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# RIIO-T1 Gas Transmission Price Control – Regulatory Instructions and Guidance: Version 1 DRAFT

## Regulatory Instructions and Guidance

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### Overview:

This document provides instructions and guidance to the gas transmission owner - National Grid Gas Transmission plc - to enable it to complete the reporting requirements associated with the transmission price control from 1 April 2013 to 31 March 2021.

This is the first transmission price control to reflect the new RIIO (Revenue = Incentives + Innovation + Outputs) model.

## Context

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This document contains the gas transmission price control cost, outputs, financial and revenue Regulatory Instructions and Guidance (RIGs).

The purpose of this document is to provide a framework to allow Ofgem to collect accurate and consistent cost and revenue information from the gas transmission owner (TO) - National Grid Gas Transmission plc (NGGT).

A number of licence conditions require NGGT to provide us with this information. The key licence condition for the purposes of this document is Standard Special Condition A40 [GTC74]: Regulatory Instructions and Guidance ('the RIGs Licence Condition').

This guidance applies for reporting from the period 1 April 2013 until 31 March 2021.

## Associated documents

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### Supporting Documents

[RIIO-T1 RIGs Gas Transmission Reporting Template](#)

[RIGs Example Commentary](#)

### Other Documents

[RIIO-T1: Initial Proposals for NGGT and NGET - Overview](#)

[RIIO-T1: Initial Proposals for NGGT and NGET – Outputs, incentives and innovation](#)

[RIIO-T1: Initial Proposals for NGET and NGGT – Cost assessment and uncertainty](#)

[RIIO-T1: Initial Proposals for NGGT and NGET – Finance](#)

[RIIO-T1 and RIIO-GD1: Draft licence conditions – First informal licence drafting consultation](#)

[RIIO-T1: Initial Proposals for National Grid Electricity Transmission plc and National Grid Gas plc - Headlines](#)

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# 1. Introduction

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## Chapter Summary

This chapter sets out the purpose and structure of the RIGs which will apply for the gas transmission owner for RIIO-T1. It also sets out some guidance on the process for reporting under the RIGs and our audit requirements.

## Background

1.1. This is the first price control to be conducted under our new RIIO (Revenue = Incentives + Innovation + Outputs) model. Through RIIO-T1, we are setting the regulatory framework to apply to electricity and gas transmission companies from 1 April 2013 to 31 March 2021.

1.2. The RIGs provide a framework which enables Ofgem to collect data from the transmission owners (TOs) during the RIIO-T1 period. We collect data to enable us to administer the Special Conditions of the TOs (the conditions which relate to the price control) and our Final Price Control Proposals. For example, the RIGs allow us to monitor TOs' performance against the outputs that they are required to deliver, to calculate any rewards or penalties associated with incentive mechanisms, and to determine additional cost allowances determined within period, ie costs determined through uncertainty mechanisms. The RIGs also provide a database of TO performance which we draw on to set cost proposals at subsequent review periods.

1.3. The RIGs enable Ofgem to collect data from TOs in a consistent format. The RIGs inform the TOs about the information we plan to collect, guide them on how to provide this information and enable the TOs to put the systems in place to collect the data to the detail we require.

## Legal framework

1.4. For RIIO-T1 the reporting requirements have been consolidated in a single new licence condition:

- Standard Special Condition A40 [GTC74]: Regulatory Instructions and Guidance ('the RIGs Licence Condition').

1.5. The new licence condition sets out the scope, contents and common governance arrangements for the RIGs.

1.6. The purpose of introducing the proposed new RIGs Licence Condition is to consolidate the reporting related provisions which were previously included within a number of licence conditions into a single condition. Having a single licence condition has not altered the broad types of information that the energy network companies will need to provide.

