Electricity Distribution Price Control Review

Price control cost reporting Rules: Instructions and Guidance

April 2009

Summary

This document is Version 4 of the Price Control Review Reporting Rules ("the Rules").

The purpose of these Rules is to provide a framework for the collection and provision of accurate and consistent cost information from the Distribution Network Operators (DNOs), in accordance with standard conditions 48 and 49 of the electricity distribution licence. This version of the Rules will apply for reporting for the year ending 31 March 2009.

We have clarified the instructions to improve consistency and amended the paragraph references to the standard licence conditions to reflect the changes made to the 1 April 2008 version.

Copies of this document are available on Ofgem's website (www.ofgem.gov.uk).

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1. Introduction

1.1. The Price Control Review Reporting Rules ("the Rules") are in accordance with standard conditions 48 and 49 of the electricity distribution licence (SLC). The purpose of these Rules is to provide a framework for the collection and provision of accurate and consistent information from the DNOs. This is important as it informs Ofgem of DNO performance and should contribute to improving regulatory transparency and certainty. The benefits of improvements in the quality of information should be realised by all those with an interest in the regulation of DNOs, including customers and their representatives, Ofgem and the DNOs themselves.

1.2. The Rules include definitions and related instructions and guidance for preparing the annual information submissions. For the avoidance of doubt, these Rules are subordinate to the licence conditions. Consequently, the Rules will not change any definitions or obligations contained within the distribution licence and in the event of any dispute, the licence conditions will always take precedence.

1.3. Any future changes to the Rules will comply with the change process set out in paragraphs 48.16 and 49.2 of the SLC.

1.4. Where we have identified specific areas of concern for DNOs and have provided additional guidance these have been included in further Appendices at the end of this document. For 2007-08 these included guidance on the reporting of fault costs and for street lighting costs. For 2008-09, some additional guidance has been included on the reporting of operational engineering costs within Appendix 2b.

Structure of this document

1.5. The Rules cover the following main areas:

Chapter 2 – sets out the purpose and objectives of the cost reporting Rules;

Chapter 3 – details the reporting arrangements;

Chapter 4 – sets out the required levels of accuracy for reporting;

Chapter 5 – sets out the purpose of the Rules, the Instructions for completing the Regulatory Reporting Pack (RRP) and the defined terms;

Chapter 6 – sets out publication issues;

Chapter 7 – sets out the current position in relation to the publication of summary information and the annual RAV;

Appendix 1 – purpose and instructions for completion of each table in the RRP;

Appendix 2 – defined terms for completing the RRP;

Appendix 3 – Data Tables.

Appendix 4 – Commentary

Appendix 5a – Additional guidance to assist consistent reporting of fault costs.

Appendix 5b – Additional guidance to assist consistent reporting of street lighting costs

2. Purpose and objectives of the Rules

Introduction

2.1. The Rules provide a framework for the collection and provision of accurate and consistent information for annual cost reporting by DNOs. The output from this process will be the DNO's completed RRP and Cost Commentary. Ofgem will use this information to:

- facilitate effective monitoring of expenditure compared to DPCR4 allowances;
- allow an interim RAV figure to be calculated;
- enable the reconciliation of reported costs in the RRP to the amounts in each DNO's regulatory accounts; and
- inform future price control reviews.

2.2. The objectives of the Rules are to:

- improve robustness and consistency of cost data submitted by DNOs;
- reduce the burden on DNOs to provide financial and other information at the time of a price control review; and
- avoid varying interpretations of definitions and reporting requirements.

2.3. To provide robust and consistent data the DNOs will report costs for the licensee's distribution business and of the business of each affiliate or related undertaking of the licensee that either directly or indirectly provides goods and/or services to the licensee or forms part of the distribution business, either separately or consolidated

2.4. Both DNOs and Ofgem recognise that it is imperative to have a robust structure in place for monitoring performance in the period 2005 – 2010 (DPCR4) and informing the next review (DPCR5) based on consistent interpretation by DNOs of definitions and reporting requirements.

2.5. The methodology used to set the DPCR4 allowances set out in Appendix 1 of the "Electricity Distribution Price Control Review Final Proposals, November 2004 document (ref# 265/04)" ("Final Proposals") is applied in the Rules to determine the comparison to allowances for DPCR4 (Part 1 of the RRP pack).

Definitions

2.6. In accordance with SLC 48 and 49, these Rules define certain terms in addition to those defined in that or any other standard or special licence conditions. These instructions are to be strictly followed and must be read in conjunction with and applying the definitions in Appendix 2. Deviations from the definitions are not permitted.

Cost categories

Metering activities and costs

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

Distributed Generation activities and costs

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

Excluded Services and de minimis activities

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

Pass-through costs

2.10. Certain costs were pass-through costs for DPCR4 and others are 'outside the price control'. DNOs must disclose such costs in accordance with these Rules. These consist of:

- transmission exit charges;
- charges from other licensed distributors covered by their price controls (wheeling charges);
- network business rates;
- Ofgem licence fees; and
- certain company specific items such as the adjusted net costs of electricity provision in the Shetland Isles and the costs attributable to DNOs of closing down the current wholesale trading systems (Settlement Agreement for Scotland) in Scotland following BETTA go-live (which was applicable for 2005/06 only).

Uncertain costs

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

Pensions

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

3. Reporting Arrangements

Introduction

3.1. It is important that robust arrangements are put in place for the reporting of information required under SLC 48 and 49. This section sets out the reporting arrangements to apply for each financial year.

Requirements of SLC 48 and 49

3.2. In accordance with SLC 48 (Reporting of Price Control Cost Information) and SLC 49 (Modification of RIGs in Force Under Chapter 12) the Rules may, in relation to any requirement of the condition in respect of price control review information, specify:

(a) the meaning to be applied to words and phrases (other than those defined in SLC 48 and 49 or any other condition of the electricity distribution licence) used in connection with such information;

(b) the methodology for calculating or deriving numbers comprising any part of such information;

(c) requirements as to the form and manner in which such information must be recorded;

(d) requirements as to the standards of accuracy and reliability with which information must be recorded;

(e) requirements as to the form and the content of such information;

(f) requirements as to the manner in which such information must be provided to the Authority; and

(g) requirements as to those parts of such information which may fall to be considered by a reviewer and the nature of that consideration,

in addition (having particular regard to section 105 of the Utilities Act 2000) may specify which (if any) of the information provided under SLC 48 and 49 is to be subject to publication by the Authority.

Reporting year

3.3. The financial year for the provision of information required under SLC 48 and 49 will be a period of 12 months commencing on 1 April and ending on 31 March of the following calendar year. We will consult on changes to the Rules in accordance with the provisions of SLC 48 and 49. Where these changes do not relate to information included in the incentive scheme or the required level of accuracy, the consultation period will not be less than 28 days.

Submissions

3.4. DNOs must provide the information required under SLC 48 and 49 as soon as reasonably practicable, and in any event, not later than 31 July following the end of the financial year to which such information relates. This is the latest date that DNOs can submit the information, unless the Authority has previously consented otherwise in writing. For 2008/09 all licensees have agreed with Ofgem to submit no later than 31 July 2009.

3.5. The submission to be accompanied by a letter signed by a director on behalf of the licensee confirming that the pack has been completed in accordance with these Rules.

Resubmissions

3.6. Ofgem agreement is required before resubmissions of the pack and in any such instance the pack should be resubmitted in full. The resubmission should only be accompanied by a letter signed by a director where significant changes have been made and Ofgem or the licensee decide such a letter is required.

3.7. In addition for each resubmission, where it is not obvious either from additional entries on Table 2.13 or otherwise, a separate free-form explanation must be provided listing each and every cell that has been amended and sufficient commentary to explain the reasons for each change.

Review

3.8. Once the DNOs have submitted the information to the Authority, Ofgem or a person nominated by the Authority ("a reviewer") will undertake a detailed review of the information. Such a review may include a review visit to each DNO for discussion of the information submitted. Such visits to be agreed with the licensees in advance.

3.9. Where a reviewer has been nominated, then in accordance with SLC 48.10, the reviewer will enter into an agreement with the licensee to maintain confidentiality on reasonable terms.

Queries on completion or discovery of errors

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

Cost Review Team
E-mail: finrepteam@ofgem.gov.uk

4. Accuracy for reporting

4.1. All information provided should be an accurate representation of the information available to the licensee.

4.2. All financial data should be submitted in £ millions rounded to the nearest £100,000 (i.e. to one decimal place). Where DNOs prefer to provide data to a greater degree of accuracy this is welcomed but the pack will only show figures to one decimal place.

4.3. In Part 3 of the RRP, the statistics tables 5.3 and 5.4, the data should be in whole numbers.

4.4. Where appropriate, data entry has been formatted to prohibit entry in an incorrect sign and, where required, to whole numbers.

4.5. Where a licensee (and any affiliate or related undertaking of the licensee) does not capture data on the same basis as the cost reporting definitions, and in completing the tables the licensee has to apportion costs across one or more activities, the basis of apportionment must be provided in the cost commentary document and in Table 2.12. The licensee will also give an indication of their assessment of the robustness of those assumptions.

4.6. Where a modification of the Rules results in a requirement to provide:

(a) Data for a new cost category or activity; or

(b) An existing cost category or activity to a greater level of detail,

and in either case such information has not previously been collected by the licensee (under the provisions of these Rules or otherwise), the licensee shall provide estimates in respect of that category or activity, for the year in which the modification is made and for any preceding year, derived from such other information available to the licensee as may be appropriate for that purpose; and shall set out the basis and methodology for deriving the estimated amounts in sufficient detail in the Commentary.

5. Data Tables and Commentary

5.1. The Data Tables should be completed and submitted in electronic format as a Microsoft Excel file. The Commentary should be completed and submitted in electronic format as a Microsoft Word file. Submissions as portable document format ("PDF") files are not permissible.

Data Tables

5.2. The data to be reported is for such aspects of the licensee's distribution business and of the business of each affiliate or related undertaking of the licensee that either directly or indirectly provides goods and/or services to the licensee or forms part of the distribution business, which includes affiliates undertaking connections business.

5.3. It should be noted that the definitions and reporting requirements of these Rules have precedence over UK GAAP or IFRS reporting, e.g. an item recorded as a tangible or intangible fixed asset in regulatory or statutory accounts may not necessarily be treated as such under the Rules.

5.4. The Data Tables are divided into the following sections:

- Part 1 - Comparison to DPCR4 allowances and publication data
- Part 2 - Cost data collection
- Part 3 - Financial data
- Part 4 - DPCR4/RAV
- Part 5 - Network Analysis

5.5. Only the cells highlighted in yellow should be completed. The cells will show blue text when entered.

5.6. Sign conventions have been included within the formatting of many of the cells to restrict input to either positive or negative values. Where input conflicts with the set sign conventions the DNO must inform Ofgem immediately this is discovered so that a solution can be found. If any reporting is allowed in contravention of the normal sign convention this must be reported in the Commentary.

5.7. Costs are to be reported gross, i.e. no offsetting is permitted.

Commentary

5.8. The cost commentary at Appendix 4 provides the opportunity for DNOs to explain why costs have been incurred and the annual movements in cost levels (set out in Table 2.13). It will be used in conjunction with the data tables, to understand the structures and operations of each DNO, to inform DPCR5 and to monitor DNOs' performance against Ofgem's assumptions for costs included in the DPCR4 Final Proposals document.

6. Publication

6.1. A number of DNOs consider some of the information provided in the RRP to be commercially sensitive.

6.2. Ofgem is bound by the requirements of Section 105 of the Utilities Act 2000 relating to the disclosure of information.

6.3. Ofgem recognises the value of improving transparency of information in regulating natural monopolies.

6.4. In particular, Ofgem intends to publish an annual cost review which will include:

- a provisional calculation of the Regulatory Asset Value for each DNO each year:
- comparisons to DPCR4 allowances;
- summary and detailed activity analysis;
- detailed activity costs reconciling to the annual operating and capital expenditure in the Regulatory Accounts (see Tables 1.1 and 1.2 in Appendix 3).

6.5. It is Ofgem's intention to continue to review whether to publish further disaggregated data and analysis.

Appendix 1 – RRP Purpose and Instructions

General Instructions for Completion

Overview

The Regulatory Reporting Pack ("RRP") is in the form of an Excel workbook. It consists of a number of data entry sheets with other summary and comparison to DPCR4 allowance sheets linked to them. The total costs in the RRP should agree to total opex plus total capex in the Regulatory Accounts for the concurrent financial year subject to allowed reconciling items set out in Table 2.1.

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

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

Data Entry

- All data input cells are coloured yellow which will show as blue text when entered.
- All data is to be input in (£ nominal) rounded to the nearest £100,000 (i.e. one decimal place).
- All costs are to be entered as positive numbers except where indicated otherwise.
- All cells that are linked formulas are coloured white with black text.
- Cells that are not relevant for data input are coloured black.
- All cells totalling and sub-totalling other columns and rows are coloured grey.
- Except on Tables 2.1, 2.3 (where indicated) and 2.5 all costs are to be entered on a cash typical costs basis and exclusive of atypical items. Cash means exclusive of all provisions and all accruals and prepayments that are not incurred as part of the ordinary level of business. As an exception, Table 2.2 also includes depreciation on non-operational capex, which is to input on a regulatory accounts basis.

Definitions

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

Worksheet Protection

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

Checks and Balances

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

identify the problem and correct it before submission to Ofgem.

RRP Contents and Version Control

Purpose

To ensure that all Tables of the RRP have been completed, to monitor resubmissions and track changes in those resubmissions.

Instructions for Completion

- Section 1: complete the date of the initial submission and the dates of any re-submission. If required, additional columns will be added by Ofgem.
- Section 2: enter a cross ("x") to indicate that the table has been completed and submitted.
- Section 3: enter a cross ("x") to indicate that the additional information has been completed and submitted.
- Where it is necessary to resubmit for any reason, 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.

Company names and date input

Purpose

To record the licensee's name and those of related parties and pension schemes and to record current year RPI information.

Instructions for Completion

- Input the regulatory year for which the return is submitted (format yyyy-yy).
- Input the year beginning and ending (format dd mmmmm yyyy).
- Input the average RPI for the current year and the average of March & April RPI as advised annually by Ofgem (in April & May each year).
- Input from the table the number allocated to the licensee to whom the RRP relates. This number is used to populate various tables with values and names throughout the RRP. It is preset at "0". Any other number from the table will populate other worksheets with that other DNOs data.
- Input the full names of the DNO, Other DNOs in the same group, Related Parties and all Pension Schemes. This should be the registered name of the statutory entity and, where appropriate, a suffix of the division or branch.
- Input the abbreviations for all Other DNOs in the same group, Related Parties and all Pension Schemes. Where another DNO is already listed use the same abbreviations as in the table.

Check and balance report

Purpose

Provides summary results of the checks contained within the RRP to allow DNOs to identify and address errors and/or inconsistencies. Any unsatisfactory checks will result in an 'out of balance' message will be shown on the top of each table and on the front cover of the pack. DNOs should rectify the reason for any unsatisfactory checks and should not submit packs to Ofgem which display this message.

Instructions for Completion

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

Table 1.1 Summary Indicators

Purpose

Presents key indicators of DNO's performance against regulatory allowances. Compares actual expenditure to the DPCR4 allowances for opex, capex and pensions, and shows the closing RAV, net debt and net debt to RAV gearing.

Instructions for Completion

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

Table 1.2 Activity Analysis

Purpose

Presents a summary cost table for inclusion in the annual Cost Review report. Note only the amounts in Total line is published

Instructions for Completion

- No data input required.

Table 1.3 Total Activity costs

Purpose

Presents DNO's costs in the format as published on the Ofgem website with the Cost Review showing the Total Activity Costs and reconciling to the opex and capex in the regulatory accounts from Table 2.1.

Instructions for Completion

- No data input required by DNOs.
- Ofgem may input data to align with amendments arising in Table 4.3.

Table 2.1 Reconciliation to Regulatory Accounts

Purpose

Provides a high level check of the costs reported in the RRP back to the DNO's own audited Regulatory Accounts which are prepared applying the DNO's own accounting policies.

Instructions for Completion

- Input the relevant costs from the Regulatory Accounts profit and loss (or income statement under IFRS), fixed asset additions. This includes:
  - IT software reported under intangible fixed assets under IFRS;
  - customer contributions, where not reported in net fixed asset additions;
  - amortisation of intangible fixed assets (IT software) under IFRS,

  From the note(s) to the Regulatory Accounts in the cells provided.
  Note that capitalised interest and asset revaluation amounts are not to be included on other tables in the RRP and therefore they must be deducted here.
- Input any reconciling items, which are adjustments to costs or recoveries for

items not in the Regulatory Accounts or where offsetting of costs and revenues/recoveries is not allowed under these Rules for presentation of amounts in the RRP, or for IFRS adjustments.

- Input the source of each reconciling item. All costs which are reported in the licensee's regulatory accounts should be input under DNO; and any cost which are not, should be input under the relevant related party column.
- Non-operational assets which were previously owned and reported as owned by a related party which are subsequently acquired by the DNO (or another related party engaged in the distribution business) must be reported as a reconciling item here rather than as an addition on Tables 2.2 and 2.4, as they (or a portion of them) cannot flow into RAV to avoid double counting. This applies regardless of whether the asset was originally acquired pre or post 1 April 2005.
- The Non-Activity costs are linked to Table 2.6, where they are input.
- Movements in provisions, movements in atypical accruals and prepayments and cash atypical costs, are linked to Table 2.5.
- The net debt reconciliation seeks the reason for any differences between the debt reported in table 3.1 to the Regulatory Accounts. Give a brief description of any changes to explain any difference.
- The Customer Connections analysis seeks details of deferred revenue and the value of capital work in respect of connections. It requires the values of deferred income held, and capital connections expenditure to which it relates, on the balance sheet at the start of the period and the changes in the year to the final position. There is then a check on the contributions number quoted in row 18 table 2.1 and that in table 2.2. The right hand part of the analysis table requires the values of customer contributions received and related WIP to show the values relating to current and prior years. Any reconciling amounts should be explained in the Commentary.

  The right hand reconciliation table requires information for contributions received and related capex where the amounts have not been recharged or released to the DNO.
- The Reconciliation of Pensions cash charge takes the cash contributions from table 3.2 and compares them to the reported numbers in tables 2.2, 2.5 and 2.6. A reconciliation is required between the two sets of numbers and then a further reconciliation is required to the reported P&L and balance sheet movement figures in the Regulatory Accounts (which should be entered in cells C149:D150). The Commentary should state which note in the Regulatory Accounts refers to pensions.

A check and balance will be automatically performed to ensure the Regulatory Accounts totals agree to the RRP data tables, this check must say 'OK' for the RRP to have been completed correctly.

- Where revenues are netted against costs in the regulatory accounts and thus not reported as revenue then a reconciling item will be required on Table 2.1 to gross up costs.

Table 2.2 Total Cost Matrix – cash typical costs

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

Instructions for **General**

Completion Inputs should all be positive except for the following sections:

- Cost recoveries – which should be negative;
- Customer contributions – which should be negative; and
- The three allocation blocks – which have been formatted to match the instructions for completion as either positive or negative.

For additional guidance on where to report particular costs refer to Appendix 2 for the definitions of Activities and Costs Types.

The rest of the guidance for this table provides additional clarification of how costs should be reported for instances where we have identified that some DNOs have been unclear of the requirements.

Activities

Non-Operational Capex

For the avoidance of doubt, all 'Small Tools and Equipment' should be reported under non-op capex irrespective of licensees statutory accounting treatment, regardless of whether the amounts are considered de minimis or not.

IT & Telecoms

For further guidance on the split of IT related costs between Non-Operational New and Replacement Assets and the IT & Telecoms Activity see the guidance for Table 2.8.

Non-Distribution Activity Direct Activities, Metering Business and DG Business

Network non availability rebates paid to relevant distributed generators should be reported under Relevant DG opex Activity and the Rents etc Cost Type. Note: There is a licence condition requirement not to net off rebates against revenue – Special licence condition A1.

Cost Types

Labour

Labour costs include the cost of employee share options which must follow labour costs to individual activities and must not be reported in a lump-sum in any activity.

Protective clothing should be reported under labour costs and thus follow the allocation of the respective employee to activity/ies and not as STE.

Wayleaves/servitudes/easements

Easement/Servitude costs whether new or resulting from the conversion of a Wayleave to be reported under the 'Load Related' or 'Non-Load Related' Activities as appropriate. The Commentary will require each DNO to differentiate between the different costs.

The periodic payment for an existing Wayleave and the cost of Wayleave administration to be reported under Engineering Management & Clerical Support.

Lane rentals

This encompasses fines and penalties, permit scheme costs, road occupation

and congestion charges. These are analysed on Table 2.6 into their constituent elements. In addition, where they form part of uncertain cost as determined by the special licence condition A3, they must also to be input and reported on Table 2.6.

Rents etc.

This Cost Type includes rents (including for substations), leases, utilities, insurance premiums and the cost of third party claims met by the distribution business.

Substation Rents to be included within Engineering Management & Clerical Support

Rents paid to a related party must be shown at underlying cash cost and NOT at market values.

Rents etc. excludes:

- the amortisation of a lease but not of a freehold asset;
- any marginal costs of occupying the property;
- the excess of market value charged by the related party over the underlying cash cost must be reported as a related party margin. Any element of depreciation and amortisation must be reported under non-operational or operational depreciation as appropriate;
- facilities management costs, which should be reported on the appropriate cost rows (e.g. labour, normal employers' pensions, materials, contractors, etc).

No Rental income of any sort should be reported on Table 2.2 or Table 2.5 and not under de minimis or any other activity or on the Cost Recoveries row. Rental income should only be reported as revenue in the Revenue Return (e.g. rental of land is ES9). Excluded Services Revenues are only to be reported on Table 2.10.

