sites is insufficient to allow smoothing of the costs of this activity from one year to the next. Examples include - OLI surveys of LTS pipe-lines; protective painting of LP holders and PRS installations; major gasholder repairs; special crossings remedial works.</p>
	<p>normal pension charges Employer contributions or normal accruals to a pension scheme that are not pension deficit payments or charges.</p>
	<p>normal pension payments Employer contributions to a pension scheme that are not pension deficit payments.</p> <p>INCLUDES payments to defined benefit schemes; payments to defined contribution schemes; funding Funded Unapproved Retirement Benefit Schemes ("FURBS) determined in accordance with tax legislation.</p> <p>EXCLUDES Salary sacrifice payments.</p>
NTS	<p>The National Transmission System is high-pressure system consisting of terminals, compressor stations, pipe-line systems and offtakes. The NTS is designed to operate at pressures up to 85 bar. NTS pipe-lines transport gas from terminals to NTS offtakes.</p>
offtake	<p>An offtake is the installation defining the boundary between NTS and LTS or a very large consumer. The offtake installation includes equipment for metering, pressure regulation and more.</p>
Ofgem	<p>The Office of Gas and Electricity Markets.</p>
Ofgem licence	<p>Gas transporter licence granted by Ofgem to GDNs under section 7 Gas Act 1986</p>
ongoing DB contributions	<p>The current employers' cash service cost of funding defined benefit pension obligations.</p>
ongoing DC contributions	<p>The current employers' cash service cost of funding defined contribution pension obligations.</p>
operating expenditure ("opex")	<p>The operating costs of the GDN excluding costs under the mains replacement programme, depreciation, amortisation, profit on sale of assets, release of deferred contributions and charges/releases of provisions..</p>
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>

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operations management and SHE (inc contract management)	<p>Activities should include:</p> <ul style="list-style-type: none"> Day to day planning & supervision of field force operatives (including contractors) of the work execution activities. Manage contractors. Provision of operational MI. Monitor and improve performance of field force operatives. Analyses of external spend. Operational HSE Set standards and provide assurance on the management of risks in the business; Provide advice to the business on how to effectively manage HSE and security issues, support improvements and conduct audits; Transferring safety, health, environment and security expertise to line managers and employees in the business; Develop relationships and liaise with external bodies e.g. Gas Transporters Incident Review Panel and stakeholders; Interpret legislation and good practice and consult/lobby regulators; Propose, agree and communicate new standards; Manage the Safety and Technical Competency process.
opex allowance	<p>The assumption for operating expenditure requirements included in the Gas Distribution Price Control Review.</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>
other (direct activities)	<p>Other operational activities not covered elsewhere e.g. reinstatement inspection costs, cathodic protection, odorant.</p> <p>Specific other</p> <ul style="list-style-type: none"> Reinstatement (inspections) Easement/wayleave costs LTS Easement/wayleave costs non-LTS GD1 mates - costs not included in contract charges Gas quality monitoring and maintenance Cost of supply to independent networks Non Salary Staff Costs (Other direct) <p>Note: shrinkage costs and LNG SIU costs should be completed in the appropriate rows under this activity.</p>

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other non-domestic service work	Any other work carried out on non domestic services not captured elsewhere.
other policy and condition mains	The replacement of distribution mains and services not captured under the HSE policy workload. This includes non standard materials and mains selected to be replaced on a condition basis in accordance with policy.
other storage (mcm)	Volume of storage from GDN assets excluding LTS linepack and NTS flex.
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 by the licensee.
own use factor (%)	Own use volume expressed as a percentage of throughput.
own use volume (GWh)	Quantity of gas used for operational purposes as measured in GWh.
PE	Polyethylene (PE) is a form of plastic used for manufacturing gas distribution mains and services.
pension allowance	The assumption for pensions charges (normal and deficit) requirements included in the Gas Distribution Price Control Review final proposals.
(actual) pension contributions	The actual cash contributions attributable to the distribution business and paid into the relevant pension scheme. Where relevant, this will include statutory contributions to the Pension Protection Fund. SEE ALSO: Normal pension charges, Normal pension payments.
pension deficit/surplus	A shortfall / excess of a pension scheme's assets compared with liabilities as determined in accordance with applicable accounting standards, the pension scheme rules and the pension scheme actuaries.
pension deficit charges	The costs paid or accrued, directly or indirectly, by the licensee to reduce the pension deficit. EXCLUDES normal pension charges; and normal pension payments.