## Components of the RIGs

### Overall structure

1.7. The RIGs comprise four main elements:

- templates for reporting the data (in MS Excel v.2007)
- templates containing the calculation of the revenue elements – revenue reporting (including performance against incentives) (in MS Excel v.2007) (the revenue reporting pack has not yet been drafted. We will address this once licences have been finalised)
- templates for providing commentaries against the data (in MS Word)
- instructions and guidance on how to report the data (in MS Word).

### RIGs templates

1.8. The data templates have been designed using the RIIO-T1 business plan data templates alongside the previous price control RIGs and Regulatory Reporting Packs (RRPs). Added to these are the new data requirements arising from the new outputs, incentives and obligations from RIIO-T1.

1.9. The key points to note in completing the RIGs templates are:

- Some of the workbooks in these RIGs have been designed to link to other workbooks. These links must be retained by the TO in the version submitted to Ofgem. Failure to do so will also be considered non-compliant with the RIGs.
- Financial values should be provide in £ million figures and displayed to one decimal place. However, the TOs are required to provide data in the RIGs to the highest level of accuracy available to them with the minimum being three decimal places, unless otherwise indicated in the guidance.
- Financial values should be input as positive values (yellow cells) unless instructed otherwise.
- Any restatement of historical values should be clearly highlighted and explained.

### Instructions and guidance

1.10. To enable the TOs to complete the associated workbooks we provide supporting instructions and guidance. This document constitutes Version 1 of the instruction and guidance for the TOs for RIIO-T1.



1.11. The purpose of this document is to provide instructions and guidance to enable the TOs to complete the associated workbooks. This document provides information on:

- the systems, processes, procedures, recording and provision of the required data
- reporting units and levels of accuracy (including rounding)
- the methodology for calculating or deriving required numbers
- the provision of the data to the Authority (format, frequency etc)
- any audit or examiner requirements
- reasons why the data is required
- explanations of how the Authority will monitor, assess, and enforce compliance
- a glossary of terms used in the workbooks.

1.12. We set out further information on this document below under the heading 'Structure of this document'.

## **Commentaries**

1.13. Alongside the submission of its templates, each TO must complete the associated commentary. There are three main drivers for the completion of the commentary templates:

- (1) **Where data is not captured on the same basis as required by the reporting definitions.** Where a TO does not capture data on the same basis as the 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. The licensee must also give an indication of their assessment of the robustness of those assumptions. In such instances, the licensee should explain the reasons why it has been unable to capture the data on the same basis as the cost reporting definitions and identify any steps that it will take to ensure that the data is captured in accordance with the relevant definitions in future years.
- (2) **Where a modification of the RIGs changes the reporting categories or activities.** In such cases the TO must 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 other information available to the licensee as may be appropriate for that purpose. In this case the licensee must set out the basis and methodology for deriving the estimated amounts in detail in the commentary.

- (3) **To explain why costs have been incurred and the annual movements in cost levels.** This explanation will be used in conjunction with the data tables, to understand the structures and operations of each TO, to monitor each TO's performance against its business plan and funding included in the RIIO-T1 Final Proposals document.

## Reporting under the RIGs

### Timescales for reporting

1.14. The relevant reporting year for the provision of information under the RIGs is from 1 April to 31 March the following calendar year.

1.15. Except where stated otherwise, the TOs must provide the information required under the RIGs as soon as reasonably practicable and in any event not later than 31 July following the end of the relevant reporting year to which such information relates. This is the latest date that TOs can submit information unless the Authority has previously consented otherwise in writing.

### Form of submission

1.16. Instructions for the electronic submission of the workbooks will be circulated to the licensee's regulation managers in advance of each submission deadline. However, if there is any doubt about the method of submission, the licensee must contact Ofgem.

1.17. The submission must be accompanied by a letter signed by a director on behalf of the licensee confirming that the data is accurate and has been provided in accordance with the RIGs.

### Resubmissions

1.18. The TOs are required to seek the agreement of the Authority before resubmitting any information provided in accordance with these RIGs.