Subscriptions, software and software licences

Ordnance Survey licence fees are to be included within the 'System Mapping' Activity. All other software licences to be included within the IT & Telecoms Activity or Non-Operational New and Replacement Assets.

Cost Recoveries

Any cost recoveries (as defined in Appendix 2) should be recorded only on the Cost recoveries rows. Atypical cost recoveries must be reported in Table 2.5.,

Fault costs are to be reported gross of insurance recoveries in each of the cost rows (e.g. labour, materials, contractors, etc). Insurance recoveries should be input in the Cost recoveries rows.

Cost Recoveries relating to prior periods should be reported as atypical on Table 2.5

Related Party Margin Charged

Captive insurer margins (See Guidance for Table 2.9)

Other than captive insurers margins

The profit or loss reported on a transaction with an affiliate is the excess or deficit on actual direct costs and indirect costs (excluding financing costs) fairly attributable to the transaction or the charge and the cost of providing that

transaction. For the avoidance of doubt this does not include exceptional items, tax (income tax, corporation tax recoverable VAT), fines, penalties or the gain or loss on the disposal of assets or investments (of any sort), i.e. it should be at the net operating costs level (profit before tax, interest, fines or penalties).

Customer Contributions

Customer contributions: report all contributions, both refundable and non-refundable, received for new connections after 1 April 2005 in the licensee's distribution services by the DNO and affiliates, on this row under either Load Related New Connections & Reinforcement, Non-Load new & replacement assets, NTRs and Excluded Services, as appropriate. When a refundable contribution is wholly or partly refunded, report the amount refunded in the year the cash payment is made on this row. Any pre-1 April 2005 Tariff Support Allowance which is held on the balance sheet as being potentially refundable contributions held at 31 March 2005 which are subsequently released should be reported as customer contributions under Load Related New Connections & Reinforcement at the time of the release.

Customer contributions may only be input for "Load Related New Connections and Reinforcement", "Non-load new & replacement assets", "Metering activity capex" and "Relevant DG activity capex". NTR contributions should only be reported on Table 2.10 under ES5 and ES6 excluded services revenue. Input the contributions on the relevant row, DNO or individual related party, which received the contribution, e.g. affiliates undertaking connections business.

Direct Cost Reallocation

The "Direct Activity Allocations" rows are to be used to reallocate, applying the licensee's own accounting Rules from the direct activities of Tree cutting allocated to new assets (in accordance with these Rules) and Inspection and Maintenance activities to direct "Load Related New Connections & Reinforcement" and "Non-load new & replacement assets".

Indirect Cost Reallocation

The "Indirect Activity Allocations" rows are to reallocate costs applying the licensee's own accounting Rules from indirect activities to direct activities (including excluded services, metering, de minimis and relevant DG). Where a DNO follows full absorption costing all indirect costs should be reallocated, such that all indirect costs total to zero. DNOs may not allocate some costs where they do not fully absorb costs under their own accounting system.

Indirect Activity Allocations

Indirect Activity costs to be allocated to the direct activities based on the DNOs own accounting policies, in the rows provided (Rows 186-193). No direct costs reallocation within these rows.

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

In the RRP, DNOs should report all costs relating to the provision of services to or for a related DNO (including costs for shared facilities), even where a licence consent means that these are not counted towards the de minimis activities 2.5% cap. Any recovery of such costs to be in the cost recoveries row, or reported as de minimis revenue in the revenue return, as appropriate.

Where those recharges are not reported:

- as de minimis revenue/turnover in the regulatory accounts then a reconciling entry should be made in section 7 of the Revenue Return; and / or
- within revenue/turnover and have been offset against costs in the regulatory accounts, then reconciling entries should be made in Table 2.1 of the RRP and Section 7 of the Revenue Return. These are "allowed reconciling items".

Where a DNO carries on de minimis business that is within the scope of SLC43 then the related costs and revenues/recharges are to be reported in the same manner with no offsetting.

For the avoidance of doubt, where a DNO and an affiliate provide a service (or services) to each other, the cost incurred and the recharge should not be offset when reporting charges for services from the affiliate and the cost incurred in providing the service (the recharge) to the affiliate, even where they are for the same activity. As noted above, the cost incurred by a DNO in providing a service is de minimis activity and must be reported under de minimis activity and the amount recharged is income to be returned as de minimis revenue.

Where a DNO recovers costs from an affiliate those recoveries should be similarly reported - this includes the sale of surplus materials or scrap.

Cost recoveries satisfying the definition in Appendix 2 must be reported on Table 2.2 under the Cost Recoveries row.

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

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

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

Atypical Costs

Cost data is to be input on a cash typicals basis and therefore should **exclude** the following (that should be input on Table 2.5):

- movements in all provisions (being charges or releases to the P&L account/income statement and utilisation of provisions);
  - Utilisation (i.e. cash payment) of a provision as cash atypical cost in the year in which it is paid
  - Releases
  - Any element of a charge from a related party which includes a provision or non-normal level of trading accrual or prepayment. These must be unwound from other charges.
  - Payments from or movements in an insurance sinking fund for self-insured risks are to be input on Table 2.5 in "TABLE B: Summary of accruals and prepayments (non-ordinary level of business)".
-
- atypical accruals and prepayments;
- atypical cash costs (which include cash payments on utilisation of all provisions); and

- cost recoveries in respect of an atypical item and cost recoveries of typical costs incurred in a previous year.

Table 2.3 Inspections, Maintenance, Tree cutting and Fault Costs

Purpose

The key input table for the disaggregated cash typical Direct Activities of Faults, Inspections & Maintenance and Tree Cutting. The Table also includes disaggregated input of atypical severe weather fault costs.

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

This worksheet has memo columns to collect the allocation of fault costs as between opex and capex to support the tax reconciliation of capex additions in Table 3.3.

Instructions for Completion

This table allows for the input of typical and atypical costs. Various formula checks have been included to ensure that only the 'direct' costs of the activities included in this table have been included and that the total figures agree with the related totals in Tables 2.2 and 2.5.

For HV, EHV, 132kV network the Switchgear, Transformers, Substation category heading includes switchgear, transformer and other cost relating to substations (e.g. civil works, safety barrier/signs, painting, vegetation management, SCADA units).

Third party cable damage faults should be reported under faults by voltage (and not as NTRs on Table 2.10 as they do not meet the definition in the special licence conditions).

Total third party cable damage cost recoveries should be reported on row 32.

The atypical Faults costs input in this table are for Severe Weather Events only and should include provision and accrual movements.

For Scottish DNOs, in the Memorandum Information columns, the costs associated with 132kV assets are to be input for the Direct Activities of Inspections & Maintenance, Tree Cutting and Faults as defined in Appendix 2.

For incidents affecting assets not covered by Quality of Service RIGs, input under Non-QofS Faults. These should include costs associated with:

- Failure of LV service cut outs
- Street lighting
- Unmetered LV Services
- Fuse failures associated with LV service cut outs
- Loss of supplies associated with un-metered supplies only (predominantly street-lighting)
- Abortive calls (e.g. investigation of a report of an overhead line conductor was on the ground only to find that the line was a BT circuit)
- Safety calls (e.g. investigation of a report of a substation door that was open).

Total fault costs are then to be allocated to opex and capex on the same basis as the DNO's regulatory accounts.

Table 2.4 Detailed Capex Analysis

Purpose

The key input sheet for the Direct Activities of Load Related New Connections and Reinforcement, Non-load Replacement and Non-Operational Capex.

The data to be reported is for such aspects of the licensee's distribution business and of the business of each affiliate or related undertaking of the licensee that either directly or indirectly provides goods and/or services to the licensee or forms part of the distribution business, which includes affiliates undertaking connections business.

Instructions for Completion

Load Related New Connections & Reinforcement

For rows prefixed "Connections provided at…" costs are to input against the voltage level of connection, (e.g. the cost of both LV & HV assets required to provide LV connections are to be recorded under LV connections).

General Reinforcement and Fault Level Reinforcement costs are to be input against the voltage level of the system asset.

For a New Connections carried out by third party where some element (final connection to the distribution network) is undertaken by the DNO/RP then those costs, and any related contribution, should be included under New Connections (carried out by third party).

Non-Load new & replacement assets

Costs to be input:

- by voltage and asset type under condition based replacement; and
- by voltage for other non-load costs analysed under the **primary purpose** for incurring the expenditure. This may be determined by management assessment.

Costs of Switchgear replacement include all those items identified as switchgear in Table 5.3 of the RRP.

Switchgear costs include those associated with refurbishment of switchgear which extends the life of the equipment (e.g. replacing the trucks and not the panel).

Costs included under Substations include the costs relating to civil works (e.g. new fences, doors, roof and security), safety barrier/signs, painting, vegetation management, SCADA units.

General Refurbishment: Where refurbishment of an asset moves an asset between rows, e.g. replacing overhead line with undergrounding, the dismantlement costs should be recorded against the old asset and the cost of constructing/installing the new asset should be recorded against that new asset.

Non-operational New Assets & Replacement

Input these costs by asset category and by owner, e.g. DNO or related party. For further guidance on what costs to include see the definitions for Table 2.4.

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

Purpose

Records the cash costs relating to atypical events, the utilisation of provisions

and atypical accruals and prepayments.

The data will inform future normalisation and cost comparison exercises.

Together with the analysis by related party in Tables 2.2 and 3.2 it will enable a cross check on the individual related party data in Table 2.11.

Instructions for Completion

All entries of cash atypicals should be discussed and agreed in advance with Ofgem to ensure consistency across the sector. Failure to do so will be treated as a breach of these instructions.

Data is to be provided for:

- all provisions (and their movements) whether or not they are incurred as part of ordinary level of business activities at Table A;
- accruals and prepayments (and their movements) that are not incurred as part of ordinary level of business activity (i.e. non-normal level of trading) at Table B;
- atypical events on a cash basis at Table C;
- cash atypicals and utilisation of provision, accruals and prepayments by source, i.e. DNO and identified related parties at Table E; and
- cash atypicals and utilisation of provision, accruals and prepayments for ES10 Excluded Service Metering and Out of Area Networks should be input under Metering Activities and de minimis respectively. (Note: This is to enable only relevant excluded services amounts to flow onto Table 4.3.)

The sign convention for data entry indicated next to each element has been automatically restricted to enforce that convention.

No inputs can be made for Load Related New Connections and Reinforcement, Non-load Replacement and Non-Operational Capex; all such costs are to be reported as typical costs on Table 2.2 and 2.4.

Where the costs of updating GIS records following Ordnance Survey mapping rebasing upgrades. Where these costs are material and fit the atypical event (i.e. a specific event or incident that is not expected to recur regularly under normal circumstances due either to its size or nature) then they should be reported on this Table 2.5 for transparency. These costs should normally be reported as typical costs.

Atypical costs/recoveries related to prior year amounts:

- Cost recoveries relating to prior periods should be reported as atypical on Table 2.5 to provide visibility of these numbers and allow us to adjust the comparative year's numbers and prior year RAV. Such items would be where the recovery is material, non-recurring, cover a number of years and is clearly not just a reversal of a normal accounting estimate.
- Where there is a reversal of a material over-accrual or prepayment the amount to be reported as atypical should be the excess amount over the annualised normal level of such costs, where this is subjective please discuss with Ofgem before finalising your reporting treatment.

Treatment and reporting of payments for EA and EATL pensions

- These payments should be reported as atypical costs on Table 2.5 and nowhere else to provide transparency.

TABLE A: Summary of provisions (excluding deferred tax)

Data is to reported under the relevant activity for each provision for opening balance at 1 April in the year under review, charge to P&L account, release to P&L account, utilised (i.e. cash payment which flows onto Table 1.5) and closing balance at 31 March. The total of the provision movements' link to Table 2.1 Reconciliation to Regulatory Accounts.

Data is to be provided for all provisions whether or not they are incurred as part of ordinary level of business activities. Holiday pay provisions are normal trade accruals and prepayments and should not be reported on this worksheet.

Provisions which relate to atypical events should be disclosed separately from other provisions and the description provided by overwriting "-details" with the description/reason.

Provisions reported are to exclude those for deferred tax.

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

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

Movements on atypical accruals and prepayments data are to be provided for visibility of these items and are as defined in Appendix 2.

Data is to reported under the relevant activity for each atypical accrual or prepayment for opening balance at 1 April in the year under review, charge to P&L account, release to P&L account, utilised (i.e. cash payment which flows onto Table 1.5) and closing balance at 31 March. The total of the atypical accrual and prepayments movements' link to Table 2.1 Reconciliation to Regulatory Accounts.

Data is to be provided for all accruals and prepayments that are not incurred as part of ordinary level of business activity; these exclude holiday pay provisions, normal trade accruals and prepayments. Normally only atypical or abnormal accrual and prepayments will be input.

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

Where there is a reversal of a material over-accrual or prepayment the amount to be reported as atypical should be the excess amount over the annualised normal level of such costs, where this is subjective please discuss with Ofgem before finalising your reporting treatment.

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

Atypical events are those events as defined in Appendix 2.

There are four prescribed atypical events and four additional rows in which a description should be inserted by overwriting the description where the row is used.

Populate this table with the atypical elements of costs under the relevant activity heading for each event source by payer either DNO or related parties.

For each event the amounts reported are to be further analysed by cost row type reported within Total Cost Matrix.

The figures should exclude any amounts reported under provisions or atypical accruals and prepayments in Tables A and B.

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

The total of the utilisation of Provisions & Atypical Accruals and Cash Atypical Events are automatically populated in Table D.

The total amount in row 248 should be further analysed in Table E by individual related party. The amount paid by the DNO will be automatically populated.

TABLE F: Analysis of related party margins included in Table E amounts

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

TABLE G: Disallowed related party margins

This table is automatically populated and requires no input.

TABLE H: Individual Severe Weather Events

Input a description of each individual severe weather event that meets the relevant exceptionality requirement defined in annex B of special condition C2 of the electricity distribution licence; the date (or first day) of the event; and the cost.

Note:

It is expected that by their nature there should be no atypical costs for NTRs or excluded services, de minimis or IFI activities; although there may be an exception where a licensee has residual de minimis activities from separation in October 2001.

Table 2.6 Miscellaneous

Purpose Collects data for a variety of reasons on

Non-activity based costs

- Pass through costs
- Costs inside scope of DPCR4 allowances
- Costs outside scope of DPCR4 allowances

Other items adjusting RAV

- Proceeds of sale of assets and scrap
- Use of system bad debts
- Salary sacrifice schemes
- Lane Rental analysis.

Uncertain costs (determined in accordance with Special Licence Condition A3)

- Road Occupation & Permit Scheme Costs included within Lane Rentals, previously agreed in writing with Ofgem to be treated as logged up costs. Enter these costs as appropriate.

Miscellaneous costs

- Pension administration costs
- LV Control Centre Costs
- Expenditure replacing pressure assisted cables
- Undergrounding in national parks/AONBs

Instructions for Completion

Data relating to the listed non-activity based costs should be entered here as positive numbers, excepting where recoveries exceed expense, e.g. under Bad debt expense (net of recoveries) or where there is an overall profit on sale of assets, in both instances enter as negative. (Note: Statutory depreciation is only that on operational assets. Statutory depreciation on non-operational assets is to be reported on Table 2.2.).

Proceeds of sale of assets and scrap:

These costs are not to be included on Tables 2.2 and 2.5

Input separately the cash received on the sale (or the market value of intra-group transfer) of operational assets and non-operational assets as negatives. Note: all proceeds are to be reported regardless of when the relevant asset was acquired.

The cash proceeds of sales of scrap should be reported on Table 2.6 in accordance with the Rules. Such sales should not be reported as de minimis or excluded services income in the RRP as they do not fit either definition, nor should proceeds be reported as cost recoveries or netted against costs.

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

Input an analysis of asset disposals, describe the asset and where a consent was required under SLC29 list the date consent was granted, original accounting cost and aggregate depreciation, net cash proceeds of the sale; and the asset owner (i.e. DNO or specific related party). The latter is required as the distribution business share of non-operational assets must be reported and the proceeds accounted for RAV.

Use of System Bad Debts:

Input the cost incurred, net of Value Added Tax (where recovered), and any receipts/recoveries against them in the current year. Where there are several such debtors each should be identified individually in the Commentary.

Salary Sacrifice schemes (including flexible benefit schemes):

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

Input the “Salary element sacrificed by employee” being the cash typical and atypical costs of the element of salary sacrificed by the employee in return for additional pension contributions by the employer (as negative). This amount should reduced by any consequential saving in employer national insurance contributions arising from operating the salary sacrifice scheme(s); and

Input the “Additional employer pension contribution” being the additional pension contribution by the employer in return for the element of pay sacrificed

made from operating a salary sacrifice scheme(s) (as positive).

Note:

These amounts should be input after re-allocation of Indirects to non-distribution activities.

The amounts for "Direct opex, faults & Non-op capex" should include relevant excluded services.

- . The data on salary sacrifice schemes is to reverse the impact and restore the position to the basis on which allowances were set.

Lane rentals analysis
The total costs from this analysis should agree with the Lane Rentals costs in total in Table 2.2

Uncertain Costs
Only those costs that have previously been agreed with Ofgem in writing under Special Licence Condition A3 are to be reported in the first table.

Input the costs previously agreed with Ofgem in writing for additional security in the second table

Miscellaneous costs
The LV Control centre costs are only those costs included within a Control Centre for a DNO that relate to the LV Network. This therefore excludes the costs of staff physically undertaking switching at a LV system asset.

The tables for replacing pressure assisted cables and undergrounding in National Parks/AONBs is required by cost and length of circuit removed. Costs are those which are additional to normal load and non-load related replacement capital expenditure. These amounts are excluded from the capex incentive scheme and are excluded from RAV in DPCR4.

Table 2.7 FTE Labour costs

Purpose

This worksheet shows the number of employees as FTEs by activity type and calculates the average labour cost per FTE.

Instructions for Completion

Input a "1" (for yes) or "0" (for no) dependent on whether the calculation of average labour cost per FTE is to include normal employer pension contributions.

Input the FTE numbers for the DNO and individual related parties for each activity listed. FTE numbers for direct activities should be entered as one amount covering all direct activities and not split across the direct activity headings. These numbers are to include apprentices except where they are reported under Engineering Management & Clerical Support.

The FTE costs and numbers should be inclusive of agency staff.

Input combined total apprentice and other individuals on a specific training programmes (e.g. graduate trainees) FTEs for the DNO and all related parties for each indirect activity and for Direct Activities in total included within the FTE numbers. This is a memorandum figure.

No data is required to be Input for prior year staff numbers on an FTE basis this is populated from a lookup table with prior year data, except:

No data is required to be input for labour or pension costs, these are linked to Tables 2.2 and 2.5.

Input the actual average labour cost (including or excluding normal employer pension contributions) for each activity, dependent on the switch setting above.

If the calculated average labour costs is not within 10% tolerance of the actual average labour costs per FTE then "review" message will appear to indicate that either the FTE numbers or the costs of that activity should be reviewed and, as appropriate, amended.

Table 2.8 Information Technology (including Telecoms)

Purpose

A disaggregated analysis of new IT and Telecoms operational and non-operational asset expenditure and IT maintenance and running costs.

The table will be used to identify the total IT that supports the activities within a DNO before any accounting treatments or apportionments are applied.

Instructions for Completion

All direct 'Information Technology' costs as defined in Appendix 2 must be entered on this table on a 'cash typical cost' basis.

Ensure that the total of the IT Maintenance & running costs equals the total of the costs for the IT & Telecoms Activity in Table 2.2.

Ensure that the total of the 'New Assets - Operational' and 'New Assets - Non-Operational' agree with the total of the direct costs included in Table 2.4 under 'Operational IT and Telecoms' and 'Non-Operational IT and Telecoms'.

Further guidance on where to include costs in this table are available in the definitions under Table 2.8.

Table 2.9 Business Support Costs

Purpose

Provides a disaggregated analysis to assist in ensuring consistency of reporting of the following activities:

- CEO etc
- Finance & Regulation
- Engineering management and clerical support
- Network design & engineering
- Project Management

to enable an understanding of the costs charged or attributed by affiliates to the DNO's distribution business for certain central functions.

Instructions for Completion

Tables A, B C, D & E

Where there are other costs not covered by the specified categories and they form less than 30% of the total for this activity input them under "Other" and overwrite with a description. Any figures included within the 'Other' categories of costs must be accompanied by an explanation of the costs in the Commentary.

Tables A and B

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

Input the source of the charges, e.g. DNO or related party, the latter should be

named using the abbreviation in the "Company Names and date input" worksheet. Input the basis on which the charge or allocation is made to the distribution activity as a coded letter.

Table B – Finance and Regulation

Captive Insurer Margins must be computed based on the captive's premium income less reinsurance premiums, claims paid out and movements on technical and IBNR reserves attributable to the distribution business only, i.e. usually reported as the profits/loss on the Technical account. This will be applied annually but is subject to future review - at the end of a price control period a 'catch up' may be considered to limit the cumulative disallowed margin to the cumulative dividend distributions.

Where a captive insures more than the distribution licensee(s), then it's profit/loss should be computed pro rata to the premiums paid by the licensee to total premium income in the captive for the year and the movements on technical and IBNR reserves not attributable to the distribution business must first be removed.

When a captive insurer makes an insurance claim payment to the distribution business then that payment should be reported as a cost under insurance (i.e. within Finance & Regulation) as well as a receipt under cost recovery (see below).

Table C: Basis of allocation

Input against the coded letters a full description of the attribution/allocation basis applying in Tables A and B to charges from related parties.