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pension deficit payments	The cash payments made, directly or indirectly, by the licensee to reduce the pension deficit.
pension scheme administration costs	<p>The administrative costs for the operation of a pension scheme (excluding interest and taxation) including salaries and on costs of pension scheme administrators and all other associated costs of administering the pension scheme, whether borne by the scheme directly or the employer(s) and not recovered from the scheme.</p> <p>INCLUDES:</p> <ul style="list-style-type: none"> actuarial consultancy fees; pensioners payroll; third party administration fees; pensions administration system licence and support costs; legal advisers fees; recruitment costs; pension secretariat; policy and strategy; administration consultancy; auditors fees; custodian fees; communication consultancy fees; general office costs (printing/IT support/publications etc); investment consultancy fees; tracing agency fees; member communication costs; trustee remuneration; and trustee training costs.
pensionable salaries	For each pension scheme, the current salaries of the active members which are considered when assessing the future pension benefits under that scheme, and which are multiplied by the contribution rate to calculation the current cash service cost.
pensioners	Individuals in receipt of a pension from the pension scheme.
permit scheme costs	<p>Those costs 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.</p> <p>References to the Traffic Management Act 2004 are to be interpreted as, in relation to Scotland, the Transport</p>

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(Scotland) Bill as enacted.

planned replacement	Replacement made in accordance with a previously made plan rather than in reaction to particular event such as an emergency.
plant and equipment	Other operational capital expenditure on plant and equipment including all expenditure associated with gas leakage management.
PPF levy	The risk-based and the non-risk (i.e. scheme) based levies paid by a defined benefit pension scheme to the Pension Protection Fund in accordance with the Pensions Act.
PRE	Publicly reported gas escape
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 GDPCR as determined in accordance with the Gas Distribution Price Control Review Final Proposals (December 2007) document.
procurement	Included under 'Stores and Procurement' activity
professional services & subscriptions	<p>Consultancy services employed by the licensee or related party.</p> <p>INCLUDES non-engineering services provided on a consultancy basis subscriptions to trade bodies including the Energy Networks Association (ENA); and typically items such as legal services, audit fees, taxation services.</p> <p>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)')</p>

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	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).
property management	The activity of managing, providing and maintaining non-operational premises, i.e. premises used by people; such as offices and depots. This should include costs such as rent, rates (business), utilities costs including electricity, gas and water, maintenance/repair costs of premises, and also should include the provision of the facilities/property services, such as reception, security, access, catering, mailroom, cleaning, and booking conferences. The costs of Property Surveyors should also be included here. EXCLUDES 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.
PRS	Pressure reduction station
purge and relight after domestic service work	Recommissioning of a customer's gas supply service and appliances following interruption.
quality of service	Measures of performance used to monitor the quality of service provided to customers. The measures include customer interruptions, short interruptions to supply, speed and quality of telephone response and guaranteed and overall standards.
RAV	See Regulatory asset value
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.
RAV additions	Expenditure added to the RAV in the year.
rechargeable diversions	Mains diversion projects qualifying for a customer contribution.
regulatory accounts	Has the meaning given in standard special condition A30 of the gas transporter's licence applicable to the GDNs.

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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 the Gas Distribution Price Control Review Final Proposals (December 2007).
reinforcement expenditure	The costs incurred to provide additional general network capacity as a result of changes in demand on the system. INCLUDES Customer-specific reinforcement; and general reinforcement.
reinstatement	The cost of making good the highway, verge or footpath to a permanent standard after excavation including labour costs, contractor costs, materials purchased, cost of waste disposal and any taxes or levies imposed on waste disposal.
relaid services	Customer's gas service pipe relaid as part of site work.
related party	Means: -any "related undertaking" or "affiliate" as defined in the distribution licence; - xoserve Limited; and -Fulcrum Connections.
related party margin	The profit or loss recorded on a transaction with a related party 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 related party.
related undertaking	Has the meaning given in standard condition 1 of the gas transporter's licence applicable to the GDNs. SEE ALSO: affiliate, related party
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.

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renew risers to multi-occupancy buildings	Replacement of steel riser pipes in existing multiple occupancy dwellings as part of the mains replacement programme.
renew service connections	Replacement of service connections as part of the mains replacement programme.
repairs	<p>The repair of mains and service public reported escapes.</p> <p>INCLUDES:</p> <ul style="list-style-type: none"> Materials Anaerobic Sealant Repair Find and Fix Costs Iron Fittings Pipe Costs Plastic Fittings Specialist Materials Specific other Repair Income Waste disposal costs (spoil/excavation material) Waste disposal costs (non-spoil waste) Reinstatement (contractor charges) Reinstatement (staff costs) Reinstatement (materials) Reprogrammed repairs re-checks Repair Find and Fix Costs Non Salary Staff costs (Repairs) New Waste Legislation Early retirement/redundancy related payments <u>Repair NRSWA Costs</u> <u>Repair TMA Costs</u> <p>EXCLUDES:</p> <ul style="list-style-type: none"> Reinstatement – inspections (Other Direct) Reprogrammed Emergency Checks (Emergency) Leakage control surveys (Other Direct) Maintenance - Mains & Services (Maintenance Other) Tools & consumables (Other Direct) GSMR Cut offs (Maintenance Other) Consultancy services (Work Management)
replacement expenditure (repex)	Repex is expenditure on replacing component mains and services, where the replacement does not lead to an increase in the capacity or extends the life of the network.