1.19. The volume of information the company is required to provide will depend on the nature of the required resubmission. However, in each case the resubmission must be accompanied by a letter signed by a director where significant changes have been made and where Ofgem and/or the licensee decide such a letter is required.

1.20. For each resubmission a separate explanation must be provided listing every cell that has been amended. The explanation must include sufficient commentary to explain the reasons for the required resubmission.

1.21. In relation to the detailed return required as part of revenue reporting, this must only be resubmitted where a restatement is necessary in the opinion of the appropriate auditor.

### **Review**

1.22. Once the TOs 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 visit to each TO for discussion of the information submitted. Such visits will be agreed with the licensees in advance.

1.23. Where a reviewer has been nominated, the reviewer will enter into an agreement with the licensee to maintain confidentiality on reasonable terms.

### **Appointing an examiner**

1.24. In accordance with the RIGs Licence Condition the licensee must permit a person nominated by the Authority to examine the systems, processes and procedures for measuring the specified information, the specified information collected by the licensee and the extent to which the systems, process and procedures and the specified information complies with the RIGs.

### **Audit requirements in relation to revenue reporting**

1.25. In accordance with the RIGs Licence Condition, Ofgem will identify the Specified Information which is to be subject to audit, the terms on which an auditor is to be appointed by the licensee for that purpose, and the nature of the audit to be carried out by that person. We will issue an Agreed Upon Audit Procedures (AUP) for use by an appropriate auditor.

### **Structure of this document**

1.26. This document is divided into sections reflecting the different component parts of the RIGs workbooks. These are as follows:

- Chapter 2 provides instructions for the completion of the financial issues worksheets.
- Chapter 3 provides instructions for the completion of the total expenditure worksheets.
- Chapter 4 provides instructions for the completion of the operating expenditure worksheets.
- Chapter 5 provides instructions for the completion of the capital expenditure worksheets.

- Chapter 6 provides instructions for the completion of the gas network data worksheets.
- Chapter 7 provides instructions for the completion of the outputs worksheets.
- Chapter 8 provides instructions for the completion of the revenue reporting worksheets.

1.27. Appendix 1 sets out a glossary of the terms included in these instructions and in the associated worksheets.

## 2. Instructions for completing the financial issues worksheets

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### Chapter Summary

The purpose of this chapter is to inform the completion of the financial issues worksheets by each TO. This is to enable Ofgem to effectively monitor outturn against the appropriate allowances, assess future allowances and quantify any adjustments as required in the Final Proposals.

### Introduction

2.1. The purpose of the worksheets is to facilitate the submission of uniform and comparable financial information from licensees. This enables comparison with business plans, comparison with prior years and comparative regulation on a consistent basis throughout the RIIO-T1 period.

2.2. Licensees should submit accurate (and where instructed) audited figures of their costs and revenues for the relevant period. Further guidance is provided below.

2.3. All costs are to be entered on a cash basis (see Glossary) and exclusive of atypical items except where specifically instructed to report data. Cash means exclusive of all provisions and all accruals and prepayments that are not incurred as part of the ordinary level of business.

### Overview of worksheets

2.4. The worksheets included within this chapter are:

- Income statement
- Financial position
- Cash Flow
- Reconciliation to Regulatory Accounts
- Net Debt Schedule
- Net Debt NG

- Net Debt Reconciliation National Grid
- Fixed asset disposals
- Tax computation
- Tax pools
- Tax allocations of spend
- Tax allocations CT 600
- Financing requirements
- Pensions Defined Benefit Deficit
- Pensions for benchmark
- Pensions PPF and admin
- Pension reconciliation triennial
- Deficit allocation methodology (DAM) statement Triennial
- DAM reconciliation triennial
- Pensions defined benefit triennial

### **Worksheet – Income statement**

2.5. The purpose of this table is to obtain a standard form of each licensee's Balance Sheet / Statement of financial position, consistent with the Regulatory accounts. It will be used to provide the data in this statement in the regulatory accounts on a consistent and comparable basis across Licensees and time; and to populate the financial model. It will be used to check the level of total debt reported elsewhere and what other liabilities the licensee has; and to populate the financial model. It will also be used to identify differences in reporting when Licensees switch from UK GAAP to IFRS during the price control period.