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

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

Table 2.10 Excluded Services and Out of Area Networks

Purpose

Informs DPCR5 and enables an understanding of the costs of each of the Excluded Services (ES1 to ES10) where identifiable and to compare cost to revenues and to record Out of Area Networks' costs.

The Relevant Excluded Services revenue and the memorandum data for pensions and related party margins are to enable the correct treatment of RAV.

Instructions for Completion

Input the total of the direct costs for each excluded service where such costs exist and are identifiable.

Input the total of the indirect costs allocated or attributed to each excluded service and Out of Area Networks, except ES2 Connections.

Input for each excluded service the revenue (except ES2 and ES10) and Out of

Area Networks, which should agree that in the DNOs submission of the Ofgem Revenue Reporting Model Table 5 “Revenue Outside Price Control & Excluded Services”.

Input the memorandum data for related party margins and employers’ normal pension payments subsumed within each of the direct and indirect costs in total for each of relevant excluded services, excluded services metering and out of area networks where such costs exist, were reallocated to Indirects and are identifiable.

Table 2.11 Analysis of related party transactions

Purpose

An analysis of the nature and size of services provided to the DNO, other group companies and external parties by each related party.

The table will be used to help identify recharges that flow through more than one related party before reaching the DNO and to provide the percentage of external revenue so that margins can be identified and removed, where appropriate, for comparison to the DPCR4 allowances and calculate RAV.

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

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

Instructions for Completion

Input a description of the services provided by each related party.

Input the turnover data for the related party as charged to each DNO in the group, other related parties and external customers. Input as positive numbers.

Input as negative numbers the respective costs incurred.

Where the total charge from a related party to the DNO is less than £500k that related party does not need to be included on this table. For the avoidance of doubt it should still be included as a separate related party on Table 2.2. Note: Ensure that an affiliated captive insurer is separately disclosed.

As an aid to completing this table column X shows the aggregate amount input under each related party in Tables 2.2, 2.5 and 3.2. The ‘shortfall’, or amount still to be analysed is shown in column Y. It is the difference between the amount on this table in columns C and X. This amount in column Y should be reviewed, the reported amounts corrected and any residual difference explained in the Cost Commentary. Unless the shortfall for a related party is nil the message, "charges to DNO do not agree to Tables 2.2, 2.5 & pension deficits on 3.2" will appear in column S. The error messages do not get reported on the Checks & Balances worksheet as a difference may arise where costs are reported at more than one level of analysis between related parties.

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

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

Table 2.12 Cost mapping to the Total Cost Matrix

Purpose

To show the mapping of DNO costs and its' related parties cost at the lowest level of budget holder with management responsibility to the Total Cost Matrix activities, i.e. where a manager/budget holder is responsible for several cost codes then these cost codes should be included as one (named consistently with the manager/budget holder job title) and mapped to the relevant activities; and

To quantify the value of reported costs that are attributed to Activities in Table 2.2 on the basis of prime records and those attributed on a managerial/accounting allocation basis.

Instructions for Completion

Input at each line the lowest level of budget holder in your distribution business (DNO and Related Parties). Include a cost centre code (if any) and a description sufficient to show the principle activity of the budget holder with management responsibility/cost centre description used in your prime accounting records.

Input the attribution of that budget holder's costs across the Activities listed.

Under the 'Basis of Allocation' columns enter the value of the costs that have been attributed to those Activities based on prime records and that attributed based on managerial/accounting allocation.

In the final column identify the basis of allocation to the DNO where costs are allocated or shared across more than one business in a group (e.g. CSV, network length, 50/50 or other proportions).

The total cost for each activity will automatically cross cast from the figures entered for each Activity. A check will ensure that the total entered for the 'Basis of Allocation' equals the total costs column.

The total costs under each activity will automatically total for rows 12 to 499, providing 488 DNO budget holders/cost centres. Any DNO requiring further rows should contact Ofgem.

Some automated cells have been added to report the proportion of costs that have been allocated based on Prime Record Allocations and how much by Managerial/Accounting Allocations.

Table 2.13 Year-on-Year Movements

Purpose

This table is vital to aid our understanding of how DNO costs can vary over time and provide us with the information we need to make reasonable assumptions for cost levels in the future.

Identify reclassifications of prior years' costs to comply with the latest years' "Rules" by individual prior year. Show the revised prior year costs on the same basis as the current year's figures have been calculated.

Identify the causes in movements in costs from the prior year to the current year's costs.

This worksheet will be used by Ofgem to complement the explanations for cost movements and changes to prior years' reported costs in the Cost Commentary (Appendix 4).

Instructions for

The current and prior year numbers to be compared will be after reallocation of direct costs (e.g. for tree cutting relating to capex schemes) and after allocation

Completion of indirect costs to non-distribution direct activities.

Prior to the initial submission, Ofgem will populate the prior years' reported costs for the last version we have received. These cells will allow the licensee to amend the numbers but an explanation will be required in the Commentary for any such change. The DNO should only amend the numbers where the last submitted pack differs from the numbers provided by the DNO to Ofgem.

Input under "Cost reclassifications to comply with latest years' 'Rules'" for each prior year any movements arising from changes to the definitions of an activity or other changes in the Rules or where the DNO has changed their interpretation of the Rules or for errors. These rows should, in most cases, sum to zero as they are only movements between activities. This section will also allow for amendments to costs where the licensee has discovered after the previous years' submissions that costs should have been located in a different year. In such cases the row will not sum to zero and Ofgem will require these to be clearly identified from the description.

Where amounts on each row do not sum to zero please contact Ofgem to have the error message removed.

Input under "Explained movements in costs in current from the immediate prior year" amounts in the relevant activity columns costs for each explanation in annual movements in the Cost Commentary.

The rows for changes in costs should not simply state the asset category (e.g. for faults) but should also indicate whether the increase in costs relate to changes in the quantity of work or the unit costs of undertaking those costs. Where unit costs have changed we would expect to see some Commentary explaining, in the DNOs view, why those changes have occurred.

Where explanations are for minor amounts these need not be dealt with individually in the Cost Commentary.

Where the aggregate of the amounts/explanations are less than 10% of the prior years' cost for each activity, or £200k, the amount remaining to be explained will be highlighted. An amount will remain highlighted and "YES" will be flagged where further explanation is required until the threshold has been reached.

Table 2.14 Traffic Management Act and ESQCR Costs

Purpose Collects costs and other data relating to the Traffic Management Act

Collects data relating to the Uncertain Costs as defined in Special Licence Condition A3

Instructions for Completion The costs of permits and penalties must be split across the activities under which they were incurred.

The costs of setting up the administration of administering compliance with the TMA should be included within Engineering Management & Clerical Support costs in Table 2.5 and should be included on this table.

The ongoing administration (EM&CS) and Finance (Finance & Regulation) costs should be included in Table 2.2 and should be included on this Table.

The number of permits should be reported and must be split across the activities

under which they were incurred.

The Table will automatically calculate a cost per permit and cost per penalty from the input data.

The setup and annual running costs for the TMA must be allocated across the direct activities.

The row entitled 'Other direct cost increases due to TMA' should include those additional costs incurred that are not covered by the rows above. This will include functional costs increases such as higher contractor charges because of the reduced flexibility whereby those contractors will incur additional charges if they divert away from planned work to deal with emergency works.

Table 3.1 Net Debt and borrowings

Purpose

Calculate Regulatory gearing.

This worksheet will be used by Ofgem to compare gearing levels and interest expense to the DPCR4 assumptions and to provide data for any DPCR4 gearing claw back.

Instructions for Completion

The "Net Debt and gearing" table requires no input. It is automatically populated from the other input on this worksheet.

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).

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.

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;

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;
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 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. Note: Table D is a memorandum table as inter-company trading balances are not usually part of net debt.

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 3.1 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:

- Analysis of interest expense as per income statement (Interest Paid per P&L);
- Analysis of interest paid as per cash flow statement;
- Analysis of interest income as per income statement (Interest Received as per P&L)
- Analysis of interest received as per cash flow statement; and
- Allocation of Net Debt and Interest expense to distribution and individual non-distribution activities.

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.

Table 3.2 Cash Payments to Pension Schemes and scheme data

Purpose Information on all pension costs (normal and deficit), cash payments to pension scheme and scheme data for the purposes of comparison against the DPCR4 pensions allowance and for informing DPCR5 on pension costs and liabilities.

It also records memorandum data on total severance costs and the amount which have been funded by pension surpluses for the purposes of informing DPCR5 and calculating pension allowances for RAV and comparison to allowances for DPCR4

Pension administration costs when paid by the pension Scheme.

Instructions Data is to be provided for all pension schemes where there is an element relating

for Completion

to the distribution business.

Input the cash contributions physically paid to the pension scheme.

Input the cash payments to the Pension Protection Fund of the PPF levy.

Input in each column for each of the DNO, related parties for and other affiliates for each scheme to report the Total of each scheme

Input in each column for the distribution business activity reported on tables 2.2 and 2.5, analysed into each of Distribution activity, NTRs, Excluded Services, De minimis (which should include IFI), Metering and Relevant DG.

Pensionable salaries are to include all pensionable elements of pay (e.g. pensionable overtime and shift allowances).

For the SSE Hydro and SP Distribution pension schemes which were in surplus at time of DPCR4 final proposals, Ofgem may require additional information to that in Table 3.2 if this situation changes.

Input memorandum data in respect of severance funding, other severance related costs and the number of severances for defined benefit schemes only.

Input the administration cost (excluding PPF Levy) incurred by each scheme (i.e. where it is not paid by the distribution business or recovered from a scheme by the distribution business) and, where the PPF levy is paid by the scheme trustees, that amount.

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

Table 3.3 Tax: Capital Allowances for the licensee

Purpose

Obtain an analysis of the DNO's tangible fixed asset additions and ensure allocation to the capital allowance pools on a consistent and comparable format across all DNOs for the regulatory financial year.

Attribute these pools to distribution, metering, relevant distributed generation activities and, if appropriate, for excluded services and de minimis activities.

Obtain memorandum information on non-operational assets owned by a related party or a percentage thereof as used in the distribution business since 1 April 2005 and reported in the current or previous years' RRP on Table 2.2.

Monitor and compare allocations to capital allowance pools across DNOs and across time to inform future price controls; and, as an input worksheet, to determine actual allocations of capex and identify fixed asset additions attributable to the various other activities separate from the distribution business.

Reconcile the tangible fixed asset additions in the year to the other RRP tables.

Capture the movements on capital allowances in total for the licensee and for the distribution business and other activities; and reconcile the total to the DNO's

own tax provision workings for its regulatory accounts and/or draft corporation tax computation.

Identify prior year adjustments arising in the individual capital allowance pools from the agreement of open tax years.

Record the annual movement and residual balances on the amounts of "Unregulated business balance adjustments" made for the purpose of DPCR4.

Inform DPCR5.

Instructions for Completion

Input the "TOTAL for the licensee" from the relevant tangible fixed asset (capex) additions, net of the proceeds of disposals, from the Regulatory Accounts notes to the balance sheet in the cells provided and;

Attribute any amounts due to metering, relevant distributed generation activities (as they are subject to separate price controls) and, if appropriate, excluded services and de minimis (including IFI) activities and Non-operational assets owned by related parties, columns.

Input any capex included as revenue in the profit and loss account/income statement in order to reconcile to the tax provision workings.

The distribution activity (excluding metering, relevant distributed generation, de minimis and excluded services activities) will automatically be calculated as the difference between the "TOTAL for the licensee" and other activity columns. Input in the cells indicated the opening balances on each of the four capital allowance pools shall be. These shall agree to that submitted in the previous years' RRP.

Where the opening balances are different to that in the prior years' RRP, the amount of any revision shall be input, which will calculate the revised opening balances.

Where the opening balances are different to that in the prior years' RRP and revision amounts have been input, then a reconciliation is to be provided explaining and analysing the reasons for each change. Where the change arises from agreement of previously open years' tax computations by the tax authorities this shall be identified by individual year; and the reasons for any change to previous estimates shall be provided in a separate explanatory note.

In the memo column "Unregulated business balance adjustments", input the initial amounts at the commencement of the period which will be notified by Ofgem. These refer to specific adjustments to eliminate the balance in a capital allowance pool related to activities which is no longer regulated or for which the assets have been disposed of but from which residual amount remain in the licensee.

Where the payment received or made for group relief is not for full value then this should be reported and explained in the Cost Commentary.

Reconciliation to capex additions in the year: This section calls for a reconciliation to the capex numbers entered in tables 2.2, 2.3 & 2.5 which are shown to the right. In the cells indicated, Input any necessary reconciling items with sufficient explanation to understand the item. A memorandum table identifies the additions per each relevant table.

The DNO's own rate of statutory depreciation in both the percentage and

economic life in years for deferred revenue expenditure is to be input.

Table 3.4 Tax reconciliation for the licensee by segment

Purpose

Provide a summary of the tax computation workings on a consistent and comparable basis across all DNOs, analysed to differentiate amounts attributable to the distribution business from those attributable to other activities and to monitor trends.

Obtain a summary analysis of the profit before tax in the regulatory accounts.

Obtain a reconciliation and analysis for the regulatory financial year for both the current and deferred tax charge to distribution, metering, IFI, relevant distributed generation and, where appropriate, de minimis and excluded service activities in a consistent and comparable format across DNOs. This shall agree to the licensees' own tax provision workings and/or draft corporation tax computation and the tax charge in the DNOs regulatory accounts.

Obtain a reconciliation of the tax payments and refunds in the cash flow statement of the DNO's regulatory accounts.

Understand the effect, if any, of the impact of group relief and the utilisation of tax losses on the current year's tax charge in the DNO's regulatory accounts.

Reconcile the current corporation tax charge to the movements in the balance sheet provision and notes to the regulatory accounts.

Inform DPCR5.

Instructions for Completion

Input the relevant amounts for each line heading in the cells provided, analysed between “TOTAL for the licensee” and that attributable to the metering, relevant distributed generation, IFI, excluded services and de minimis activities columns. Note that certain “TOTAL for the licensee” costs are automatically populated from Tables 2.1 and 3.1.

For the purpose of this table the distribution column will be automatically calculated as the difference between “TOTAL for the licensee” and that attributable to the other activities. In attributing amounts to each of metering, relevant distributed generation, IFI, excluded services and de minimis activities it is recommended that they be ascertained by using the revenue for each as shown in the licensee’s Revenue Return for the regulatory financial year. The costs may be assumed to be costs shown in Tables 2.2 and 2.5 under the relevant activity, plus those in Tables 2.6 and 3.1.

Input the rate of corporation tax appropriate to the current regulatory financial year in the cell indicated (e.g. 30%, 28%).

For each column, except distribution, input:

Statutory depreciation expense should be the amount in the regulatory accounts.

Pensions contributions not paid should be the adjustment to eliminate all pension contributions provisions or accruals, the amount of pension contribution paid and deductible for tax purposes shall be input under “Deduct”.

Disallowed opex: In accordance with tax legislation some operating expenditure is disallowed as a deduction in computing taxable profits. These costs should therefore be added back and should be the same as in the DNO's own tax computation or tax provision workings.

Any other add backs should be disclosed and described separately for individual items over £500,000.

The capital allowances are linked to Table 3.3.

Capital charged to revenue should be the amount of capex which has been expensed in the regulatory accounts and which for tax purposes is capitalised and should be equal to the amount of additions in Table "Tax: Capital Allowances of the licensee".

Pension contributions paid is the amount of pension contributions actually paid to the pension funds or affiliates. Where these are not the same as disclosed in Table 2.12 an explanation should be provided in the Cost Commentary.

Where prior amounts are different to that in the prior year's RRP, provide a reconciliation explaining and analysing the reasons for each change.

Input the amounts of corporation tax paid or refunded and amount of group relief received or surrendered.

Input any additional reconciling items with a description for all individual items over £500,000.

Input the financial year ending (day, month year) for the last corporation tax return that has been agreed with HMRC and separately that date that this was agreed.

Table 4.1 RAV Roll Forward

Purpose

Calculates the RAV balance (in 2002/03 prices) including regulatory depreciation.

Instructions for Completion

- No data input required.
- RAV additions are linked to Table 4.3.

Table 4.2 Labour – Direct / Indirect Cost Adjustments

Purpose

Presents the adjustments necessary to calculate the RAV and comparison to DPCR4 allowance.

Direct Labour at DPCR4 is different to the Direct Activities labour costs reported elsewhere in the RRP. The difference is due to non time sheeted engineering, management and other staff who, for DPCR4 purposes, were considered indirect.

Instructions for Completion

No data input is required for Table A – costs are linked to Table 2.2.

Table B, should input the indirect labour adjustment. These costs represent the movement of non-time sheeted direct labour from direct to indirect costs. Definitions of Direct Labour for DPCR4 and Direct Activity Labour Costs are provided in Appendix 2. The costs are to be input as a negative under the Direct Costs Activity, Excluded Services and de Minimis, Metering and relevant DG activities where appropriate and as a positive amount under the Indirect

Cost Activities. The values should therefore sum to zero.

Treatment of staff that do not time write but work on creating non-op assets (i.e. non-system assets):

- Where FTEs who do not time write but work on creating non-operational assets (e.g. non system IT projects) it is illogical that their time costs should be reallocated to indirect. Their costs must not be reported as indirect or moved from direct to indirect but should be left in non-operational assets - this is the exception to the general rule. Where they work on system assets their costs should follow the general rule.
- Where non-timesheeted staff are recorded in the direct activities (on table 2.2) the costs should follow the labour costs general rule and be adjusted into indirect activities on table 4.2. Please note that timesheeting should be as reported basis that existed at the time of the DPCR4 settlement and not on any changes since in the DPCR4 period.

Table 4.3 Capex and opex on a DPCR4 basis

Purpose

Calculates the capex, opex and pension amounts for the purposes of calculating the RAV and comparison of actual costs to DPCR4 allowances.

Instructions for Completion

No data input required.

The worksheet includes formula links to other spreadsheets and data input by Ofgem post submission.

Where a DNO has more than one pension scheme subject to the disallowance in paragraph A1.44 in Appendix 1 to the Final Proposals, this will now be calculated automatically.

Table 4.4 Related Party Margins Adjustment

Purpose

Identifies those Related Party Margins that have been disallowed for RAV purposes.

Instructions for Completion

This table has automatically populated rows showing:

- Total charges from each related party by activity (including depreciation on non-operational assets);
- The percentage margin in each related party by activity; and
- Disallowed related party margin in each related party by activity

Table 5.1 Network Information Table

Purpose

The purpose of this worksheet is to collate high level distribution network information in a summary sheet.

The **DNO** should populate the column for the current reporting year.

Where final figures for data associated with the number of new connections, connected DG, units distributed and losses are not yet available for the current reporting year the DNO may leave these data fields empty and include them in

resubmissions of the pack once the data is available

.

Instructions for Completion

QUALITY OF SERVICE

- **Customer Numbers -** Enter customer numbers as provided in the QofS interruptions returns. Ofgem will update once the audited number is agreed. N.B. This provides customer numbers as of 30th September of the previous year.

- **CIs and CMLs (excluding exceptional events)** - Enter total CIs and total CMLs excluding exceptional events as provided in the QofS interruptions returns. Ofgem will update once the Quality of Service Report for the relevant reporting year is published.

NETWORK ACTIVITY INDICATORS

- **CONNECTIONS –** Enter number of new connections as reported on the 'New metered connections' worksheet of the CIR submission, in the row labelled 'A'.

- **Total Connected Distributed Generation -** Enter total MW of connected distributed generation (including both relevant and non-relevant DG).

- **DEMANDS –** Enter the system maximum demand in MW for the DNO's network and the weather corrected system maximum demand (if used).

- **Units Distributed** - Enter the units distributed during the reporting year by voltage level as reported on the 'Input page' worksheet of the revenue returns.

- **LOSSES –** Enter units of distribution losses (GWh) as reported on the 'Incentive revenue' worksheet of the revenue returns submission under 'Adjusted Distribution Losses (L_t)'.

SYSTEM PARAMETERS

- **Distribution Circuit Length – Overhead (km) –** linked to data provided in Table 3.1. No data entry required.

- **Distribution Circuit Length - Underground (km) –** linked to data provided in Table 3.1. No data entry required.

  Number of Substations and Switching Stations – This is to capture the number of operational sites where the DNO has the responsibility of inspection and maintenance and is defined as, a substation site owned by the DNO or another party (e.g. customer, transmission company), having a transformer owned and maintained by the DNO, energised and commissioned, including switching stations having only switchgear owned and maintained by the DNO.
  Excludes HV & EHV customer supplies i.e. having no step down transformer owned and maintained by the DNO, and
  GSPs where NGET own and maintain the transformers/switchgear.

  The number of substations should be entered by voltage level, with EHV and HV split by ground mounted and pole mounted.

Note this will differ from the number of substations used in Table 5.7 for Load analysis

Table 5.2 DPCR4 CAPEX PLAN

Purpose This worksheet identifies actual and forecast Capex outturn for DCPR4.

Instructions for Completion Where possible the sheet is auto-populated from within the pack for the current reporting year and historical data. DNOs are to populate future years on a DPCR4 basis.

Gross Load and Non Related Expenditure – to be completed on the same basis as Table 2.4 e.g. direct costs only

Table 5.3 Asset Data

Purpose This worksheet identifies the assets replaced, added and removed from the network in each year. This data will be used in conjunction with the aged asset register and capex by cost type to inform DPCR5 modelling.