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Deleted: Repair NRSWA Costs (Work Management)¶
 Repair TMA Costs (Work Management)¶

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replacement on failure	The abandoning of an existing asset and commissioning of a new pipe-line following physical failure of the asset in-situ.
replacement services - domestic	Workload and costs associated with service replacement activity to domestic consumers.
replacement services - non-domestic	Workload and costs associated with service replacement activity to non-domestic consumers.
reposition domestic meter	Services that are replaced for condition or economy in the course of the work.
research & development (R&D)	The activity has the meaning attributed to it in the relevant accounting standards. It includes payments to external or related parties for specific research projects. EXCLUDES any of the IT systems associated with R&D (include under IT & Telecoms).
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)
RIGs	Regulatory Instructions and Guidance
<u>routine maintenance</u>	Those maintenance activities to gas supply network assets that are recurring and largely predictable in their timing and cost. <u>Where there is a sufficient stock of assets that do not each require individual maintenance every year, but collectively there is a stable annual workload (that does not vary materially in either cost or activity), the programme as a whole counts as routine maintenance.</u> Routine maintenance comprises functional checks, overhaul maintenance, and site husbandry activities, and includes associated materials (e.g. filters, consumables). INCLUDES: Routine Maintenance specific TMA costs Non Routine Maintenance <u>NRSWA Costs</u>
RPI	Retail Price Index – has the meaning given in standard condition 1 of the gas transporter's licence applicable to the GDNs.

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SEE ALSO: inflation

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. A generic name for control systems that operate over a large area such as system control systems of a GDN.
service IP/LP governors (connections)	The installation of an intermediate pressure to low pressure service governor as part of the connections workload.
service MP/LP governors (connections)	The installation of a medium pressure to low pressure service governor as part of the connections workload.
service relay domestic meterwork	Work downstream of the new meter position to re-connect consumer pipe-work. Exclude any meter work carried out on behalf of others.
service test and transfer to new or other main	The disconnection of an existing PE service from an existing distribution main and reconnection onto a replacement or alternative distribution main. This activity includes the pressure testing and physical transfer of the service.
servitude	Term used in Scotland for a permanent right of access (in England and Wales this is termed an easement). SEE ALSO: easement, wayleave.
share based payments	The cost of share based payments provided to staff, determined in accordance with UK GAAP.
shrinkage	Gas lost from the distribution system due to leakage, theft and gas used for operational purposes.
shrinkage factor (%)	Shrinkage expressed as a percentage of throughput.
SI	Spun Iron
software licences	Are the licence fees incurred in respect of the use of IT application software.
standby costs	Are the costs incurred when employees are on standby to be called upon if required in the event of a specified

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	occurrence in accordance with their terms of employment.
statutory accounts	Has the meaning given in standard condition A1 (Definitions and Interpretation) of the gas transporter's licence applicable to the GDNs.
statutory depreciation	The charge in the statutory and/or regulatory accounts computed by applying the licensee's own accounting policies for depreciation.
stores and procurement / logistics	<p>Responsible for the procurement of goods & services in the support of the business operations, through the management of procurement contracts with suppliers. This would also include the cost of carrying out market analysis, identifying potential suppliers, negotiating contracts, setting up and maintaining vendor accounts within the accounting system, and maintaining e-procurement channels and also monitoring supplier performance, setting procurement guidelines and monitor adherence to the guidelines.</p> <p>Stores/Logistics includes the management of the acquisition, warehousing costs and the transporting cost of the goods to the final location, taking account of the stock management policies. Also include monitoring stock levels and then making procurement decisions.</p> <p>EXCLUDES any of the IT systems associated with Stores and procurement (include under IT & Telecoms); and any property management and maintenance costs of depots / stores locations (included under Property Mgt).</p>
system control	<p>System Control ensures the safe, secure and efficient supply of gas from the NTS Offtakes to the end user. The activities to be included are as follows</p> <p>Operations – Key Tasks Operate and monitor the performance of the GDN's gas supply networks and associated plant and equipment including offtakes, storage sites, valves and regulators; Balance supply and demand on a daily basis; Manage and configure networks; least cost, minimise shrinkage; Co-ordinate and monitor operational and maintenance activities inc. fault reporting, OLI runs, holder re-commissioning; Emergency preparedness;</p>

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Data amendment; meter corrections, shrinkage support;
 Manage GTMS (Gas Transportation Management System)
 Manage the shift team, monitoring performance and development of shift staff,
 Manage quality and CV (calorific value) of the distribution network,
 Interruption,
 Manage Legal & Regulatory requirements,
 Manage Internal & External Liaison,
 Manage Health & Safety issues.