2.6. This table should be populated from and agree to the entity's audited Regulatory accounts for the relevant year. Whilst there are more categories than in the Profit & Loss / Statement of comprehensive income in audited regulatory

accounts the additional detail is required to facilitate reconciliation/agreement with other tables.

- Row 9: Indicate whether accounts are prepared under UK GAAP or IFRS accounting standards.
- Row 13: Insert total revenue as shown in the regulatory accounts.
- Rows 13 to 59: These rows cover the licensed entity and should agree to the audited Regulatory accounts.
- Row 37: "Other finance income/Investment income" on the P&L account should include non-transportation related items, financial movements on pension schemes and all movements on derivative financial instruments.

### **Worksheet – Financial position**

2.7. The purpose of this table is to obtain a standard form of each licensee's Balance Sheet / Statement of financial position, consistent with the Regulatory accounts. It will be used to provide the data in this statement in the regulatory accounts on a consistent and comparable basis across Licensees and time; and to populate the financial model. It will be used to check the level of total debt reported elsewhere and what other liabilities the licensee has; and to populate the financial model. It will also be used to identify differences in reporting when Licensees switch from UK GAAP to IFRS during the price control period.

2.8. This table should be populated from and agree to the audited Regulatory accounts for the relevant year. Whilst there are more categories than in the Balance Sheet / Statement of financial position in the entity's audited regulatory accounts the additional detail is required to facilitate reconciliation/agreement with other tables.

- Row 62: The "Hedging Reserve" on the balance sheet is only to be used by companies reporting under IFRS.
- Row 70: The net debt shown is calculated based on the definition of net debt issued in the open letter of 31 July 2009 "Clawback of tax benefit due to excess gearing".
- Rows 268 to 317: Where the entity has reported under IFRS for the first time, this section should be completed to identify the differences between the two approaches.
- Rows 321 to 369: Enter details of the book values of the disposal of tangible and intangible assets. Enter the corresponding cash proceeds split for tangible assets into operational and non-operational assets. The cash proceeds should be entered as a negative value, except where the disposal is to an affiliate where market values should be entered again as a negative value. Disposal information not required for 2012/13 as covered in Table 1.7.

### **Worksheet – Cash Flow**

2.9. The purpose of this table is to obtain a standard form of each licensee's cash flow position consistent with the Regulatory Accounts. It will be used to provide the

data in this statement in the regulatory accounts on a consistent and comparable basis across Licensees and time; and to sense check the financial model.

2.10. This sheet is linked to movements implied by the P&L and balance sheet as far as practicable. Inputs are required to replicate the cash flow in the regulatory accounts.

- Rows 48 to 55: Reconciliation is required between opening debt and the closing debt implied by the decrease/ increase in net cash.

### **Worksheet - Reconciliation of RRP costs to regulatory accounts**

2.11. The purpose of this table is to allow the licensee to provide details and numerical explanation of variances between Regulatory Accounts and the prime accounting statements in the RRP.

2.12. Input narrative describing what line and which section of the Regulatory Accounts or the RRP the particular amount of the reconciliation relates. A few words of explanation of the reason for the variance should be provided either in the RRP accompanying narrative or on the worksheet below the reconciliation table. Input the relevant figures to reconcile the differing amounts.

### **Worksheet – Net Debt and interest**

2.13. The purpose of this table is to collect details of all borrowing, guarantees and financial derivatives, interest rates on debt, repayment dates and cash and short term investments. This information is used to compare gearing levels to the regulatory modelling data; and to enable the calculation of the tax benefit of excess gearing. It is also used to provide details of future refinancing requirements where TOs have loans falling due for repayment. The table provides information on derivative financial instruments to facilitate understanding of existing debt structures. The table is designed to enable different types of borrowing and lending to be identified and any derivative products relating to the debt to be linked to it.