Instructions for Completion

Asset replacement, additions and removals

- The open balance ("b/f") will be populated by Ofgem based on the previous year's closing balance.
- Input the asset quantities for additions to and disposals from the network (disposals to be input as negative numbers).
- The closing balance is imported from Table 5.4 " Asset age profiles"
- The cleansing adjustment (if any) is auto-calculated based on the difference between the closing and opening balance taking account of additions and disposals during the year.
- Assets additions should only appear in this table once they are energised on the network.
- Assets under construction should not be included in this table.
- Strategic spares should not be included in this table until installed and energised on the system.
- Assets which are de-energised during the year but are available for re-commissioning (e.g. pressure assisted cables) should be entered as disposals.

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

Table 5.4 Asset Age Profile

Purpose

This worksheet identifies the age profile of assets on the DNO's network. This data will be used to inform DPCR5 modelling.

Instructions for Completion

Input the existing asset quantities (by asset type as specified in the table) in the regulatory year in which they were added to the network.

Note for the purpose of this table the columns refer to the regulatory year not the calendar year, for example 2008 refers to asset installed in the regulatory year 2007/08 (1 April 2007 to 31 March 08)

Note the sum of the asset quantities is taken as the closing balance and auto-populates table 5.3. For asset where no age profile is required (rows blacked out) enter the closing balance in the total column.

- Asset replacement profile: Input the average asset lives for the assets and the standard deviation of asset lives in the asset replacement profile section, with average asset lives defined as "expected average age at replacement as experienced by DNO for the asset population' (the mean value of the asset age replacement profile of the particular asset)"
- Assets should only appear in this table once they are energised on the network.
- Assets under construction should not be included in the age profile.
- Strategic spares should not be included in this table until installed and energised on the system.
- Assets which are de-energised during the year but are available for re-commissioning (e.g. pressure assisted cables) should not be entered in the age profile.
- Asset data should be disclosed by operating and NOT by construction voltage. Where asset data is available only at construction voltage then this should be stated in the Cost Commentary

Table 5.5 Capital Expenditure Scheme Analysis

Purpose

This worksheet gives a listing of the largest schemes (and programmes) by approved amount in the year for each of Load Related and Non-load related schemes.

The information will be used to inform Ofgem's understanding of the drivers for overall capital expenditure, for comparison to DNO plans and budgets and to inform DPCR5.

Instructions for Completion

Scheme/programme selection

Enter the five largest schemes or programmes approved in the current reporting year by total approved amount for each of Load Related and Non-Load Related excluding;

- Non-operational capex schemes
- LR schemes with greater than 60% customer contribution

For Non-Load related two of the five schemes should be work programmes for example and ongoing programme of HV switchgear replacement

Data entry for schemes/programmes

- Input a brief description (title) of the scheme which includes the main assets to be replaced to achieve the scheme objectives.
- Input the main driver for the scheme e.g. P2/6 compliance, Obsolescence/Asset replacement, QofS, Safety, outage constraints etc
- Input the options that were considered for the implementation of the scheme and their cost. Each option should only be 'title' of the alternate proposal(s) and it should only indicate how the objectives of the schemes could have been achieved differently;
- Input the preferred option and the basis for cost/benefit analysis (e.g. discounted cash flow, better customer service in term of CMLs/CI, safety, environment);
- Input the 'current status/progress and expected date of completion'. It should state the progress in percentage (%) completion and forecast date of completion of the scheme;
- Input the 'DNO comments' for any information related to the scheme to include any reasons for delays, prioritisation against other schemes, outage constraints, and planning consents;

Additional information

Scheme and Programme Justification

For each of the schemes or programmes listed in Table 5.5 provide appropriate existing documentation which provides a technical description of the issue and the proposed solution including the justification for investment and choice of solutions (e.g. cost benefits analysis). For programmes of work, for example an ongoing programme to replace LV poles both the underlying policy documentation and the annual volume justifications are required.

A list of all Post Investment Appraisals completed in the year under review should also be submitted. A selection of these appraisals will be requested by Ofgem for further review.

Note: Table 5.5 and supporting info (including PIA) should be submitted to Ofgem as early as practicable after 1 April in advance of the RRP submission, and at the latest **two weeks** before the submission of RRP.

Table 5.6 Overhead Line Refurbishment

Purpose

We will use the information relating to Overhead Line Refurbishment in the modelling of this activity as well as informing discussion on visual amenity and improvements to network resilience.

Some of this information was previously included in the asset addition and disposal table.

Instructions for Completion

Asset Refurbishment

- Input the circuit length in kilometres (km) of overhead lines refurbished as either major or minor refurbishment (excluding replacement with covered conductor and undergrounding).

Input the total circuit length in kilometres (km) of overhead lines undergrounded

(includes both load related and non-load related expenditure).

- Input the total circuit length in kilometres (km) of overhead lines of open construction rebuilt using covered conductor (ABC, BLX etc) (includes both load related and non-load related expenditure).

Major Refurbishment: This includes wholesale replacement/upgrading of conductors and/or replacement of insulators, steelwork, fittings, stays and/or replacement of poles/towers as required bringing a line from poor condition to good condition to ensure a prolonged period of further service without additional refurbishment. The cost of such work shall normally be more than 50% of the cost of new line build per km.(In general refurbishment on a like for like basis could be 60% of new build costs; for upgrading this could be 70%)

Minor Refurbishment: Minimum work required on a line which is in general not in a bad condition but requires piecemeal replacement of selected worn or problematic line components. The cost of such work will normally be less than 50% of the cost of new line build per km.

Table 5.7 Vegetation Management

Purpose

The information relating to vegetation management will be used to assist in the modelling of this activity and as a driver to assist in comparative analysis.

This information was previously included in the asset addition and disposal table.

Instructions for Completion

Vegetation Management

The vegetation management information should be provided on the basis of the number of spans.

- Input the total number of spans of the overhead line network against the appropriate asset classification.
- Input the number of structures for each of the Asset Categories.
- Input the 'Number of spans affected by trees' - Spans that have vegetation that is, or is likely within the normal cycle of tree cutting to be, within the clearances specified in 'Technical Specification 43-8' of the Energy Networks Association, as amended

Input the 'Spans cut' - The number of overhead line spans around which the vegetation has been trimmed or removed during the reporting year

The number of structures should be reported as per the definition of 'OHL-Structures' as defined below.

Table 5.8 Network Analysis - Load Related

Purpose

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

Instructions for Completion

The table has four main parts:

- Part 1: Reports overall network utilisation information and metrics.
- Part 2A: Summarises the detailed information from Part 2B for substations which are operating equal to or more than 80% of firm

capacity and captures forecast load related replacement volumes.

- Part 2B: Captures detailed information for substations which are operating equal to or more than 80% of firm capacity, split by substation voltage levels.
- Part 3: Captures details of substations which the DNOs would like to highlight as requiring reinforcement due to N-2 redundancy requirements.
- Part 4: Relates to definitions and guidance at a summary level to aid the population of the table and the selection of options from the list.

The year of LTDS which has been used to populate the table should be entered by the DNO at the top of the worksheet.

N.B. Due to SP Manweb's interconnected network design; SP Manweb should report primary substation load groups rather than primary substations where relevant throughout Table 5.8.

PART 1

- **Item A** – Input the number of substations (operated by the DNO) by substation voltage. Please note that the count may be different to the count in table 5.3 where it relates to the number of 'operational sites'. If a substation site has more than one substation (e.g. at different transformation voltages) then it should be reported separately and the count will be equal to 2. (This count excludes EHV connected customer substations). The total number of substations is calculated automatically.
- **Item B –** Input the sum of substation maximum demands as defined in Part 4 for each voltage transformation specified.
- **Item C –** input the sum of substation firm capacities as defined in Part 4 for each voltage transformation specified.
- **Item D** –The ratio, which refers to the overall network utilisation by taking the summation of all the substations 'maximum demand' experienced by the DNO and dividing it by summation of firm capacities at each of these substations, is calculated automatically from Items B and C. The overall metric includes the maximum demand/firm capacity associated with customer specific substations. Please refer to Part 4 (below) for definitions relating to 'maximum demand' and 'firm capacity'.

PART 2A

- **Item E –** No input required - automatic calculation of the number of substations that are operating at greater than or equal to 80% of their firm capacity from Part 2B.
- **Item F** – No input required - automatic calculation of the percentage loading of the substations which are operating at greater than or equal to 80% of firm capacity.
- **Item G** – No input required - automatic calculation of the total number of single and multiple transformer substations loaded at or above 100% of firm capacity.
- **Item H** – Input the number of substations requiring reinforcement within the remainder of DPCR4. These may include substations that are operating at less than 80% of firm capacity and require reinforcement due to, e.g. a large connection scheme, ensuring compliance with P2/6 or otherwise reflecting good network planning practice.
- **Item J** – Input the number of substations requiring reinforcement within DPCR5. These may include substations that are operating at less than 80% of firm capacity and require reinforcement due to, e.g. a large connection scheme, ensuring compliance with P2/6 or otherwise reflecting good network planning practice.

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

Part 2B of the table is divided into four subsections vertically (each of which can be expanded using the appropriate "Insert Rows" button):

- Substations with 132kV primary and EHV secondary
- Substations with 132kV primary and HV secondary
- Substations with EHV primary and EHV secondary
- Substations with EHV primary and HV secondary

Part 2B of the table is also divided into five subsections horizontally:

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

N.B. Where critical loading does not occur at absolute annual maximum demand (e.g. where summer peaks occur), all data in this table should be entered for substation critical loading conditions and this should be noted in the comments column.

Substation Description:

- Input the substation name and the primary and secondary voltages of the substation in the appropriate voltage transformation subsection. Where a site has more than one voltage transformation it may have more than one substation entry, populated in separate rows.
- Where a substation may comprise of one 66kV/11kV transformer and one 132kV/11kV transformer operating as a pair e.g. connected onto a common busbar then these should be treated as one substation (or group) according to the highest voltage.

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

Capacity information

- **Total number of transformers on site**
  Input the total number of transformers in the substation used to supply the demand (including transformers at hot standby).
  This column is used as an indicator to account for single transformer sites relying on transfers at secondary voltage networks for N-1 conditions. (SP Manweb should enter the number of transformers that form the primary substation load group if applicable.)

- **Cyclic rating of transformers**

  Inputs in this column should relate to the cyclic rating of the smallest remaining transformer(s) that are normally connected and supplying load and any transformer(s) that are on hot standby at the substation (and include consideration of the limiting factor in the adjacent column).

  The cyclic rating for the purposes of this table should be consistent with the season when the critical loading occurs and the rating normally used by the DNO for network design purposes.

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

  This relates to the cyclic rating of the smallest remaining transformer(s), *capacity of normally connected secondary interconnection* (see below*)

following the fault, and any *additional capacity* made available under auto transfer schemes (i.e. the capacity that is immediately available post an n-1 incident), and excludes manual transfers.

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

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

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

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

This relates to the capacity of secondary interconnection that is:

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

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

- **Limiting factor**

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

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

- **Load information**

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

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

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

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

- **Season of critical loading condition**
- Enter the season in which the critical loading condition occurs.**Weather Correction Factor for substation maximum demand**

Where a weather correction has not been applied input one (“1”).
Where a weather correction factor is applied to the ‘substation maximum demand’ input the appropriate factor (value).

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

No input required - this column automatically calculates the ratio of ‘substation maximum demand K’ to ‘substation capacity under single circuit outage conditions J’.

- **Time (Hours) when substation demand is >=95% of substation firm capacity**

This should be the duration of time (in hours) during the season(s) when the Substation Demand (K) exceeded 95% of the "Substation Capacity Under Single Circuit Outage Conditions". This can be calculated either by:
1) Number of 1/2 half hours converted to hours; or
2) Time above 95% should systems allow.

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

Enter the year (from 1st April to 31st March) in the format 20##/## (e.g. 2007/08) in which the forecast demand at the substation is expected to reach its firm capacity.

- **Risk Management – for substations operating at >=100% of firm Capacity**
  - **Manual Transfer Capability from Adjacent Load Groups**

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

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

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

- **Substation Total Capability (P)**

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

- **Headroom**

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

* Please note that the formula takes account of ‘single transformer’ substations and avoids adding manual transfers twice for the substation capability value.

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

Enter the year (from 1st April to 31st March) in the format 20##/## (e.g. 2007/08) in which the substation is likely to be reinforced due to load

growth, new connections, P2/6 compliance etc.

- **Comments on Nature of Work**

This column is for DNO comments relating to the substation and may include the reasons for reinforcement or otherwise for the substation or comments relating to risk management aspect of the table. If reinforcement has already been carried out or is underway then the DNO should enter this here. (SP Manweb should identify where a row refers to a primary substation load group.)

DNO may also indicate if the critical loading is at summer peak (or other time in the year).

PART 3 - Information relating to substations which the DNO would like to highlight as potentially needing reinforcement due to N-2 redundancy requirements.

Part 3 of the table is divided into two subsections horizontally:

- Substation description – requiring entry of substation name and primary and secondary voltages.
- Reinforcement – requiring entry of the year (from 1st April to 31st March) in the format 20##/## (e.g. 2007/08) when reinforcement requirement is forecast. DNOs should comment on the nature of the work (and stating if it is already in progress/complete).

Part 4: Provides the definitions and guidance at a summary level to aid the population of the table and selection from the list of options.

Table 5.9 Network Fault Levels

Purpose

The purpose of this worksheet is to develop network information on substation fault levels in relation to ratings and to gain some view on where fault levels are already an issue, and where fault levels may potentially become an issue

Instructions for Completion

The table has three parts:

- Part 1 – Fault level calculation method used
- Part 2 – Total numbers of switchboards and summary of data provided in part 3
- Part 3 – Collects data on substations and switchgear on which fault levels exceed 95% of rating

PART 1

- Part 1 requires manual entry of the fault level calculation method used.

PART 2

- Item A – Input the number of switchboards (nodes) by busbar voltage. N.B. The “HV” column refers only to switchboards on the secondary side of transformers (i.e. excludes distribution substations). For the purposes of this table a switchboard is equivalent to a node for which data is reported in the LTDS.
- Item B – The total number of switchboards where fault levels are greater than 95% of switchgear rating is automatically calculated from Part 3.
- Item C – The total number of switchboards with operational restrictions due to fault level issues is automatically summed from Part 3.

PART 3

Part 3 has five main subsections:

- Substation Description
- Circuit breaker fault level limitation
- Risk Management
- Make/Break ratings and duty of switchgear
- DNO comments

Substation Description

- Input the substation name and enter the primary/secondary voltages of the substation from the drop down list. Where a site has more than one voltage transformation it therefore may have more than one substation. In such cases please list their details in separate rows. Where a substation has fault levels of greater than 95% of switchgear rating on both primary and secondary sides of the transformer the substation should appear in two rows.

Circuit Breaker Fault Level Limitation

- Node name or description – please specify the node name or unique description of the location of the fault level issue within the substation.
- Input the voltages and number of circuit breakers where fault level make duty is greater than 95% of make rating or fault level break duty is greater than 95% of break rating for either single phase or three phase faults.
- The remaining three columns in this section do not require data input (since values are calculated through formulae).

Risk Management

- Site having operational restriction due to fault level issues – input "Yes" or "No".
- Remedy measures – choose the mitigation measure employed from the drop down list.
- Planned Replacement/Reinforcement – indicate the year in which the board or unit is planned to be replaced.

Make/Break ratings and duty of switchgear

- Input three phase and single phase make and break ratings of the switchgear and the three phase and single phase break and make duties at the relevant node. N.B. Three phase and single phase percentage of rating columns require no data entry and are populated automatically by formulae.

DNO Comments

- Please add any further explanatory notes where required.

Table 5.10 Network Analysis: Non-Load Related Network Risk

Purpose

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

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

Instructions **Asset Categories**

for Completion

The asset categories in the table are taken from Table 5.4 for EHV switchgear and transformers and 132kV switchgear, transformers and overhead lines only.

The total asset quantities for each asset category are auto-completed from the closing balance of Table 5.4.

Asset Distribution Based on Estimated Remaining Useful Life:
This section of the table holds the data relating to the estimated useful remaining life of the assets in three different bands classified on the basis of price control periods.

- **Remaining useful life expires within remainder of DPCR4**
  For assets categorised with a remaining useful life expiring within the remainder of DPCR4, the period is defined as 1 April 2008 to 31 March 2010. Input the number of assets among the assets in the population that have remaining useful life expiring within this period. This should be based on individual DNO assessment and experience of asset condition. It is a DNO view and may not be equal to the quantity of assets which the DNO actually plans to replace in the period.

- **Remaining useful life expires within DPCR5**
  For assets categorised with a remaining useful life expiring within DPCR5, the period is defined as 1 April 2010 to 31 March 2015. Input the number of assets in the population that have remaining useful life expiring within this period. This should be based on individual DNO assessment and experience of asset condition. It is a DNO view and may not be equal to the quantity of assets which the DNO actually plans to replace in the period.

- **Remaining useful life expires beyond DPCR5**
  For assets categorised with a remaining useful life expiring beyond DPCR5, the period is defined from 1 April 2015 onwards. The number of assets among the asset population that have remaining useful life expiring beyond DPCR5 is calculated automatically by subtracting the sum of the assets in the previous two columns from the total asset population.

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

Appendix 2a – Introduction and General Definitions

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

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

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

Atypical costs

The total costs (less credits and receipts) of resources employed in response to an atypical event (a specific event or incident that is not expected to recur regularly under normal circumstances due either to its size or nature).

INCLUDES
All severe weather events that meet the relevant exceptionality requirement defined in annex B of special condition C2 of the electricity distribution licence.
Restructuring.
Rebranding
Direct and indirect resources utilised to assist in dealing with the atypical event.
Tree cutting costs incurred as a result of a known backlog.
Payments for Electricity Association ("EA") and Electricity Association Technology Limited ("EATL") pensions.

EXCLUDES
Depreciation of capitalised costs relating to 'atypical events'.
Late payment interest related to fines and penalties.
Any general apportionment of indirect costs.
Cost overruns or cost arising from delays in completing a project or programme.

Capital expenditure ("capex")

Any expenditure which, for the purpose of the regulatory accounts, has been included in the value of the fixed assets of the distribution business provided that.

Expenditure conforms to at least one of the following.

- the expenditure relates to the purchase, development or construction of a new asset;
- the expenditure will increase the capacity or functionality of the system assets;
- the expenditure will significantly reduce the ongoing maintenance of the assets; and/or
- the expenditure will extend the service life of system assets beyond that expected when the assets were originally installed; and

Expenditure is determined in accordance with applicable accounting standards.

	EXCLUDES Renewal and replacement of insulation medium (e.g. Sf6 and oil) in switchgear, whether reprocessed or not. Capitalised interest. Revaluation amounts.
Captive insurer	An insurance entity that is a related party.
Dismantlement	The physical activity of de-energising, disconnecting and removing (where appropriate) network assets.
	INCLUDES Network assets at all voltage levels as defined in the Quality of Service Regulatory Instructions and Guidance (i.e. LV services, LV system, HV system, EHV system and 132 kV system).
Distribution activity	Is the activity undertaken to perform "distribution business" but excluding any business ancillary thereto, metering activity, DG activity and de minimis activity.
Minimum Work Required	Term used in relation to Faults and Fault Related Condition Based Replacement (Non-Load Related). The minimum work that is feasible to undertake at that location given the "as-found" condition and any access constraints. For example: If the cable is wet and needs to be cut back to find a suitable location to make a joint that is expected to have normal life expediency then this is minimum work required for that specific location. Likewise where there is an access constraint such as a road crossing that requires extending the cable replaced, this is also the minimum work required for that specific location. The minimum work should not be determined by the cost of the repair or the length of conductor or cable installed.
Operating expenditure ("opex")	Expenditure which relates to the day-to-day operations of the distribution business and which is not capital expenditure and includes depreciation.
Operational premises	Are premises which contain network assets and are not maintained for facilitating people except for the purpose of maintenance. INCLUDES substations EXCLUDES stores; depots; and offices
Out of area networks	Networks owned or operated by the licensee, which are outside the licensee's distribution services area.
Quality of service	Measures of performance used to monitor the quality of service provided to customers. The measures include customer interruptions, customer minutes lost, short interruptions to supply, speed and quality of telephone response and guaranteed and overall standards.

	INCLUDES	Costs associated with the installation of new assets or the replacement of existing assets where the prime purpose is to either: • reduce the average number of customers affected by an unplanned incident; • reduce the average time that customers are affected by an unplanned incident; or • reduce the overall fault rate per km of the distribution network. Incremental or extra costs associated with the replacement of existing assets that are planned for replacement on condition assessment or are performing poorly, with assets that have a specification that exceeds the nearest MEA. The incremental costs over and above those of the MEA would be treated as quality of service capex.
	EXCLUDES	• The planned non-load related replacement of assets undertaken, using their nearest modern equivalent asset (MEA), with the objective of ensuring that the underlying condition, performance, integrity and resilience of the distribution network are maintained. The replacement of assets with their nearest MEA would usually be treated as Non-load Related Replacement (condition-based non-fault).
R&D subject to IFI	Means the amount of expenditure spent or accrued by the licensee in respect of eligible IFI projects.	
Related party	An affiliate, a joint venture of the licensee or of an affiliate or an associate of the licensee or of an affiliate or a relevant associate of the licensee.	
Related party transaction	A transaction that occurs where one party provides goods, works, supplies or services to an affiliate.	
Self insured risks	Risks that are not insured with an regulated insurer for an insurance premium and which are either provided for in the licensee's regulatory accounts or which are charged or recharged to it by a related party.	

Appendix 2b – Table 2.2 Activity Definitions

Distribution Activity Direct Activities

For the Distribution Activities are those activities which involve physical contact with system assets.

The costs that can be included within Direct Activities include:

The **Labou**r cost of staff whose work involves physical contact with system assets. This can include the element of labour costs associated with trench excavation staff, craftsmen, technicians, technical engineers, administration and support staff, network planners and designers where a portion of their time involves physical contact with system assets, however only that portion spent on direct activities may be included. It will include idle, sick, training and other downtime of direct staff, which cost should follow their normal time allocations.