Capacity Management & Support – Key Tasks

Ensure effective demand forecasting for 1:20 security of supply and 1:50 winter capability;
 Produce and update the Network's Long Term Development Statement including supply and demand balancing, reinforcement, storage and the development of above ground plant;
 Manage the exchange of information between the Network and NGT in accordance with the Offtake Arrangement Document to ensure forecast volume and pressure requirements are secured in accordance with specified timescales;
 Manage the assessment of network long term storage requirements and demand forecasts in order to meet both Network safety and commercial requirements;
 Provide support to the Control room for training, updates, procedural testing;
 Network liaison for summer and winter plans, implementation of operational strategies, approval of non-routine operations, control room liaison, daily operating plans, minimum stock exercises and time to fail;
 System development and maintenance; forecasting, demand management, emergency and SCADA;
 Manage the delivery of exercises to ensure robust management of national and local gas supply emergencies;
 Develop processes to manage the performance of the GDN's gas supply networks and associated plant and equipment including, offtakes, storage sites, valves and regulators;
 Develop and support the application of procedures, processes and frameworks to meet safety and contractual obligations to ensure System Control compliance;
 Develop and manage competency framework for strategy & support;
 Migration planning; manage SOMSA* exit, training facility management and business support, Commercial compliance with SOMSA*, UNC, SOMSA* exit audit, preparation for interruption and exit reform, assess impact of UNC code modifications, safety case;
 Assess business risks and operational performance.

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	<p>*Activities relating to SOMSA to be removed once all IDNs have exited.</p>
tele-control network	In respect only of IT & Telecoms activity, see definition under IT & Telecoms activity.
theft (%)	Theft volume from the distribution network expressed as a percentage of throughput.
theft volume (GWh)	Quantity of gas stolen from the distribution network as measured in GWh.
Traffic Management Act (TMA)	<p>'Refers to the Traffic Management Act 2004. An Act to make provision for and in connection with the designation of traffic officers and their duties; to make provision in relation to the management of road networks; to make new provision for regulating the carrying out of works and other activities in the street; to amend Part 3 of the New Roads and Street Works Act 1991 and Part 9 and 14 of the Highways Act 1980; to make new provision in relation to the civil enforcement of traffic contraventions; to amend section 55 of the Road Traffic Regulation Act 1984; and for connected purposes'.</p> <p>Any reference to the Traffic Management Act in this document or in the cost reporting pack should be taken as including a reference to the Transport (Scotland) Act 2005.</p>
training	<p>Includes both operational and non operational training, technical and behavioural.</p> <p>Includes costs of staff who organise and provide training to the DN, for both Operational and Non Operational training, and who also maintain the individual employees training records.</p> <p>Also included is the actual cost of running the training course, eg course fees.</p> <p>The above would also apply for both graduate trainees and apprentices. For trainees/apprentices, the external advertising cost should be included here.</p> <p>The salary cost of the person attending the training course is not included here.</p> <p>Also includes leadership development training</p>

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UK GAAP	UK generally accepted accounting principles
ultimate controller	Has the meaning given in standard condition A1 (Definitions and Interpretation) of the gas transporter's licence applicable to the GDNs.
wayleave	<p>Access to property granted by a landowner for up to one year for a consideration.</p> <p>SEE ALSO: easements.</p>
wayleaves administration activity	<p>The activity of obtaining, managing and administering wayleaves, substation rents, easements and servitudes.</p> <p>INCLUDES negotiating new wayleaves; managing wayleave terminations; administration of existing wayleaves including the preparation of payments; negotiating conversion from temporary wayleave arrangements to permanent easement / servitude; AGI rents; and the actual cost of the wayleave payment.</p> <p>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).</p>
work execution	Includes the activities of Emergency, Repairs and Maintenance, which are separately defined.
work management	<p>Consists of the separately defined activities of:</p> <ul style="list-style-type: none"> - asset management (inc Network Policy) - operations management and SHE (inc contract management) - customer management (inc. Customer call centre) and network support (inc. digitisation) - system control

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xoserve

A transporter agency which provides a single, uniform interface between the IT systems of relevant GTs and shippers.

Any words or expressions used in the Utilities Act 2000 or the Gas Act 1986 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 gas transporter's licence applicable to the GDNs, and any reference to a numbered paragraph (with or without a letter) within such a standard or special condition is a reference to the paragraph bearing that number in the standard or special condition or Schedule of the gas transporter's licence applicable to the GDNs in which the reference occurs, and reference to a Section is a reference to that Section in the standard or special conditions of the gas transporter's licence applicable to the GDNs.

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Appendix 4 - Regulatory Reporting Pack (RRP)

[refer to Excel document attached]

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Appendix 5 - Cost Commentary

See separate Word file.

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