2.14. There are no specific instructions for completion of the table.

### **Worksheet – Net Debt and interest 2 (additional NG table)**

2.15. The purpose of this table is for National Grid to provide additional analysis of their Net Debt information (as detailed in the sheet).

2.16. National Grid Gas supply a separate narrative Net Debt allocation methodology, that supports its allocation of Net Debt between TO, SO, individual GDNs and non licensed areas of the business. This methodology is required to be consistent from year to year. Any change in methodology should be explained in the



methodology. A procedure relating to the Net Debt allocation methodology will be carried out as part of the AUPs.

### **Worksheet – Net Debt Reconciliation**

2.17. The purpose of this table is for licensees to provide details and reasons for any difference between Net Debt as stated in the Regulatory Accounts and the RRP.

2.18. There are no specific instructions for completion of the table.

### **Worksheet – Fixed Asset Disposals**

2.19. The purpose of this table is to collect information relating to fixed asset disposals to assist the reconciliation of the financial model to accounts.

2.20. The table should detail assets transferred from the Transmission business to a company within the same group ie a property company.

### **Worksheet – Tax computation**

2.21. This worksheet provides an analysis of taxation. It will enable the Authority to confirm the split by business and form of control to compare against allowances. There are no specific instructions for completion of the table.

### **Worksheet – Tax pools**

2.22. This table must be prepared on the same basis as the licensee's corporation tax returns for each regulatory financial year ended 31 March and in accordance with extant tax legislation [Note this has yet to be done – only shown for licensee as a whole not form of control]

2.23. This table is used to track the annual additions in the regulatory financial year and movements in capital allowances for the licensee, and by the individual business segments.

2.24. It will 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 licensee's own tax provision workings for its regulatory accounts and/or draft corporation tax computation.

2.25. It is also used to identify prior year adjustments arising in the individual capital allowance pools from the closing and settlement of open tax years.

2.26. The closing pool balances will be used to populate the financial model at the next price control, subject to review.

### **Worksheet – Tax allocations of spend**

2.27. The purpose of this table is to report the allocation of capex and opex spend to capital allowance pools for the licensee consistent with the numbers in the Regulatory Accounts for the year. It obtains an analysis of the TO's tangible fixed asset additions and ensures allocation to the capital allowance pools on a consistent and comparable format across Licensees. It enables monitoring and comparison of allocations to capital allowance pools across Licensees, and across time, which will inform future price controls.

2.28. The table requires Licensees to insert the allocation of expenditure across tax categories for the various types of expenditure. These allocations should reflect the basis on which the tax charge for the Regulatory Accounts has been based. Enter the analysis of the expenditure in each area for tax purposes (£m) by each of the capital allowance pools. The total expenditure should agree to that reflected in the capex summary table. The allocation of indirect costs between capitalised and non capitalised should be entered in the section titled 'Recharges to capex of indirect business costs' Profiles are calculated for each expenditure type in the bottom half of the sheet.

### **Worksheet – Tax allocations CT 600**

2.29. The purpose of this table is to report the allocation of capex and opex spend to tax pools for the licensee consistent with the CT600 tax return submitted (normally for the preceding statutory accounting financial reporting year. It obtains an analysis of the TO's tangible fixed asset additions and ensures allocation to the capital allowance pools on a consistent and comparable format across Licensees. It enables monitoring and comparison of allocations to capital allowance pools across Licensees, and across time, which will inform future price controls.

2.30. Enter the year end to which the CT600 refers in the closest column to the regulatory year end (eg a 31/12/08 CT600 return would be entered in the column for regulatory year end 31/03/09). The table requires licensees to insert the allocation of expenditure across tax categories for the various types of expenditure. The completion is consistent with the guidance for Table 1.4.1 (at a more detailed level) although there is no check to the capex summary since the two are not necessarily aligned.