Operational engineers working on commissioning of assets, physically changing protection settings, issuing safety documentation or liaising with the control centre are considered direct activities.

The cost of **Contractors** being the total charges invoiced by external contractors for the prime purpose of performing direct activities.

The cost of **Materials** drawn from stores or purchased and delivered directly to site for use in performing direct activities. In addition, this includes the cost of small tools and consumables; and the materials (stores issues) for refurbishing system assets.

Servitude and easement payments to enable the direct activity to be performed. This does not include the cost of management or administration of these.

Lane Rental costs (i.e. road occupations costs, lane rentals, congestion charges and overstay penalties) incurred whilst performing direct activities. Overstay fines/penalties associated with NRSWA section 74 are to be included in "Lane rentals, etc" in Table 2.2. The total of this cost heading costs is to be analysed into its constituent elements on Table 2.6.

Related Party Margins charged by a related party for work performed on direct activities.

INCLUDES
Load-related New Connections & Reinforcement;
Non-load new & replacement assets;
Faults;
Non-operational New Assets & Replacement;
Inspections & Maintenance (exc. Tree Cutting)
Tree Cutting

Load-Related New Connections And Reinforcement

New system assets installed on the network because of a new customer connection (contestable and non-contestable works); reinforcement because of a new connection; and general reinforcement required due to changes in demand on the system.

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

For general reinforcement the costs are to be recorded against the voltage of

the assets being installed. If the DNO data systems are not able to provide this information the commentary should include an explanation of why this is the case and how the costs have been attributed to the asset categories.

INCLUDES	New Connections carried out by the DNO or Related Party.
	Includes connections installed by contractors employed directly by the DNO or Related Party.
	New Connections carried out by a Third party
	The adoption costs of those new connections.
	Customer specific reinforcement determined to be chargeable through the application of the Connection Charge Apportionment Rules.
	Customer specific reinforcement determined to be non-chargeable through the application of the Connection Charge Apportionment Rules.
	General reinforcement The costs incurred to provide additional general network capacity as a result of changes in demand on the system
	The costs of providing additional network capacity necessary because of demand changes rather than because of specific customer connection.
	Easement/servitude costs relating to new assets.
	The dismantlement of existing assets (at all voltage levels) where the dismantlement is undertaken as part of the load related capital project to install new assets.
	Fault level reinforcement
	The costs incurred in reinforcing the network to prevent fault levels from exceeding equipment fault level ratings.
EXCLUDES	'Out of distribution service area' connections;
	easements / servitudes arising from the conversion of Wayleave arrangements (included in Non-load new and replacement assets);
	Wayleaves;
	Wayleave, easement or servitude management or administration costs;
	capitalised interest; and
	Asset revaluation amounts.
	Network reinforcement associated with distributed generation.

Non-Load New And Replacement Assets	The installation of new assets and the planned installation of replacement assets for reasons other than load-related reasons.
INCLUDES	In respect of the grounds set out below includes: • the installation of new assets; • the planned installation of replacement assets; and

- the dismantlement of existing assets (at all voltage levels) where the dismantlement is undertaken as part of non-load related project.

Condition-based non- fault replacement
Assets replaced because of an assessment of their condition and performance. In particular includes replacement of assets which have faulted in the past (on one or more occasions), been repaired and returned to operation and are subsequently replaced as a planned activity due to an assessment of their condition (not in response to a particular incident having occurred).

Includes fluid filled/pressure assisted cable replacement (Note: Where early replacement is carried out due to fluid leakage this should be included in 'Environment').

Condition based replacement - fault replacement

Asset replaced as the result of fault where under the guidance in Appendix 5a – "Additional Fault Guidance" allows the cost to be included in Non-load related expenditure.

Costs can only be allocated to NLRE where it can be shown there is a process for categorisation based on the scope of the work undertaken which should not be based on the cost of the repair or the length of conductor or cable installed.

Further guidance is provided in Appendix 5a – "Additional Fault Guidance"

Quality of Service

Relates to the installation of new assets or the replacement of existing assets where the prime purpose is to improve the overall quality of service experienced by customers, where quality of service performance is measured in accordance with the output reporting requirements of the Quality of Service rigs.

Safety

New and replacement assets installed where the prime driver is to meet safety requirements and to protect staff and the public. This does not include assets replaced because of condition assessment or to meet ESQCR regulations 17 and 18.of

Environment

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

(Note: The replacement of fluid-filled / pressure assisted cables should only be included where replacement is early due to fluid leakage. Otherwise this should be included in 'Condition-based non-fault').

Visual Amenity

Where the prime driver is to enhance visual amenity (including 'Under-grounding in National Parks or Areas of Outstanding Natural Beauty' as described in the Final

Proposals.

ESQCR

Where the prime driver for asset replacement is to comply with ESQCR regulations 17 and 18.

Resilience

Where the prime driver is to improve the ability of a network to withstand severe weather.

INCLUDES:

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

EXCLUDES

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

Operational IT & Telecoms

IT equipment which is used exclusively in the real time management of network assets, but which does not form part of those network assets.

Non-rechargeable diversions

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

Easements / servitudes

Easement / servitude payments made arising from the

conversion of Wayleave arrangements or the payment for a new easement / servitude.

Strategic spares
Items of plant and equipment held specifically to cover emergencies, where the equipment is subject to long delivery lead times or it will not be available in the future and where it is of strategic importance to maintain supplies. Purchase of strategic spares in the year held as stock at the year end.

Temporary towers which can be used on either capex related work or faults and maintenance are analogous to strategic spares.

EXCLUDES – Pole Mounted Transformers

EXCLUDES All costs where assets are not replaced;

Cost of unplanned asset replacement in reaction to an incident having occurred and necessary for the system to operate in its pre-incident condition (include in Faults capex);

All Wayleave payments;

Capitalised interest; and

Asset revaluation amounts.

Non-Operational New Assets & Replacement

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

INCLUDES **vehicles (including mobile plant and generators)**
Purchase of the commercial vehicle fleet and mobile plant utilised by the DNO or any other related party for the purposes of providing services to the DNO

plant & machinery
small tools & equipment
office equipment

Non-Operational Premises
Premises used by people (e.g. stores, depots and offices) and which are not operational premises (e.g. substations).

Non-Operational IT
IT equipment that is either located away from the network assets or does not directly relate to the control of those assets (see Table 2.8 Definitions).

IT software upgrade costs.
New and upgraded software licences where the benefit is received over more than one year. This does not include annual maintenance charges whether or not they include standard upgrades to the software.

Also includes the cost of any software development staff employed directly by the DNO or contracted to undertake development work during the reporting year.

	EXCLUDES	System assets; and Company cars (except where included under the labour cost).
Faults	Includes both Fault opex and Fault capex as defined for Table 2.3	
	INCLUDES	Expenditure incurred in relation to an Unplanned Incident, as defined for Quality of Service reporting, except where under the guidance in Appendix 5a – "Additional Fault Guidance" allows the cost to be included in Non-load related expenditure. Further guidance is provided in Appendix 5a – "Additional Fault Guidance"
	EXCLUDES	The planned replacement of assets because of a poor fault history not replaced at the time of a fault incident (include in Non-Load new and replacement assets); Any subsequent maintenance work identified and planned at the time of rectifying the fault (include in Inspection and Maintenance); and The cost of repairing faults on the IT Telecontrol network. Island Diesel
	SEE ALSO: Non-QofS faults, unplanned incidents, third party cable damage, and diesel generation costs.	
Inspections & Maintenance. (Exc. Tree Cutting)	The activities of both: Inspections - the visual checking of the external condition of assets; and Maintenance - the invasive ('hands on') examination of plant and equipment	
	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. Oil pumping; Oil for fluid filled cables; Renewal and replacement of insulation medium (e.g. Sf6 and oil) in switchgear, whether reprocessed or not; Diesel generation costs (permanent emergency backup on islands). - the cost of providing diesel fuel to run or test generators situated on offshore islands which have been installed as emergency backup facilities in case of disconnection of the mains supply to the island. These should be reported on the "materials" row; Environmental clear-ups; Painting of towers, substations, plant; and

		Substation building maintenance including weed clearance, fencing, outdoor and indoor maintenance; The functional testing of plant & equipment; The use of diagnostic testing equipment to assess the condition of plant and equipment; Minor repairs carried out at the same time as the maintenance visit; The physical dismantlement of existing assets (at all voltage levels) where the cost of dismantlement is not chargeable to a third party and no new assets are to be installed; Minor repairs carried out at the same time as the maintenance visit. Remedial work • Work undertaken in order to remedy defects identified by either inspection or maintenance.; and Provision of electricity for substations
	EXCLUDES	Supervisory input to plan workloads and manage staff (include under Engineering Mgt & Clerical Support); Data review except the initial recording on site (include under Engineering Mgt & Clerical Support); Inspection or Maintenance of non-system assets (include under Property Mgt); Diesel for Lerwick power station which should be included within Shetland balancing costs in non-activity costs on Table 2.6. Any costs resulting from physically repairing an asset and restoring supply following a fault (include under Faults).
Tree Cutting	The activity of physically felling or trimming vegetation from around network assets.	
	INCLUDES	The felling or trimming of vegetation as part of a Capital Scheme; The felling or trimming of vegetation to meet ESQCR requirements; The inspection of vegetation cut for the sole purpose of ensuring the work has been undertaken in an appropriate manner; and Inspection of tree-affected spans where included as part of a tree cutting contract.
	EXCLUDES	General inspection costs relating to wires that are subject to vegetation and not performed solely as part of a tree cutting contract or to ensure vegetation has been cut appropriately (include under Inspections & Maintenance); Costs of assessing and reviewing the tree cutting policy (include under Network Policy);

Data collection and manipulation relating to vegetation (include under Network Design & Engineering);

The cost of managing the tree cutting contract , except as stated above; and

The cost of procuring the tree cutting contract except as stated above (include under Finance & Regulation).

Indirect Activities

Those activities which do not involve physical contact with system assets:

INCLUDES

Network Policy
Network Design & Engineering
Project Management
Engineering Mgt & Clerical Support
Wayleaves Administration
Control Centre
System Mapping - Cartographical
Customer Call Centre
Stores
Vehicles & Transport
IT & Telecoms
Property Mgt
HR & Non-operational Training
Health & Safety and Operational Training
Finance and Regulation
CEO etc.

Note that operational engineers working on planning and project mobilisation, preparing and planning associated with protection settings, administration of outages, contract specification and liaising with contractors and customers are considered indirect activities.

Network Policy

All processes and tasks involved in the development and review of environmental, technical and engineering policies, and including research and development.

INCLUDES

Evaluating the impact of changes in relevant legislation;

Development, regular review and updating of asset risk management policies, such as:

- Asset maintenance policy;
- Asset inspection policy;
- Technical standards and specifications team;
- Plant, equipment and component specifications;
- Vegetation management policy;
- Asset replacement policy; and
- Network design and protection policy;

Analysis and interpretation of asset condition data;

Development, regular review and updating of environmental policy;

Research and development (inc. Fees paid to research and

		development organisations, such as eatl).
	EXCLUDES	Any of the IT or Property costs associated with Network Policy.
		Expenditure for innovation on eligible IFI schemes.
Network Design & Engineering	All processes and tasks involved in the: Strategic planning of the distribution network at all voltages; and Detailed engineering design of new connections, extensions and changes to the distribution network at all voltages.	
	INCLUDES	Load forecasting;
		Maintenance of network design data models;
		Development of long term development statements;
		Capital planning for business plans and budgets;
		Network modelling;
		Strategic planning of the network in respect of new connections, load related network reinforcement, distributed generation and all aspects of the “non-load new and replacement asset installation” activity;
		Network and engineering design of the network to accommodate new connections, specific changes in either demand or distributed generation and all aspects of the “non-load new and replacement asset installation” activity;
		Provision of connection charge quotations;
		Approval of network designs undertaken by other parties, such as independent connection providers, idnos and related parties;
		The surveying of a specific overhead line in order to identify the detailed work required to address an identified problem/issue;
		The determination of land profiles to select the routes and pole sizes for new or replacement lines;
		The surveying associated with new and existing operational sites in order to identify detailed work requirements;
		Network performance monitoring and evaluation of impact of salient policies; and
		Planning new projects up to the point of authorisation.
	EXCLUDES	The surveying, patrolling or inspection of system assets to collect condition information;
		Any it or property costs associated with network design & engineering.
Project Management	Project management from authorisation through preparation, construction and energisation to completion.	

	INCLUDES	Overall responsibility for major project delivery; Determining resource requirements; Planning and requisitioning materials and equipment; Liaising with procurement for non-standard materials as required; Work and resource programming; Risk assessments of the overall project content; Preparation of work instructions; Issue work to own staff and contractors; On-site supervision and technical guidance; Quality checks on work undertaken; Organising network access and co-ordinating outages; Organising and supervising (where appropriate) the undertaking of commissioning tests; Issuing completion certificates; and Arranging energisation of assets; and Cost control.
	EXCLUDES	Any IT or property costs associated with Project Management; Any employees managing other indirect activities (e.g. Logistics Manager) (include under the relevant indirect activity heading); Any design work relating to new connections new or replacement assets.
Engineering Management & Clerical Support	The office-based activities of engineering and clerical support staff (i.e. depot clerical staff, managers, work planners, etc) managing or assisting employees undertaking direct activities and Wayleave Administration.	
	INCLUDES	**Line management of staff undertaking direct activity work** • standards of performance, disciplinary and sickness absence procedures, • monitoring absence, back-to-work-interviews and welfare visits **Work planning, budgeting, allocation and control** • identifying inspections and maintenance work requirements for the year; • forecasting fault activity for the year; • forecasting capital activity; • identifying resource requirements; • developing annual budgets; • developing inspections and maintenance programmes for the year and monitoring delivery; • monitoring delivery of major works; • monitoring fault activity; • monitoring budgets for Inspections and maintenance, faults and major works;

- setting and agreeing performance targets, monitoring actual performance; and
- reporting and analysis of Key Performance Indicators ("KPIs").

Identification and implementation of improvement initiatives
- redesign of business processes; and
- customer service improvements.

Populating, updating and auditing the physical asset register and other asset databases except the financial asset register (include in Finance and Regulation);

Operational performance management
- health and safety checks on work and personnel,
- compliance checks on staff and contractors' work carried out,
- site safety inspections,
- providing safety advice to cable contractors and others (to help prevent damage),
- investigation, report and corrective action following an accident or environmental incident,
- authorisation of team members for operational and non-operational duties, and
- operational safety checks

Providing safety advice to persons working in proximity to network assets;

Clerical Support
- dealing with verbal and written enquiries for new connections, street lighting or faults
- programming of minor works,
- issuing of work instructions,
- preparation of quotations for minor works,
- sending quotations to customers,
- customer liaison,
- liaising with contractors,
- preparing plans, schematics, notices, materials schedules and work instructions,
- updating asset databases, and
- preparing shutdown notices.

Clerical support for staff undertaking street lighting
- answering verbal and written enquiries regarding street lighting faults,
- dealing with instructions from lighting authorities,
- liaising with contractors and lighting authorities, and
- providing statistics to local authorities.

Clerical support and administration associated with the New Roads and Street Works Act (NRSWA)
- sending NRSWA notices in advance of DNO works,
- clearing invoices,
- liaising with contractors,
- dealing with street works defects,
- liaising with local authorities, and

- preparing statistics.

Mobile Generation management
- managing the use of mobile generation; and
- managing and scheduling the maintenance of mobile generation.

Apprentices whilst undertaking classroom training (i.e. in a training centre or classroom).

Environmental Notifications

Wayleave Administration - obtaining, managing and administering Wayleaves, substation rents, easements and servitudes
- negotiating new Wayleaves;
- managing Wayleave terminations;
- administration of existing Wayleaves including the preparation of payments;
- negotiating conversion from Wayleave arrangements to permanent easement / servitude;
- substation rents; and
- Wayleave payments.

EXCLUDES any employees managing other indirect activities (e.g. Logistics Manager) (include under the relevant indirect activity heading);

design work relating to new connections new or replacement assets;

Responding to NRSWA notices sent to the DNO by other parties (include under System Mapping – Cartographical);

Maintenance of mobile generation plant (include under Vehicles and Transport); and

any employees engaged in maintaining the financial asset register;

Idle, down and sick time of direct field staff (include with their normal direct time in the appropriate direct activity); and

IT or property costs associated with Engineering Management & Clerical Support.

Control Centre Operational management and control of the network.

INCLUDES Approval of planned incident proposals and switching schedules submitted by either DNO's own staff or related parties' staff;

Liaison with transmission companies in order to agree planned incidents that affect the transmission/DNO interface;

Instructing and controlling the execution of network switching, adjusting of protection relays, issuing of safety documentation associated with both planned and unplanned incidents;

Instructing and undertaking the remote control operation of

		switchgear during both planned and unplanned incidents
		Dressing the network control diagram in line with network switching etc. Undertaken during both planned and unplanned incidents;
		Updating the network control diagram in respect of sustained changes to the network; and
		Interrogation of information systems to determine most appropriate resource to dispatch;
		Dispatching resources;
		Prioritising incidents;
		Updating IT systems with information from site;
		Calling customers back with appropriate information regarding unplanned incident;
		Updating messaging systems; and
		Completion of fault reports and entry into fault recording systems (e.g. NAFIRS).
	EXCLUDES	Raising and sending NRSWA notices in respect of unplanned incidents (include in Engineering Management and Clerical Support);
		Completing, where appropriate environmental notifications (include in Engineering Management and Clerical Support);
		Obtaining billing details in respect of third party damage to DNO property (include in Customer Call Centre (including compensation claims) activity);
		Raising of service orders (include in Engineering Management & Clerical Support);
		Processing Guaranteed Standard failures and associated payments (include in Customer Call Centre (including compensation claims) activity;
		Customer call taking at any time of day;
		IT and property costs associated with the Control Centre.
System Mapping - Cartographical	The activity of mapping of the network and operational premises of the network to geographical locations.	
	INCLUDES	Updating the geographical system maps with asset and locational information following the installation, removal or repositioning of system assets;
		the updating of GIS records following Ordnance Survey mapping rebasing upgrades;
		responding to NRSWA notices sent to the DNO by other parties; and
		Ordnance Survey licence fees.

EXCLUDES Clerical support and administration associated with New Roads and Street Works Act (NRSWA) (include under Engineering Management and Clerical Support);

any employees employed in the Control Centre (include under Control Centre);

updating the network control diagram (include under Control Centre);

on-site collection of asset and locational information where this task is undertaken with the installation of the asset (e.g. sketches indicating the "as laid" size and route of an HV underground cable) which is part of the associated direct activity; and

IT and Property costs associated with the System Mapping Activity.

Customer Call Centre

Customer call centre - Responding and managing the main telephone lines for the business. Where reports or queries require further investigation by another division of the business these costs are not included except to the extent that a member of the Call Centre team responds after obtaining additional information. and

Customer compensation claims administration - Responding to and administration of customer compensation claims and ex gratia compensation payments.

INCLUDES Answering power loss calls;

Facilitating the reporting of distribution network faults and safety hazards and complaints about the quality and reliability of supply;

Responding to queries, for example from retailers, customers, builders and contractors, on new connections, disconnections and reconnections;

Responding to queries, for example from customers, builders and contractors;

Responding to initial queries on metering;

Metering call centre for suppliers, customers and agents; and

Primary recording of reports or queries and, where appropriate, reporting the information to the appropriate business operation.

Any employees administering the handling and calculating of customer compensation claims; and

Customer complaints.

EXCLUDES IT and property costs associated with the Customer Call Centre;

Any employees handling and administering insurance claims or making payments (include under Finance and Regulation); and

		Customer complaints.
Stores	The activity of managing and operating stores	
	INCLUDES	Delivery costs of materials or stock to stores;
		Labour and transport costs for the delivery of materials or stock from a centralised store to a satellite store (and vice versa);
		Quality testing of materials held in stores;
		The value of losses on materials held in stores; and
		The costs of membership of the “ngt spares club".
	EXCLUDES	Costs of oil or other insulation medium (report under the activity for which it is used, e.g. Maintenance, faults; and
		IT and property costs associated with Stores.
Vehicles & Transport	The activity of managing, operating and maintaining the commercial vehicle fleet and mobile plant utilised by the DNO or any other related party for the purposes of providing services to the DNO.	
	INCLUDES	Lease costs associated with the vehicle fleet and mobile plant;
		Maintenance costs of the vehicle fleet and mobile plant, including mobile generation;
		Cost of accident repairs to distribution business’s own vehicles whether covered by insurance or not and the cost recovery where covered by insurance; and
		Fuel costs of the vehicle fleet and mobile plant.
	EXCLUDES	Direct field staff time spent on utilising the vehicles for a direct cost activity (include under Direct Activities);
		IT and property costs associated with vehicle management.
		Purchase of vehicles, mobile plant and equipment (include as Non-operational New and Replacement Assets); and
		Cost of providing company cars to employees which are benefits in kind (include as labour cost under the relevant activity of that employee).
It & Telecoms	For the purposes of ‘Table 2.2 Total Cost Matrix’, represents the ‘IT Maintenance and Running Costs’ as defined in the definitions included under Table 2.8	
Property Management	The activity of managing, providing and maintaining non-operational premises.	
	INCLUDES	Rent paid on non-operational premises;
		Rates and taxes payable on non-operational premises;
		Utilities including electricity, gas and water (supply and

		sewerage);
		Inspection and maintenance costs of non-operational premises; and
		Facilities management costs including security and reception.
	EXCLUDES	Network rates (excluded from all activity headings);
		Inspection and maintenance of operational buildings (included under inspections & maintenance (exc. Tree cutting); and
		Any of the It systems associated with property management (include under it & telecoms); and
		Relocation costs to or from non-operational premises.
Human Resources & Non-Operational Training ("HR")	The activity of personnel management for all staff and the provision of training of office-based staff.	
	INCLUDES	Provision of the Human Resources function;
		Industrial and employee relations including developing HR strategy, policies and procedures;
		Facilitating and operating training courses of a non-technical nature for office-based staff;
		Any staff who organise and provide non-operational training;
		Facilitating and undertaking recruitment;
		Monitoring equal employment opportunity;
		Facilitating staff performance development and reviews;
		Payroll and pensions' management and operation;
		Provision of communications to staff, including staff magazine; and
		Cost of IT & Telecoms training.
	EXCLUDES	Time of employees attending training (include as labour cost under the relevant activity of that employee);
		Costs associated with staff whose line management responsibilities require them to apply HR policies;
		IT and property management costs of operating a training centre.
Health & Safety And Operational Training	The activity of training of staff involved in direct activities and the activity of promoting and maintaining health and safety of employees, contractors, customers and the public.	
	INCLUDES	training, courses and training centre costs for staff relating to working on system assets;
		engineering and health and safety training, courses for staff involved in indirect activities;

developing the company's overall health and safety policy;

establishing procedures to comply with best practice for health and safety;

maintenance of records to show compliance with Factory and Health and Safety at Work Acts; and

providing advice on security matters both for property and personnel and provision of advice on fire prevention

.

EXCLUDES Health and Safety checks on work and personnel (in Engineering Management and Clerical Support) such as:

- Compliance checks on staff and contractors' work carried out,
- Site safety inspections,
- Investigation, report and corrective action following an accident or environmental incident,
- Authorisation of team members for operational and non-operational duties, and
- Operational field safety checks

IT and Property costs associated with Health & Safety,

Time of employees attending training (include as labour cost under the relevant activity of that employee);

Time of apprentices undergoing training (include as labour cost under the relevant activity of that employee);

Purchase of equipment (include under non-operational capex).

Finance And Regulation

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

INCLUDES **Accounts processing**:
Payments and receipts;
Duos billing; and
Credit and debit control.

Banking and treasury management

Financial management:
Financial planning, forecasting and strategy;
Financial accounting;
Management accounting;
Statutory (excluding regulatory) reporting;
Tax compliance and management;
Audit (both internal and external); and
Maintaining the financial asset register.

Insurance management;
All Insurance premiums;
Third party claims payouts whether legal liability admitted or not (not covered by insurance). EXCLUDES – ex gratia

compensation payments and Guaranteed Standards of Performance compensation payments.
Third party claims handling (in-house only) where claimants have experienced a financial loss;
Income management:
Transmission exit charges administration;
Tariff formulation; and
Revenue forecasting.

Procurement
Identify strategic needs for materials and services;
Conduct market analysis;
Identify potential suppliers;
Undertake background review;
Select suppliers and negotiate contracts;
Purchase order fulfilment; and
Monitoring supplier performance.

Regulation:
Regulation management and compliance reporting;
Financial regulatory reporting – costs, revenues, regulatory accounts, financial resources;
Reporting of quality of service performance.

Connections management:
Connection charge policy formulation;
Un-metered connections records; and
Connection agreement administration.

Meter Point Registration System (MPRS) - database management.

Subscription to trade associations such as the ENA.

Fines and penalties (other than in Lane rentals) - see Fines and penalties.

EXCLUDES Maintaining the physical asset register(s); and
Any of the IT systems associated with finance and regulation (include under it & telecoms).

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

CEO etc.

Combines and encompasses the separately defined activities of

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

Legal & Company Secretary - The activities performed by the company secretary and legal department within the DNO itself or charged through to the DNO via a related party

Community Awareness – The activity of promoting community awareness in respect of the licensed entity

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

INCLUDES **Non-executive & group directors**
The labour and all on-costs of the CEO;

The labour and all on-cost of non executive directors of the DNO;

The charges for senior group management and group directors not directly attributable to a specific activity;

The costs of hosting and attending board meetings;

Annual (or any other) general meetings of shareholders of the company or of any controlling undertaking; and

Where a board member provides a service to the DNO under any of the other activities (e.g. Finance Director of DNO is also board member), the labour costs for that board member attending board meetings should be allocated here and the remainder of his or her labour should be allocated to his or her usual activity.

Management charges from a parent or related undertaking not for a specific purpose or defined activity.

Legal service provided by own employees;

Legal services provided by external organisations.

Corporate communications;

Any brand advertising, including notification of telephone contact numbers to the public domain;

Customer satisfaction and similar surveys;

External entertaining; and

Branding or rebranding of vehicles or buildings.

General promotional activities;

Public relations;

Investor relations;

Sponsorship;

Donations,

Brand advertising;

Corporate image making;

Provision of shareholder meetings and communications;

Customer satisfaction and similar surveys.

EXCLUDES Insurance management (include under Finance and Regulation);

Legal advice relating to Wayleaves/servitudes/easements (include under Wayleaves/servitudes/easements)

Non Trading Rechargeables — Are defined by paragraphs ES5 and ES6 of special condition A2 of the electricity distribution licence.

(NTRs)

	INCLUDES	The dismantlement of network assets (at all voltage levels) where new assets are being installed as part of an NTR project (including service alterations); The dismantlement of network assets (at all voltage levels) at the request of a third party and where the cost of dismantlement is chargeable to the third party; Short term de-energisation (and subsequent re-energisation) of a metering point, at the customer's request, in order to allow customer to undertake work on their own electrical installation. The physical work undertaken by the DNO would typically be the removal and subsequent re-installation of a cut out fuse; and Dismantling services to street lighting at the request of a third party and where the cost is wholly or partially chargeable to a third party.
Relevant Excluded Services	Those excluded services included in "Direct opex & total faults & Non-op capex" for the purposes of the RAV calculation, being ES1, ES3, ES4, ES7A, ES7B, ES8 and ES9 (as defined in those paragraphs of special condition A2 of the electricity distribution licence).	
	EXCLUDES	ES5, ES6 and ES10 (as defined in those paragraphs of special condition A2 of the electricity distribution licence).
De Minimis	The activity of conducting de minimis business, i.e. non-distribution business activities, which are subject to the limitation provided for in standard condition 43 of the electricity distribution licence.	
Eligible IFI Project	Has the meaning attributed to it in paragraph 3.2 of the Distributed Generation Innovation Funding Incentive and Registered Power Zones Regulatory Instructions and Guidance.	
Innovation Funding Incentive ("IFI")	Has the meaning and purposes attributed to the innovation funding incentive scheme in paragraph 1(a)(ii) of standard condition 51 of the electricity distribution licence.	
Revenue Protection	In relation to metering activities, making metering positions safe and secure and identifying the extent of unrecorded consumption.	
Distributed Generation ("DG") Activity	The connection of distributed generation by the licensee and the distribution of units entering the licensee's network from connections to distributed generators.	

Appendix 2c – Table 2.2 Cost Type Definitions

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;
		Company cars or payments in lieu thereof;
		Standby costs - are the costs incurred when employees are on standby to be called upon if required in the event of a specified occurrence in accordance with their terms of employment.
		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.
		Subsistence;
		Travel;
		Entertainment expenses;
		Share options (including employee share purchase plans, employee share option plans);
		Medical insurance costs;
		Childcare assistance;
		Protective clothing; and
		Welfare costs.
	EXCLUDES	Professional services;
		Contractors;
		Company vehicles take home over night, other than company cars (include under vehicles and transport activity);
		Small tools and equipment (include under non-operational new assets and replacement);

Pension costs (employer only); and

Pension deficit repair payments.

Contractors

The charges invoiced by a third party that has entered into contractual relations with the DNO or related party thereof to supply goods and/or services.

INCLUDES Professional Services - Services provided on a consultancy basis, typically items such as legal services, audit fees, taxation services.

EXCLUDES Charges for materials provided by the contractor where the cost of such materials has been separately identified by the contractor (include in Materials).

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.

Wayleaves / servitudes / easements

Access to property granted by a landowner for a consideration.

Wayleaves - Access to property granted by a landowner for up to one year

Easements/Servitudes - An interest in land owned by another that entitles its holder to a specific limited use of that land over an unrestricted time. Easements (England & Wales), Servitude (Scotland).

Lane rentals

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

road occupation
Those costs, as determined in accordance with special condition A3 of the electricity distribution licence, incurred in order to comply with obligations under any regulations made pursuant to section 74A of the New Roads and Street Works Act 1991, reported within lane rentals in the RRP;

permit scheme, which category of costs is prescribed in regulations made pursuant to Part 3 of the Traffic Management Act 2004;

congestion charges; and

fines and penalties

Costs incurred under the New Roads and Street Works Act 1991 and the Road Traffic Act.

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

INCLUDES	Fines and Penalties
	Road Occupation Costs
	Permit Scheme Costs
	Congestion Charges

Rent, etc

An abbreviation for the cost category encompassing the cost of

Rent
Payment, usually of an amount fixed by contract, made at specified intervals in return for the right to occupy or use the property of another.

Rates
Has the meaning given in special condition A1 of the electricity distribution licence except that it excludes network and water rates.

Water Rates
Rates payable on water supplies and sewerage in accordance with the Water Services Act.

Leases

Utilities
Electricity and gas consumed at non-operational premises;

Insurance, excluding recoveries.

Subscriptions, software and software licences

Subscriptions to IT or Telecoms software and for trade and other associations.

INCLUDES	Subscriptions to trade bodies including the Electricity Networks Association (ENA).
	Ordnance Survey Licences.
	Other Software Licences.

Related party margin

The profit or loss recorded on a transaction with an affiliate being the excess or deficit on actual direct costs and indirect costs (excluding financing costs) fairly attributable to the transaction or the charge and the cost of providing that transaction.

For the avoidance of doubt this does not include exceptional items, tax, fines, penalties or the gain or loss on the disposal of assets or investments (of any

sort), i.e. it should be net operating costs level.

For Captive Insurance businesses the margin is to be computed based on the captive's premium income less reinsurance premiums, claims paid out and movements on technical and IBNR reserves attributable to the distribution business only, i.e. usually reported as the profits/loss on the Technical account. Where a captive insures more than the distribution licensee(s), then it's profit/loss should be computed pro rata to the premiums paid by the licensee to total premium income in the captive for the year and the movements on technical and IBNR reserves not attributable to the distribution business must first be removed.

Cost recoveries	Is the recovery of costs or the release of excess (normal level of trading) prepayments or accruals in a different financial year from which the costs were originally recorded. Note: the release of excess (normal level of trading) prepayments or accruals in a different financial year from which the costs were originally recorded is atypical costs.	
	INCLUDES	Insurance claim receipts;
		Refunds of insurance premiums;
		Recoveries of costs of third party damage faults; and
		Any other recoveries of costs that are not categorised or required to be disclosed under de minimis activities or as excluded service income.
	EXCLUDES	All provision releases;
		Cash recoveries for atypical events;
		The release of amounts or excess amounts set aside for legal claims and contingent liabilities; and
		Sales of scrap (report on table 2.6)
Statutory depreciation	The charge in the statutory and/or regulatory accounts computed by applying the licensees own accounting policies for depreciation.	
Customer contribution	Financial contribution received from a customer in respect of the provision of a new connection to the DNO's network.	
	INCLUDES	Contribution(s) made to a related party undertaking connection to the DNO's network; and
		Refundable contribution(s) (which will be reversed when refund actually made to the customer).
	EXCLUDES	De minimis contributions.

Appendix 2d – Other Table Definitions

Table	Term	Definition	
2.3	Inspection	The visual checking of the external condition of assets.	
		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.
		EXCLUDES	Use of diagnostic testing equipment;
			Supervisory input to plan workloads and manage staff (include under engineering mgt & clerical support);
			Data review except the initial recording on site (include under engineering mgt & clerical support);
			Inspection of non-system assets (include 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.
2.3	Maintenance	The invasive ('hands on') examination of plant and equipment.	
		INCLUDES	Oil pumping;
			Oil for fluid filled cables;
			Renewal and replacement of insulation medium (e.g. Sf6 and oil) in switchgear, whether reprocessed or not;
			Environmental clear-ups;
			Painting of towers, substations, plant; and
			Substation building maintenance including weed clearance, fencing, outdoor and indoor maintenance;
			The functional testing of plant & equipment;
			The use of diagnostic testing equipment to assess the condition of plant and equipment;
			Minor repairs carried out at the same time as the maintenance visit;
			The physical dismantlement of existing assets (at all voltage levels) where the cost of dismantlement is not chargeable to a third party and no new assets are to be installed;

			Remedial work; and
			Provision of electricity for substations
		EXCLUDES	Supervisory input to plan workloads and manage staff (include under Engineering Mgt & Clerical Support);
			Data review except the initial recording on site (include under Engineering Mgt & Clerical Support);
			Maintenance of non-system assets (include under Property Mgt);
			Tree cutting and tree clearance (include under Tree Cutting);
			Any of the costs associated with the indirect activities as defined in this appendix;
			Any costs resulting from physically repairing an asset and restoring supply following a fault (include under Faults); and
			Any of the costs associated with inspection.
2.3	Non-QofS faults	The cost of fault incidents that cannot be attributed to any of the asset types set out for Quality of Service ("QofS") reporting.	
		INCLUDES	Cut outs;
			Street lighting; and
			Call-out resulting in no restoration or rectification work.
2.3	Third party cable damage	Damage caused by third parties to cables for which a recovery of costs is made and which are not Non Trading Rechargeables (ES5 & ES6).	
2.3	Atypical faults costs	Costs incurred as a result of Severe Weather Exceptional Events	
2.3	Faults opex	Expenditure incurred in relation to an 'unplanned incident' where such costs are the result of physically repairing assets to return them to their pre-incident performance. Fault costs cease when supplies have been restored, rectification works have been completed and the DNO foresees no further work to be required to achieve pre-incident performance.	
		INCLUDES	Rectification work relating to a fault which does not include any asset replacement; and
			Emergency generation costs.
2.3	Faults capex	The reactive replacement of a system asset following an occurrence where the asset's functional failure has resulted in an unplanned incident and where the asset must be replaced before full system functionality can be restored.	

		INCLUDES Expenditure incurred in relation to an Unplanned Incident, as defined for Quality of Service reporting, where such costs are the result of physically replacing assets to return them to their pre-incident performance. Fault costs cease when supplies have been restored, rectification works have been completed and the DNO foresees no further work to be required to achieve pre-incident performance.
		EXCLUDES All costs where assets are not replaced; The cost of planned asset replacement; in particular, replacement of assets which have faulted in the past (on one or more occasions), have been repaired and returned to operation and are subsequently replaced as a planned activity due to an assessment of their condition (not in response to a particular unplanned incident's having occurred) – (include in Non-Load new and replacement assets).
2.4	New connections	The costs incurred to connect new demand customers and non-relevant distributed generation to the distribution system.
		INCLUDES • The dismantlement of existing assets (at all voltage levels) where the dismantlement is undertaken as part of the load related capital project to install new connection assets.
		EXCLUDES • The physical dismantlement of existing assets (at all voltage levels) where the cost of dismantlement is not chargeable to a third party and no new assets are to be installed.
2.4	Independent connection provider ('ICP')	A provider of connections services that is not a related party.
2.4	Customer specific reinforcement	The costs to be recorded relate to assets installed for providing additional network capacity necessary in order to meet the specific requirements of customers for new or augmented demand connections. Where the minimum scheme to meet the customer's specific requirements is implemented, the full cost of reinforcement assets should be included under this heading, even when, due to the use of standard plant and equipment ratings, the minimum scheme provides extra capacity. Where a scheme in excess of the minimum scheme is implemented, at the discretion of the DNO, any costs in excess of the minimum scheme costs should not be included under this heading.
		INCLUDES • Costs which are 'chargeable' to customers through the application of the 'Connection Charge Apportionment Rules'. • Costs which are 'non-chargeable' to customers through the application of the 'Connection Charge

			Apportionment Rules'. • Costs of Customer Specific Reinforcement associated with Non relevant Distributed Generation
		EXCLUDES	• The costs of Customer Specific Reinforcement associated with relevant Distributed Generation (include within Distributed Generation). • Costs incurred, at the discretion of the DNO, in excess of the minimum scheme costs required to meet the customer's specific needs.
2.4	Substation costs	The expenditures in this category are the costs associated with: • substation civil works; • safety barriers/signs; • painting; and • vegetation management, including other costs related to substations other than transformers and switchgear.	
		INCLUDES	Reduction of noise pollution; Installation of oil spillage protection at existing sites (e.g. Bund walls);and Prevention of the release of material (e.g. Insulating fluid or sf6) into the environment (as set out in the environmental legislation).
		EXCLUDES	Visual amenity; and Replacement of fluid filled/pressure assisted cables.
2.5	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 because of such programmes.	
2.5	Restructuring	The act of re-organising a business for making the organisation more efficient.	
		INCLUDES	redundancy costs (inc. ERDCs)
		EXCLUDES	early retirement costs (inc. ERDCs)
2.5	Severe weather exceptional event	Weather events that meet the relevant exceptionality requirement defined in annex B of special condition C2 of the electricity distribution licence.	
2.5	Other cost	In relation to atypical costs only, means any form of remuneration or	

	recoveries	cost recovery or reimbursement received by the licensee, other than 'insurance proceeds received' resulting from an 'atypical event'.
2.6	Transmission exit charges	Has the same meaning as that for "transmission connection point charges" given in special condition A1 of the electricity distribution licence.
2.6	Wheeled units imported	The activity and costs of the importation of units of electricity conveyed on the licensee's distribution system within the licensee's distribution services area but not consumed within the licensee's distribution services area.
2.6	Network rates	Rates levied on distribution network assets in accordance with the Electricity Supply Industry (Rateable Values) (England) Order 2005. EXCLUDES Business rates; and Water rates.
2.6	Ofgem licence fee	Payments by the licensee to the Authority determined in accordance with standard condition 3 of the electricity distribution licence.
2.6	Shetland balancing	The activity relating to the balancing of costs of the provision of electricity in the Shetland Isles as determined by the application of Part 2 of Annex C to special condition B2 of the electricity distribution licence. Such costs are only applicable to Scottish Hydro Electric Power Distribution Limited.
2.6	Scottish electricity settlement run-off	An activity specifically applicable to DNOs whose distribution services areas are in Scotland in respect of the settlement run-off arrangements and costs as defined for the term "SRSt" in paragraph 5 of special condition B2 of the electricity distribution licence and only applicable for the year end 31 March 2006.
2.6	Guaranteed standards compensation payment	Payments to customers required by the guaranteed standards of performance.
2.6	Use of system bad debts	A bad debt arising specially for use of system charges.
2.6	Fines and Penalties	Includes: **Overstay penalties** - Penalties payable to Local Authorities because 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).
2.6	Permit scheme costs	Those costs, as determined in accordance with special condition A3 of the electricity distribution licence, incurred to comply with obligations under any order or regulations made pursuant to Part 3 of the Traffic Management Act 2004 which impose a permit scheme, otherwise referred to as lane rentals in the RRP. References to the Traffic Management Act 2004 are to be interpreted as, in relation to Scotland, the Transport (Scotland) Bill as enacted.
2.6	Congestion charges	Charges introduced under powers in the Greater London Authority Act 1999 and the Transport Act 2000 (and similar legislation) and implemented by Transport for London (and similar bodies) for charging in respect of vehicles entering certain designated zones. Overstay Penalties
2.6	Pension	The administrative costs for the operation of a pension scheme

	administration costs	(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.	
		INCLUDES	Actuarial consultancy fees;
			Administration and investment management
			Pensioners payroll;
			Third party administration fees;
			Electricity pension services limited costs;
			Pensions administration system license 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;
			PPF levy costs (only where paid by trustees);
			Member communication costs;
			Trustee remuneration; and
			Trustee training costs.
	Ex gratia compensation payment	Discretionary compensation payment to customers not covered by the guaranteed standards of performance compensation scheme.	
		INCLUDES	Payments to customers who have experienced dissatisfaction.
		EXCLUDES	Payments to customers who have experienced a financial loss (include under Finance and Regulation); and
			Any payments in respect of employees.
2.6	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.	

		INCLUDES **Flexible benefit scheme** - A scheme whereby an employee may select from a menu of tariff flexible benefits which substitute the selected defined benefit(s) for salary or other benefits.
2.6	Pension deficit repair payments	The costs paid or accrued, directly or indirectly, by the licensee to reduce a shortfall in a pension scheme's assets compared with liabilities as determined in accordance with applicable accounting standards, the pension scheme Rules and the pension scheme actuaries..
2.7	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.
2.7	Apprentices	Employees engaged under an approved apprenticeship scheme.
2.8	Information technology ("IT")	Means, for the purposes of 'Table 2.8 IT & Telecoms', the purchase, development, installation, and maintenance of computer and telecommunications systems and applications. IT is sub-divided into: **New assets – operational** IT equipment which is used exclusively in the real time management of network assets, but which does not form part of those network assets. • RTU units and associated items; • communication equipment marshalling kiosks at substations; • communication solely for the purpose of switching (SCADA, antenna, pacnet etc.); • communication equipment receivers at the control centre; and • control hardware and software at the control centre. The following assets and components form part of the distribution network assets and are therefore excluded from Operational IT. • as part of the plant: o Transducers on the plant; o Control/indication panels and relays; and o Wiring from plant to control panel. • as part of the mains: o Auxiliary cables that form part of a pilot cable or are integral with/supported from a main. • as part of the substation: o Transducers associated with the substation, e.g. fire/security alarms and weather stations; o Dataloggers and statistical metering (for both of the above, the distinction from (a) is that these are not directly related to the normal operation of the substation); and o Wiring (if any) from (plant) control panels to RTU and marshalling kiosk.