2.31. The total additions by capital allowance pool should agree to the additions stated in the CT600. The final section provides a segmental analysis of the capital additions. Entries should be made in each appropriate section where pool additions do not relate to the transmission business.

### **Worksheet – Future financing requirements**

2.32. The purpose of this table is to inform consideration of the licensee's short term financial stability. It requires provision of a high level cashflow for the succeeding two regulatory years and the financing requirements over the same period.

2.33. Inputs the figures indicated into the yellow shaded boxes. The figures required are for the next two full regulatory financial years. Row 29: This line requires completion for the value available at the start of the current year. Insert the value of any undrawn facilities which will be available to meet the financing requirements. Where the licensee has concerns about refinancing, these should be expressed in the commentary, except to the extent that such issue have been separately notified to Ofgem.

### **Worksheet – Pensions Defined Benefit (DB) Deficit**

2.34. The purpose of this table is to collect recent data relating to defined benefit scheme, obtained from pension scheme accounts and updated valuations. This information provides a view of scheme investment and funding strategies in between triennial true up and resets. The table collects information on actual pension contributions made by the licensee to repair the deficit; estimated movements in assets, liabilities and membership data.

2.35. All data should be entered in nominal prices each year. Data is to be provided on the total DB scheme for which the licensee is a sponsoring employer. This section collects information on the total DB scheme for which the licensee is a sponsoring employer.

#### *Section A Membership data*

2.36. Rows 7 – 13: This section seeks information on the membership of the total DB scheme. It is accepted that this data may need to be revised in subsequent years.

#### *Section B Scheme assets*

2.37. Rows 18 – 40: Enter details on the movements in assets held in the scheme. The balance brought forward should be the gross value of assets in the scheme. If opening balances are revised, please correct the previous year's data rather than adjusting in the current year. Where any changes are made to prior year data, these should be detailed in the Commentary. Enter any contributions into the scheme as positive numbers. Benefit payments made by the scheme and other withdrawals should be shown as a negative. Investment profits should be entered as a positive, whereas investment losses should be entered as a negative.

2.38. Rows 47 – 71: Enter detail of assets held by the scheme. Where other assets are identified, enter these in rows 65 to 71 and provide description in the commentary.

*Section C Scheme liabilities*

2.39. Rows 76 – 86: Enter details of the movements in pension scheme liabilities by category. Additional categories should be entered in rows 83 to 85.

*Section D Scheme deficit*

2.40. Rows 90 – 107: Actual deficit repair payments and funding of pension related severance costs should be entered into row 92 and 94, respectively.

2.41. Rows 97 – 107, total actual deficit repair payments (reported in row 92) should be attributed to the businesses within the sponsoring employer.

2.42. Rows 100 – 105, please provide the names of all other licensees making deficit payments to the scheme; along with the amount of payments attributable.

2.43. Rows 110 – 120: Input any actual payments made by the sponsoring employer towards a contingent asset (eg letter of credit or escrow account) for each business within the sponsoring employer.

2.44. Rows 113 – 118, please provide the names of all other licensees making deficit payments to the scheme; along with the amount of payments attributable.

**Worksheet – Pensions for benchmark**

2.45. The purpose of this table is to collect data on ongoing pension costs of licensees' DB scheme and defined contribution scheme(s), personal accounts and stakeholder schemes (if any). These form part of labour costs that will be included in the benchmarking.

2.46. The table collects information about the licensee's pension costs rather than the total Defined Benefit and Defined Contribution (DC) schemes as a whole.

2.47. Section A – DB Scheme(s) ongoing contributions. Data is to be provided for each DB pension scheme where there is an element relating to the distribution business.

*Pensionable pay data - DB scheme*

2.48. Row 9: Enter total pensionable pay for the licensee scheme only. This should be before deduction of salary sacrifice arrangements. This figure will not necessarily be the same as Labour costs in the Cost tables.