New Assets – non-operational

- Developing new software for non-operational IT assets including the costs of maintaining an internal software development resource or contracting external software developers. This will include any cost of software licences to use the product where that cost covers more than one year.
- Installing new or upgrading software where the benefits are expected to last beyond one year. This does not include the upgrading of software that is included within the costs of annual maintenance contracts for the software.

IT maintenance and running costs

Maintenance and all the operating costs of the IT infrastructure and management costs and Applications costs. This includes any annual fee for the maintenance of software licences, whether or not they include the right for standard upgrades or 'patches' to the software as they become available

IT is further sub-divided into:

IT Infrastructure & Management Costs

- IT/Telecoms Network Provision;
- IT/Telecoms Network Maintenance;
- Telecoms Voice and Data Network Usage;
- Telecoms Telecontrol Network;
- IT Servers Support / Services;
- IT Environmental Control Systems;
- IT Clients support / Services;
- Telecoms Management; and
- IT Management.

IT Applications Costs

- IT applications maintenance and running costs.
- IT new application software and upgrade costs.

EXCLUDES Ordnance survey data / licences.

Any of the property costs associated with IT & Telecoms (include under Property Mgt), except where the cost of specific IT environmental control systems can be distinguished from other property costs.

2.8	IT network provision	The cost of voice and data network circuit rentals for inter-office, home to office, Private Mobile Networks (PMRs) and field handhelds.
2.8	IT network maintenance	Voice and data network, PABX, private mobile radio circuits ("PMR"), router and switch maintenance costs; and Related hardware licence fees.
2.8	IT voice and data network usage	Usage charges for land line, mobile phones, facsimiles, field handhelds and PMR services wherever situated; Data usage charges;

		Call centre usage; and Authorised home telephone account usage.
2.8	IT Telecontrol network	Distribution network telemetry circuit charges and usage; RTU and rural automation hardware; Related hardware licence fees; and Repairing faults on the IT Telecontrol network
2.8	IT servers support / services	Hardware maintenance and operating systems; Data centre operations; System administration; Database administration; Enterprise management covering monitoring, backup, scheduling and capacity planning; and Disaster recovery;
2.8	IT environmental control systems	Physical IT environmental costs and maintenance (i.e. air conditioning, uninterruptible power supply, fire and flood prevention and detection) where these can be differentiated from the costs of property management.
2.8	IT clients support / services	security administration; IT procurement; help desk fault management; and On-going configuration and new requests, for client's personal computers, laptops, printers, hand held devices and monitors.
2.8	IT management	The costs of managing the IT & Telecoms activity that do not relate to any specific IT infrastructure or IT applications. • senior IT & Telecoms department management labour costs, except when engaged on specific IT infrastructure or applications; • administration support within the IT activity / department; • consumables (e.g. stationery, disks, moveable storage mediums); and • other costs not relating specifically to other defined IT infrastructure or applications categories.
2.8	IT applications maintenance and running costs	First and third party application software maintenance; and Software licence and licensing costs for existing applications.
2.8	IT new	Purchasing and installing propriety new application software and

	application software and upgrade costs	their licence fees; and Purchasing and installing upgrades to existing application software, and developing bespoke application software specifically for the licensee's business by the licensee or a related party.	
2.9	Insurance management	The activity of managing and administering the insurance function, internally and externally by third parties.	
		INCLUDES	Arranging the contracts of insurance; Brokers fees; and Cost of in-house insurance team.
		EXCLUDES	Insurance premiums; Compensation claims handling
2.9	Claims handling (in-house only)	The activity of processing claims (in-house only) where claimants have experienced a financial loss.	
2.9	Profits of a captive insurer	To be reported in accordance with the Rules for accounting for insurance companies (and before tax).	
2.9	General EMCS	Includes management and clerical support of non-project direct work.	
2.12	(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.	
2.14	ESQCR costs (Reg 17 &18)	Cost of complying with obligations under regulations 17 and 18 of the ESQCR 2002 which had not been an obligation under the 1988 Electricity Supply Regulations.	
2.14	New ESQCR costs - ESQCAR 2006 - 43-8	Costs of complying with obligation 20A of the ESQCAR 2006 where the prime driver is complying with ENA TS 43-8.	
2.14	New ESQCR costs - ESQCAR 2006 - ETR132	Costs of complying with obligation 20A of the ESQCAR 2006 where the prime driver is complying with ENA ETR 132.	
2.14	New ESQCR costs - Other	Costs of complying with any new obligations because of further changes to ESQCR.	

Appendix 2e – DPCR4/RAV Definitions

Capitalisation adjustment	An adjustment to include/exclude items in the RAV on a price control basis.
Cost of sales (for the purposes of DPCR4 only)	Costs of providing services other than distribution services. With the exception of transmission exit charges the costs assumed to match income. INCLUDES Transmission exit charges; NTRs; Other excluded services; and Direct costs incurred in the provision of de minimis activity.
Direct contractor (for the purposes of DPCR4 only)	A third party that has entered into contractual relations with the DNO or related party to work on specific system assets and/or operational premises and can include elements of labour, materials, etc.
Direct labour (for the purposes of DPCR4 only)	That part of the DNO's own workforce and that of a material related party service provider that can clearly identify which system assets and/or operational premises their effort is being expended upon, evidenced by time sheets / time writing that records the amount of time spent. Direct labour excludes labour where managerial assessment or some other form of estimation is used to apportion costs to an activity. For the avoidance of doubt and to ensure consistency and comparability across DNOs, the costs associated with direct labour should only be in relation to those field staff that are actually physically performing work on the network, i.e. specific, identifiable physical, system assets. (Note: This can include the element of labour costs associated with trench excavation staff, craftsmen, technicians, technical engineers, administration and support staff, network planners and designers where a portion of their time involves physical contact with system assets and only that proportion of their time.) Accordingly direct labour excludes the costs associated with depot staff, technical engineers, administration and support staff, network planners and designers, investment strategy or planning, developing or maintaining technical standards or asset specifications or procurement standards, any work prior to financial authorisation of a project, etc. (except for that proportion of their time that involves physical contact with system assets above).
Direct materials (for the purposes of DPCR4 only)	Materials drawn from supplies for specific system assets or operational premises and supported by stores issue notes and all materials delivered directly to site.
DPCR4 allowances	Amounts allowed for calculating revenue set out in special conditions B1 and B2 of the electricity distribution licence which covers the five years from 1 April 2005 to 31 March 2010.

Fines and penalties	Items disallowed from the calculation of RAV arising under any legislation including but not limited to those from tax authorities (e.g. VAT, PAYE compliance, National Insurance and corporation tax penalties including for late payments), New Roads and Street Works Act 1991 section 74 overstay and defect fines and those under the Road Traffic Act. See also Finance and Regulation, Lane Rentals and permit scheme costs.
Inflation	Is the arithmetic average of the monthly RPI figures for the regulatory financial year under review compared to the average of the index for the previous year.
Inflation adjustment	Adjustment applied to the RAV balance for movements in RPI (either inflation or deflation).
Meter recertification expenditure capitalisation adjustment	Adjustment only for the 12 months to 31 March 2005 to transfer any meter recertification costs included in operating costs into the RAV.
Net Debt	Net debt includes cash at bank, bank overdrafts, short term investments, external borrowings, inter-company borrowings, inter-company debtors/working capital, inter-company creditors/working capital, loans to related parties and cross currency swaps to reflect the ultimate liability in Sterling. Net debt excludes year end balances fair value adjustments on derivatives in regulatory accounts (except cross currency swaps), unamortized issue costs, fixed asset investments where not readily converted to cash and preference shares.
Net Interest	Net interest includes actual net interest (payable less receivable) for the price controlled business extracted from regulatory accounts, used on an accruals basis and total interest on index-linked debt based on the charge to the income statement in regulatory accounts. Net interest excludes movements relating to pension fund liabilities reported in the regulatory accounts within net interest, fair value adjustments (e.g. losses on derivatives) and dividends on preference shares, as these are not tax deductible.
Net non-fault operational capex (for the purposes of DPCR4 only)	Has the meaning given at paragraph A1.12 in Appendix 1 (RAV Roll Forward and Incentive Mechanisms) in the Electricity Distribution Price Control Review Final Proposals (November 2004) document.

Normal pension charges	Employer contributions or normal accruals to a pension scheme that are not pension deficit payments or charges.
Normal pension payments	Employer contributions to a pension scheme that are not pension deficit payments. INCLUDES Payments to defined benefit schemes; Payments to defined contribution schemes; Funding funded unapproved retirement benefit schemes ("furbs) determined in accordance with tax legislation. EXCLUDES Salary sacrifice payments.
Opex allowance	The assumption for operating expenditure requirements included in the Electricity Distribution Price Control Review: Statutory consultations on the licence modifications (February 2005) to calculate allowed revenue.
Opex plus fault costs (for the purposes of DPCR4 only)	Has the meaning given at paragraph A1.13 in Appendix 1 (RAV Roll Forward and Incentive Mechanisms) to the Electricity Distribution Price Control Review Final Proposals (November 2004) document.
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.
Pension allowance	The assumption for pensions charges (normal and deficit) requirements included in the Distribution Price Control Review: Statutory consultations on the licence modifications (February 2005) to calculate allowed revenue.
PKF repairs and maintenance adjustment (for the purposes of DPCR3 only)	An adjustment made in respect of repairs and maintenance when setting DPCR3 allowances.
Post-vesting asset	An asset included in the RAV acquired by a licensee after vesting date, i.e. 1 April 1990.
RAV additions	Expenditure added to the RAV in the year.
Regulatory asset value("RAV")	A measure of the value of the capital employed in the regulated business, based on historical investment costs, on which licensees earn a return and receive regulatory depreciation.
Regulatory depreciation expense	The annual expense for the depreciation of assets in the RAV, determined in accordance with paragraphs 8.10 to 8.14 "Depreciation, asset lives and capitalisation" of the Electricity Distribution Price Control Review Final Proposals (November 2004) document.

Vesting assets	Assets included in the RAV at the vesting date.
Vesting asset lives	Being the number of years over which vesting assets are depreciated in rolling forward the RAV.

Appendix 2f – Accounting Definitions

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 determining what amounts should be excluded as non cash item are only those items that are not incurred as part of the ordinary level of business activities, the latter being normal trade accruals and prepayments, holiday pay provisions; and would be atypical costs.	
Bad debt expense	The charge/credit to the profit and loss account (income statement under IAS) for bad and doubtful debts.	
	INCLUDES	Debts written off or a provision against non-recovery; and Debts recovered after they have been written off.
	EXCLUDES	The cost of debt recovery (include under Finance and Regulation).
Bad debt provision	A provision against a debt that may be uncollectible in whole or in part.	
Cash atypicals	Costs which are not typical cash costs and which are not incurred as part of the ordinary level of business.	
	INCLUDES	Cash payments incurred in response to an atypical event (not part of the ordinary level of business activities); Costs resulting from severe weather events; Costs resulting from restructuring, including redundancy costs; and Fines and penalties (including for late payments) from tax authorities (e.g. Vat, PAYE compliance, national insurance and corporation tax penalties).
	EXCLUDES	All accruals and prepayments; All provisions (as defined by ca1985 and accounting standards) whether incurred as part of ordinary level of business activities or otherwise; Cash payments for the utilisation of a provision; Typical cash costs; and Early retirement costs, except because of redundancy (i.e. Early retirement costs for staff where the post is retained as typical and not atypical).
Cash typical costs	All costs incurred and paid in cash or normally paid in cash, subject to short timing differences, as part of the ordinary level of business.	

	INCLUDES	All accruals and prepayments that are incurred as part of ordinary level of business activities, these include holiday pay provisions, normal trade accruals and prepayments, and which are expected to be paid within the entities standard terms of business; Assets acquired under a finance lease; and Cash payments for the utilisation of a provision.
	EXCLUDES	All provisions (as defined by CA1985 and accounting standards) whether incurred as part of ordinary level of business activities or otherwise; The cost or transfer value of assets acquired from a related party which have been previously used in or by the distribution business; All accruals and prepayments that relate to atypical events; and Atypical cash costs.
Catch-up depreciation	Straight-line (15-year) depreciation of the difference between RAV balances assuming (i) a 20-year life for post vesting RAV additions and (ii) the original post-vesting RAV additions life (38 years for DNOs whose distribution services areas are in Scotland and 33.3 years otherwise). Catch-up depreciation only arises once the vesting assets have been fully depreciated.	
Deferred revenue expenditure	In the corporation tax and capital allowance context means allowed revenue expenditure which has been accounted for by posting the expense somewhere on the balance sheet (whether to fixed or current assets) rather than by writing it off immediately to the profit and loss account /income account as it is incurred. The expenditure is then usually written off to the profit and loss account/income account over a period, 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.	
Financial year	A period of 12 months beginning on 1 April of any year and ending on 31 March of the following calendar year. SEE ALSO: Statutory accounting financial year.	
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.	
UK GAAP	United Kingdom Generally Accepted Accounting Practice.	

Appendix 2g – Network Analysis

Asset descriptions

Asset	Description	Unit
LV Main (OHL)	Low Voltage Overhead Main Includes – Open wire and covered construction (ABC etc) Excludes - Services	Circuit km (cctkm)
LV Service (OHL)	Low Voltage Overhead Service Includes – Open wire and covered construction	Number of services (#)
LV Support	Low Voltage Overhead Line Support Includes – All types of LV OHL Support e.g. wood and concrete poles and steel towers	Number of supports (#)
LV Main (UG Consac)	Low Voltage Underground Main (Consac) Includes – Cables of Consac construction Excludes - Any other cables design and services	Circuit km (cctkm)
LV Main (UG Plastic)	Low Voltage Underground Main (Plastic) Includes – Cables designs utilising Plastic insulation (e.g. Waveform etc) Excludes - Any other cables design and services	Circuit km (cctkm)
LV Main (UG Paper)	Low Voltage Underground Main (Paper) Includes – Cables designs utilising Paper insulation (e.g. PILC etc) Excludes - Any other cables designs and services	Circuit km (cctkm)
LV Service (UG)	Low Voltage Underground Service Includes – All cable designs (e.g. plastic, PILC etc)	Number of services (#)
LV Pillar (ID)	Low Voltage Feeder Pillar (Indoor) – (Indoor distribution board) For example a distribution board equipped with 1600A incomer transformer disconnector and with 6x630A outgoing ways including associated fuses. Also includes LV air circuit breakers. Includes - Free standing or transformer mounted Excluded – Wall mounted open busbar designs	Number of Pillars (#)
LV Pillar (OD)	Low Voltage Feeder Pillar (Outdoor) – (Outdoor distribution board) For example a distribution board equipped with 1600A incomer transformer disconnector and with 6x630A outgoing ways including associated fuses. Also includes LV air circuit breakers. Includes - Free standing and transformer mounted. Excludes – Wall mounted open busbar designs	Number of Pillars (#)

Asset	Description	Unit
LV Board (WM)	Low Voltage Distribution Board (Wall Mounted) Includes – Wall mounted distribution boards with open type assembly without protection against direct access to live parts usually used for live withdrawal/insertion of fuse-links. Excludes – LV Pillars	Number of Boards (#)
LV UGB	Low Voltage Underground Link Box Allows the interconnection or isolation (switch) of adjacent sections of underground low voltage cables (e.g. 4 way 4 core)	Number of link boxes (#)
LV Fuses (PM)	Low Voltage Pole Mounted Fuses	Set of Fuses (#)
LV Fuses (TM)	Low Voltage Transformer Mounted Fuse Box	Set of Fuses (#)
6.6/11 kV OHL (Conventional)	6.6 kV or 11 kV Overhead Line Conductor – Open Wire Construction Includes - All forms of open wire construction. Depending on how data are extracted from the DNOs' asset registers this may also include short spans of covered conductor (as required for reasons of safety) which form part of a line of otherwise conventional open construction.	Circuit km (cctkm)
6.6/11 kV OHL (BLX or similar)	6.6 kV or 11 kV Overhead Line Conductor – Covered Construction Includes – All forms of covered construction for example lines constructed to ENA TS 43-121 i.e. single circuit overhead lines of compact covered construction on wood poles for use at high voltage up to and including 33kV (e.g. BLX).	Circuit km (cctkm)
20 kV OHL (Conventional)	20 kV Overhead Line Conductor – Open Wire Construction Includes - All forms of open wire construction. Depending on how data are extracted from the DNOs' asset registers this may also include short spans of covered conductor (as required for reasons of safety) which form part of a line of otherwise conventional open construction.	Circuit km (cctkm)
20 kV OHL (BLX or similar)	20 kV Overhead Line Conductor – Covered Construction Includes – All forms of covered construction for example lines constructed to ENA TS 43-121 i.e. single circuit overhead lines of compact covered construction on wood poles for use at high voltage up to and including 33kV (e.g. BLX).	Circuit km (cctkm)
6.6/11 kV Support	6.6 kV or 11 kV Overhead Support Includes – All types of OHL Support e.g. wood, concrete or steel construction	Number of Supports (#)
20 kV Support	20 kV Overhead Support Includes – All types of OHL Support e.g. wood, concrete or steel construction	Number of Supports (#)
6.6/11kV UG Cable	6.6 kV or 11 kV Underground Cable Includes – All design types of Underground Cable	Circuit km (cctkm)
20kV UG Cable	20 kV Underground Cable Includes – All design types of Underground Cable	Circuit km (cctkm)

Asset	Description	Unit
HV Sub Cable	High Voltage Submarine Cable Includes – All design types of Submarine Cable	Circuit km (cctkm)
6.6/11 kV CB (PM)	6.6 or 11 kV Circuit Breaker (Pole Mounted) Includes – All Pole mounted Circuit Breakers and Auto Reclosers	Number of breakers (#)
6.6/11 kV CB (GM)	6.6 or 11 kV Circuit Breaker (Ground Mounted) Includes – All Ground mounted Circuits Breakers (both indoor and outdoor)	Number of breakers (#)
6.6/11 kV Switch (PM)	6.6 or 11 kV Switch (Pole Mounted) Includes – All Pole mounted Switches and auto sectionalisers (e.g. Reyrolle OYS)	Number of switches (#)
6.6/11 kV Switch (GM)	6.6 or 11 kV Switch (Ground Mounted) Includes All Ground Mounted Switches & Fuse Switches (both indoor and outdoor)	Number of switches (#)
6.6/11 kV RMU	6.6 or 11 kV Ring Main Unit	Number of RMUs (#)
6.6/11 kV Switchgear – Other	6.6 or 11 kV Switchgear – Other (PM) Includes – All other switchgear e.g. earth switches, fuses, fault throwers, auto sectionalizing links (ASL, Intl fuse) and disconnectors & links (ABSD, ABIs) etc Excludes – Circuit breakers, Switches and RMUs Any isolators and earth switches that are integral to a circuit breaker, switch, RMU should not be counted as separate items of switchgear	Number of Switchgear (#)
20 kV CB (PM)	20 kV Circuit Breaker (Pole Mounted) Includes – All Pole mounted Circuit Breakers and Auto Reclosers	Number of breakers (#)
20 kV CB (GM)	20 kV Circuit Breaker (Ground Mounted) Includes – All Ground mounted Circuits Breakers (both indoor and outdoor)	Number of breakers (#)
20 kV Switch (PM)	20 kV Switch (Pole Mounted) Includes – All Pole mounted Switches and auto sectionalisers (e.g. Reyrolle OYS)	Number of switches (#)
20 kV Switch (GM)	20 kV Switch (Ground Mounted) Includes All Ground Mounted Switches & Fuse Switches (both indoor and outdoor)	Number of switches (#)
20 kV RMU	20 kV Ring Main Unit	Number of RMUs (#)

Asset	Description	Unit
20 kV Switchgear – Other	20 kV Switchgear – Other Includes – All other Pole mounted switchgear e.g. pole mounted earth switches, fault throwers, fuses, auto sectionalizing links (ASL, Intl fuse) and disconnectors & links (ABSD, ABIs) etc Excludes – Circuit breakers, Switches and RMUs Any isolators and earth switches that are integral to a circuit breaker, switch, RMU should not be counted as separate items of switchgear	Number of Switchgear (#)
6.6/11 kV Transformer (PM)	Pole Mounted Power Transformer with a primary winding voltage of 6.6 or 11 kV Includes – 6.6 and 11 kV reactors & regulators	Number of Transformers (#)
6.6/11 kV Transformer (GM)	Ground Mounted Power Transformer with a primary winding voltage of 6.6 or 11 kV Includes – 6.6 and 11 kV reactors & regulators	Number of Transformers (#)
20 kV Transformer (PM)	Pole Mounted Power Transformer with a primary winding voltage of 20 kV Includes – 20 kV reactors & regulators	Number of Transformers (#)
20 kV Transformer (GM)	Ground Mounted Power Transformer with a primary winding voltage of 20 kV Includes – 20 kV reactors & regulators	Number of Transformers (#)
33kV OHL (Pole Line)	33 kV (includes 22 & 25 kV) Overhead Line Conductor – Pole Line Includes – All conductor strung on poles, single and double circuits, open wire and covered conductor Excludes - Conductor strung on a Tower Line	Circuit km (cctkm)
33kV OHL (Tower Line)	33 kV (includes 22 & 25 kV) Overhead Line Conductor – Tower Line Includes – All conductor strung on towers, single and double circuits Excludes - Conductor strung on a Pole Line	Circuit km (cctkm)
66kV OHL (Pole Line)	66 kV Overhead Line Conductor – Pole Line Includes – All conductor string on poles, single and double circuits, open wire and covered conductor Excludes - Conductor strung on a Tower Line	Circuit km (cctkm)
66kV OHL (Tower Line)	66 kV Overhead Line Conductor – Tower Line Includes – All conductor strung on towers, single and double circuits Excludes - Conductor strung on a Pole Line	Circuit km (cctkm)
33kV Pole	33 kV (includes 22 & 25 kV) Overhead Line Pole Includes Supports constructed of Wood and concrete and small footprint steel masts (both single and double circuits) Excludes – Steel lattice towers	Number of Poles (#)

Asset	Description	Unit
33kV Tower	33 kV (includes 22 & 25 kV) Overhead line Tower Includes - Steel lattice towers Excludes - Small footprint steel masts	Number of Towers (#)
66kV Pole	66 kV Overhead Line Pole Includes Supports constructed of Wood and concrete and small footprint steel masts (both single and double circuits) Excludes – Steel lattice towers	Number of Poles (#)
66kV Tower	66 kV Overhead line Tower Includes - Steel lattice towers Excludes - Small footprint steel masts	Number of Towers (#)
33kV - UG Cable (Non Pressurised)	33 kV (includes 22 & 25 kV) Underground non pressured assisted cables Includes – plastic, paper insulated cables Excludes pressured assisted designs	Circuit km (cctkm)
33kV - UG Cable (Oil filled)	33 kV (includes 22 & 25 kV) Underground pressured assisted oil filled cable Excludes non pressured assisted designs and gas filled Cables	Circuit km (cctkm)
33kV - UG Cable (Gas filled)	33 kV (includes 22 & 25 kV) Underground pressured assisted gas filled cable Excludes non pressured assisted designs and oil filled Cables	Circuit km (cctkm)
66kV - UG Cable (Non Pressurised)	66 kV Underground non pressured assisted cables Includes – plastic, paper insulated cables Excludes pressured assisted designs	Circuit km (cctkm)
66kV - UG Cable (Oil filled)	66 kV Underground pressured assisted oil filled cable Excludes non pressured assisted designs and Gas filled Cables	Circuit km (cctkm)
66kV - UG Cable (Gas filled)	66 kV Underground pressured assisted gas filled cable Excludes non pressured assisted designs and oil filled Cables	Circuit km (cctkm)
EHV Sub Cable	EHV Submarine Cable Includes – All design types of Submarine Cable	Circuit km (cctkm)
33 KV CB (ID)	33 kV (includes 22 & 25 kV) Circuit Breaker – Indoor Includes - All CB designs (Air, Vacuum, SF6 etc) Excludes - CB that form part of a RMU	Number of Breakers (#)
33 kV CB (OD)	33 kV (includes 22 & 25 kV) Circuit Breaker – Outdoor Includes - All CB designs (Air, Vacuum, SF6 etc). Includes Pole mounted auto-reclosers Excludes - CB that form part of a RMU	Number of Breakers (#)
33 kV Switch (PM)	33 kV (includes 22 & 25 kV) Switch (Pole Mounted) Includes – All Pole mounted Switches and auto sectionalisers	Number of Switchers (#)

Asset	Description	Unit
33 kV Switch (GM)	33 kV (includes 22 & 25 kV) Switch (Ground Mounted) Includes All indoor and outdoor Ground Mounted Switches & Fuse Switches	Number of Switchers (#)
33 kV RMU	33 kV (includes 22 & 25 kV) Ring Main Unit	Number of RMUs (#)
33 kV Switchgear (other)	33 kV (includes 22 & 25 kV) Switchgear - Other Includes - All other switchgear e.g. disconnectors, fault throwers, earthing switches, fuses Excludes – Circuit breakers, Switches and RMUs Any isolators and earth switches that are integral to a circuit breaker, switch, RMU should not be counted as separate items of switchgear	Number of Switchgear (#)
66 kV CB (ID & OD)	66 kV Circuit Breaker - Indoor and Outdoor Includes –All CB designs (Air, Vacuum, SF6 etc)	Number of Breakers (#)
66 KV Switchgear (other)	66 kV Switchgear - Other Includes - All other switchgear e.g. Disconnectors, Fault throwers, Earthing switches, Fuses, Excludes – Circuit breakers Any isolators and earth switches that are integral to a circuit breaker should not be counted as separate items of switchgear	Number of Switchgear (#)
33 kV Transformer (PM)	33 kV (includes 22 & 25 kV) Pole Mounted Power Transformer with a primary winding voltage of 33 kV (includes 22 and 25 kV) Includes – 33 kV reactors & regulators Excludes – All Auxiliary Transformers	Number of Transformers (#)
33 kV Transformer (GM)	33 kV (includes 22 & 25 kV) Ground Mounted Power Transformer with a primary winding voltage of voltage of 33 kV (includes 22 and 25 kV) Includes – 33 kV reactors & regulators Excludes – All Auxiliary Transformers	Number of Transformers (#)
33Kv Auxiliary Transformer	Auxiliary Transformers associated with a 33 kV (includes 22 & 25 kV) Power transformer Includes – Earthing transformers, earthing resistor & reactors, arc suppression coils and all other auxiliary transformers	Number of auxiliary Transformers (#)
66 kV Transformer (PM)	Pole Mounted Power Transformer with a primary winding voltage of 66 kV Includes – 66 kV reactors & regulators Excludes – All Auxiliary Transformers	Number of Transformers (#)
66 kV Transformer (GM)	Ground Mounted Power Transformer with a primary winding voltage of 66 kV Includes – 66 kV reactors & regulators Excludes – All Auxiliary Transformers	Number of Transformers (#)

Asset	Description	Unit
66 kV Auxiliary Transformer	Auxiliary Transformers associated with a 66 kV Power transformer Includes – Earthing transformers, earthing resistor & reactors, arc suppression coils and all other auxiliary transformers	Number of Auxiliary Transformers (#)
132kV OHL Conductor (Pole Line)	132 kV Overhead Line Conductor – Pole Line Includes – All conductor strung on poles, single and double circuits, open wire and covered conductor Excludes - Conductor strung on a Tower Line	Circuit km (cctkm)
132kV OHL Conductor (Tower Line)	132 kV Overhead Line Conductor – Double circuit Tower Line Includes – All conductor strung on towers, single and double circuits Excludes - Conductor strung on a Pole Line	Circuit km (cctkm)
132kV Pole	132 kV Overhead Line Pole Includes Supports constructed of Wood and concrete and small footprint steel masts (both single and double circuits) Excludes – Double circuit towers	Number of Poles (#)
132kV Tower	132 kV Overhead Line Tower Includes - Steel lattice towers Excludes - Small footprint steel masts	Number of Towers (#)
132kV OHL (Fittings Tower)	132 kV Overhead Line Tower Fittings Includes – Insulators and fittings	Sets of Insulators (x)
132kV - UG Cable (Non Pressurised)	132 kV Underground Cable (Non Pressurised) Includes - all non pressure assisted cables (e.g. plastic or paper insulated cables).	Circuit km (cctkm)
132kV - UG Cable (Oil filled)	132 kV Underground Cable (Oil Filled) Includes – All pressure assisted Oil Filled Cables.	Circuit km (cctkm)
132kV - UG Cable (Gas filled)	132 kV Under Ground Cable (Gas Filled) Includes – All pressure assisted Gas Filled Cables.	Circuit km (cctkm)
132 kV Sub Cable	132 kV Submarine Cable Includes – All design types of Submarine Cable	Circuit km (cctkm)
132 kV CB (ID & OD)	132 kV Circuit Breaker Includes all designs types (AIS SF6, GIS SF6, Air Blast, Oil) both Indoor and Outdoor	Number of Breakers (#)
132 kV Switchgear (other)	132 kV Switchgear (other) Includes - Disconnectors, Earthing Switches and Fault throwers Excludes – Circuit Breakers Any isolators and earth switches that are integral to a circuit breaker should not be counted as separate items of switchgear	Number of Switchgear (#)

Asset	Description	Unit
132 kV Transformer	Power Transformer with a primary winding voltage of 132 kV Includes - 132 kV reactors & regulators Excludes – All Auxiliary Transformers	Number of Transformers (#)
132 kV Auxiliary Transformers	Auxiliary Transformers associated with a 132 kV Power transformers Includes – Earthing transformers, earthing resistor & reactors, arc suppression coils and all other auxiliary transformers	Number of Auxiliary Transformers (#)
132kV/EHV RTU (PM)	132 kV or EHV Remote Terminal Unit (Pole Mounted) Includes pole or structured mounted RTUs where the system voltage is greater than 20 kV (132kv or EHV).	Number of RTUs (#)
132kV/EHV RTU (GM)	132 kV or EHV Remote Terminal Unit (Ground Mounted) Includes – Ground mounted RTUs where the system voltage is greater than 20 kV (132 kV or EHV).	Number of RTUs (#)
HV RTU (PM)	HV Remote Terminal Unit (Pole Mounted) Includes - Pole Mounted RTUs where the system voltage is less than 22 kV (6.6 kV, 11 kV and 20 kV)	Number of RTUs (#)
HV RTU (GM)	HV Remote Terminal Unit (Ground Mounted) Includes - Ground Mounted RTUs where the system voltage is less than 22 kV (6.6 kV, 11 kV and 20 kV)	Number of RTUs (#)

Definitions

Circuit Breaker (CB)	Device capable of making, carrying and breaking currents under normal circuit operation and also making, carrying for a specified time and breaking, fault current. Also includes auto-reclosers. Does not include any CB that forms part of an RMU.
Consac	A type of cable with paper insulation and aluminium sheathing, used for distribution of electricity at Low Voltage
Overhead Line	Any electric line which is placed above ground and in the open air. This excludes that part of an underground cable running above ground for the purpose of termination with overhead lines
Overhead Main	A LV overhead line that forms the LV network excluding overhead services.
Overhead Service	A LV overhead line which connects either a street electrical fixture, or no more than four consumers' installations in adjacent buildings, to an Overhead Main.
Pole	An OHL support constructed of wood, concrete or small footprint steel masts Excludes – Steel lattice towers
Pole Line	An Overhead Line where the conductors are supported by poles includes both single and double circuits.
Power Transformer	A power plant used to alter the level of voltage and current.

Ring Main Unit (RMU)	A Ring Main Unit (RMU) is packaged switchgear that is either pre-welded together or shares the same tank. The unit is therefore non-extensible and is replaced as a single unit.
Submarine Cable	Any conductor surrounded by insulation which is placed below the surface of the water and laid on or under the sea bed or the bed of a river or estuary.
Support	Support is a structure designed to support an Overhead Line (OHL) and maintain required clearances. This includes wood poles, concrete poles, and steel towers. A Support is different from a Structure when counting assets (see 'OHL-Supports' and OHL-Structures' defined below)
Switch	A Switch is a device capable of making, carrying and breaking currents under normal circuit operation but not normally capable of breaking fault current. Includes switch fuses and pole mounted auto sectionalisers. Excludes any Switch that forms part of an RMU
Tower	An OHL support comprising a Steel lattice tower
Tower Line	An Overhead Line where the conductors are supported by towers includes both single and double circuits.
Underground Cable	An Underground Cable (UG Cable) is part of a distribution system where the electrical conductor is fully insulated and usually routed underground or ducts.
Underground Main	A LV Underground cable that forms the LV network excluding underground services.
Underground service	A LV underground cable which connects either a street electrical fixture, or no more than four consumers' installations in adjacent buildings, to an Underground Main.

Voltage Boundaries for RRP asset reporting

LV	Low voltage (LV) all voltage levels up to and including 1kV.
HV	High Voltage (HV) includes all voltage levels above 1kV up to and including 20kV.
EHV	Extra High Voltage (EHV) includes all voltage levels above 20kV up to but excluding 132kV.
132 kV	132 kV refers only to 132 kV assets
33 kV	Note for RRP Asset Data 33 kV includes 22 and 25 kV assets

Counting Assets

Circuit Lengths	All network lengths should be reported as circuit length (in km) rather than route lengths. For example: the reported length of a double-circuit 132 kV overhead line of 50 km route length should be 100 km; a single-circuit 132 kV underground circuit, comprising three single-core cables (one per phase) with a route length of 10 km, should be 10 km.
OHL – Supports	Poles - count each individual pole as 1 support, e.g. a wooden structure that comprises of two wood poles counts as two wood poles and therefore two supports. Each tower is counted as 1 support.
OHL – Structures	For the purposes of Table 5.7, count supports/structures comprising more than one pole as one Structure. E.g. a wooden structure that comprises two wooden poles counts as one structure. Each tower is counted as one structure.
Switchgear	3 phase units should be counted as 1 unit. 1 Phase units should be counted as 1 unit. Any isolators and earth switches that are integral to a circuit breaker, switch should not be counted as separate items of switchgear. For CBs a “bay” approach will be used for modelling purposes Separate identification of current transformers (CTs), voltage transformers (VTs) and line traps is not required. For Fuses, count sets of fuses

Appendix 2h – Definitions from Standard License Conditions

Affiliate	As defined in standard condition 1 of the electricity distribution licence SEE ALSO: Related party, Related undertaking.
The "Authority"	As defined in standard condition 1 of the electricity distribution licence
De minimis business	As defined in standard condition 1 of the electricity distribution licence
Distributed generation ("DG") (relevant and non-relevant DG)	Has the meaning given in special condition A1 of the electricity distribution licence. Relevant distributed generation: where quotation for work/ work undertaken after 1 April 2005 and paying charges under the new arrangements i.e. 'shallowish connection charge plus use of system charges'. Non-relevant distributed generation: where the quotation of work received before 1 April 2005 even if some work is undertaken after 1 April 2005. This includes all other distributed generation where connection charges were paid in accordance with charging methodologies that existed prior to 1 April 2005, i.e. paying charges on the old basis ('deep connection charge' and no use of system charge).
Distribution business	As defined in standard condition 1 of the electricity distribution licence
Distribution business activities	As defined in standard condition 1 of the electricity distribution licence
Distribution services	Has the meaning given in standard condition 1 of the electricity distribution licence except that for the purpose of these Rules, it excludes distributed generation. EXCLUDES The provision of other than basic metering services, being excluded services; De minimis business; and Relevant distributed generation activities.
Distribution system	As defined in standard condition 1 of the electricity distribution licence
ESQCR costs	Has the meaning attributed in special condition A3 of the electricity distribution licence, i.e. under Regulations 17 and 18 of the Electricity Safety, Quality and Continuity Regulations 2002 or any regulations which amend or replace them.
Guaranteed standards of performance ("gsop")	Standards of performance which are set for licensed electricity distributors by the Authority in accordance with the provisions of Section 39A of the Electricity Act 1989 (as amended) and the Electricity (Standards of Performance) regulations 2005 and under which failure to meet the specified standards creates a liability for the licensed electricity distributor concerned to make a specified compensation payment to the customer(s) affected by the failure.

Excluded services	Has the meaning given in standard condition 1 of the electricity distribution licence and as further defined in special condition A2 of the electricity distribution licence.
Licensed distributor	As defined in standard condition 1 of the electricity distribution licence.
Metering activity	Is the activity of providing basic "metering services", which has the meaning defined in standard condition 1 of the electricity distribution licence and are the activities covered by the metering price control.
Metering price control	Is the term applied to the restriction of basic metering charges set out in special condition F1 of the electricity distribution licence.
Network	Has the same meaning as "distribution system" given in standard condition 1 of the electricity distribution licence, excluding meters and energy usage metering equipment as these are subject to a separate price control.
Regulatory accounts	Has the meaning given in standard condition 44 of the electricity distribution licence.
Related undertaking	As defined in standard condition 1 of the electricity distribution licence
Relevant associate	Has the meaning given in paragraph 4 of standard condition 43 of the electricity distribution licence.
Revenue return	Has the meaning given in paragraph 5(a) of standard condition 50 of the electricity distribution licence ("the detailed return").
Statutory accounts	As defined in Chapter 4 of the Companies Act 2006.
Ultimate controller	As defined in standard condition 1 of the electricity distribution licence
Distribution services area	Has the meaning given in standard condition 1 of the electricity distribution licence.
Connection charges	Has the meaning for ES2 given in Appendix 1 of special condition A2 of the electricity distribution licence.
Distribution network operator ("DNO")	Has the same meaning as "electricity distributor" given in standard condition 1 of the electricity distribution licence.
New ESQCR costs	In Table 2.6, has the meaning set out in special condition A3 of the electricity distribution licence, i.e. any regulations which amend or replace ESQCR 2002. EXCLUDES ESQCR costs.

Any words or expressions used in the Utilities Act 2000 or Part I of the Electricity Act 1989 or the Energy Act 2004 shall, unless the contrary intention appears, have the same meanings when used in the Rules and RRP.

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

Appendix 3 – Regulatory Reporting Pack (RRP)

[refer to Excel document attached]

Appendix 4 – Cost Commentary

See separate Word file.

Appendix 5a - Additional Fault Guidance

Additional Guidance to ensure consistency of reporting Faults and Fault Related Condition Based Non-Load related costs

The following guidance has been devised to ensure consistency of reporting across the DNOs resulting from the review of Fault costs reporting undertaken in 2007. Terms used in this guidance has been subsumed into the Activity definitions for Table 2.2.

These rules apply only to the allocation of costs incurred at the time of the initial fault repair that results in a permanent restoration (or what could be considered a permanent restoration) of the faulted piece of equipment back to its pre-fault availability and, if applicable, the restoration of supply.

When, following the above, an assessment is made of the condition of the asset that failed and/or other associated assets which results in a planned replacement of the asset(s) these costs should be reported as NLRE.

LV Services and service cut-outs

All costs associated with LV service faults (including service cut-outs) are to be reported as fault costs, except where the complete service (main to cut-out) is replaced due to the “as found” condition and where this is a direct offset against a volume of planned service replacement. Adequate processes and documentation must be in place to clearly demonstrate that the replaced volume of faulted service(s) is captured within, but without increasing, an approved planned programme of LV condition based service replacement.

LV mains, HV, EHV and 132kV overhead lines and underground cables

The cost of all overhead line and underground cable replacements including submarine cables, necessary as part of the minimum work required to restore the faulted piece of equipment back to pre-fault availability and, if applicable, the restoration of supply are to be reported as fault costs.

The minimum work is defined as the minimum work that is feasible to undertake at that location given the “as-found” condition and any access constraints. For example, if the cable is wet and needs to be cut back to find a suitable location to make a joint that is expected to have normal life expediency then this is minimum work required for that specific location. Likewise where there is an access constraint such as a road crossing that requires extending the cable replaced, this is also the minimum work required for that specific location. The minimum work should not be determined by the cost of the repair or the length of conductor or cable installed.

The costs of assets replaced which are more than the minimum required to restore supply are to be reported as fault costs unless there is a justified long term economic benefit for the additional replacement and it is more efficient to undertake this work at that time of the fault. This should be based on an assessment of fault history, condition, surroundings, and obsolescence etc. It would be expected in the majority of these cases there would be an existing sanctioned program (and related policy) of NLRE related to that particular asset.

Costs can only be allocated to NLRE where it can be shown there is a process for categorisation based on the scope of the work undertaken which should not be based on the cost of the repair or the length of conductor or cable installed.

Treatment of submarine cable faults exceeding £200k where it is proposed to be treated as NLRE should be separately agreed with Ofgem as part of the RRP process.

LV and HV Poles

The cost of repairing or replacing a failed pole is to be reported as fault costs. All decayed poles identified and replaced during or subsequent to fault activities which were not the prime cause of the fault are to be reported as NLRE.

EHV and 132kV Poles and Towers

If a wood/concrete pole or steel structure requires corrective works following a fault, then the cost are to be reported as fault costs. The costs of replacing a whole wood/concrete pole or steel structure are to be reported as NLRE.

LV, HV, EHV and 132kV plant (excluding PMT)

The cost of replacement or repair of components within plant assets, necessary as part of the minimum work required to permanently restore the item of plant to pre fault availability are to be treated as fault costs. For the avoidance of doubt fuses, fuse holders, winding repairs, tap changers, bushings, individual CB poles, CTs and VTs are components. In general any electrical asset not specifically captured in Table 3.1 is a component.

Except for HV pole mounted transformers (PMT) which are to be reported as fault costs, the cost of replacing whole plant items following a fault (whether it is the whole asset or a number of its components that have failed requiring replacement of the whole item of plant) is to be reported as NLRE. In general plant items are only those assets specifically captured in Table 3.1.

HV PMT

HV pole mounted transformers (PMT) are always to be reported as fault costs.

Appendix 5b - Additional Streetlighting Guidance

Additional guidance to ensure consistency of reporting Faults and Fault Related Condition Based Non-Load related costs

The following guidance has been devised to ensure consistency of reporting across the DNOs resulting from the review of Streetlighting cost reporting undertaken in 2007.

New street lighting connections should be reported as new connections on Tables 2.2 and 2.4, together with the relevant contributions. These new connections and revenues do not fit the definition of excluded services ES9 in Special licence condition 2, appendix 1 and should not be reported on Tables 2.2 and 2.10 as excluded services.

Replacement street lighting services/mains (including cut-outs) on a network because of condition should be recorded as non-load related new asset and replacement.

Replacement street lighting services/mains on a network due to diversions should be reported as excluded services (NTR) under ES5 or ES6 on Tables 2.2 and 2.10.

Street lighting service removal: the removal of redundant cables should be reported as dismantlement on Table 2.3, or if these fall within the definitions of excluded services under either of ES5 or ES6 (in Appendix 1 to Special Licence condition C2) should be reported as NTRs on Tables 2.2 and 2.10.

Replacement of assets following a fault to the street light should be reported as faults and follow the general Faults guidance note and be recorded on Table 2.3 as non-QofS faults.