2.49. Row 10: The salary sacrifice element relates solely to sacrifice for additional DB pension contributions made under an arrangement with the sponsoring employer.

*Employee contribution data – DB scheme*

2.50. Row 13: Input employee contributions to the DB scheme as a percentage of pensionable pay.

2.51. Row 14: Enter employees' cash contributions (£m) for ongoing costs to the DB scheme.

*Employer contribution data – DB scheme*

2.52. Rows 18 – 21: Input employer contributions to the DB scheme as a percentage of pensionable pay. In so far as pension scheme administration costs and PPF levy are included in normal contributions for this scheme, these should be included in the percentage of pensionable pay calculation.

2.53. Row 23: Enter the employer's cash contribution (£m) for ongoing costs to the DB scheme.

2.54. Attribution of licensee ongoing DB pension costs Rows 27 to 33: Enter the attribution of DB ongoing costs across the segments shown.

2.55. Section B – DC Scheme(s) contributions: Information is to be reported at the licensee level only.

2.56. Pensionable pay data - DC scheme: Row 38: Enter total pensionable pay for the licensee scheme only. This should be before deduction of salary sacrifice arrangements. This figure will not necessarily be the same as Labour costs in the Cost tables.

2.57. Contribution data – DC scheme Row 40: Enter the cash contribution for the primary DC scheme.

2.58. Rows 40 - 42: Enter the cash contribution to all stakeholder schemes and personal accounts.

2.59. Row 45: Input employee contributions to the DC scheme as a percentage of pensionable pay.

2.60. Row 46: Input sponsoring employer contributions to the DC scheme as a percentage of pensionable pay.

2.61. Attribution of licensee ongoing DB pension costs Rows 50 to 56: Enter the attribution of the defined contribution/ stakeholder costs across the segments shown.

2.62. Section C – Incremental Deficit Summary: This section will be developed as part of the Pension Deficit Allocation Methodology.

### **Worksheet – Pensions PPF and admin**

2.63. The purpose of this table is to collect data on a cash basis on the Pensions Protection Fund (PPF) levies and pension administrative costs for each scheme and shows the allocation of these costs between sponsoring entities. NB for the avoidance of doubt, pension scheme administration costs are the costs incurred by trustees in the running of the pension scheme and excludes investment management fees for each scheme.

2.64. These do not include costs incurred by the licensee or other sponsoring employers in collecting employee contributions or managing their interface with the scheme. This enables reconciliation to the cost tables and allocation to totex where appropriate.

2.65. Data is to be provided on PPF levies and admin costs relating to all DB schemes for which the licensee is a sponsoring employer.

#### *Section A – Total PPF levies paid by all DB schemes*

2.66. Row 7: Enter the total cash payment in year for the PPF levy covering all DB schemes (including the levy for PPF administration charge). This may be paid either directly by the sponsoring employer or through the sponsoring employer's normal ongoing pension contributions.

2.67. Rows 10 – 19: Enter the allocation of PPF levies paid in year direct by the employer (not collected through the scheme contributions), split by non-regulated and regulated business segments. In rows 13 – 18: Please provide the names of all other licensees making direct payments to the PPF levy; along with the amount of payments attributable.

2.68. Rows 22 – 31: Enter the allocation of PPF levies, collected during the year through the scheme contributions (not paid direct by the employer), split by non-regulated and regulated business elements.

2.69. Rows 25 – 30: Please provide the names of all other licensees making payments for PPF levies through normal ongoing contributions; along with the amount of payments attributable.

2.70. Row 34: This row automatically calculates the effective PPF levy contribution as a percentage of pensionable pay.

2.71. Rows 38 - 42: Enter the values of PPF levy that are attributed to the segments of the transportation businesses.

2.72. Rows 46 – 47: Provide latest Dun & Bradstreet PPF failure score, which will be used by the PPF to calculate the risk-based levy; along with the date it was scored for the DB pension scheme. If the score is based on multi-company data, enter the weighted average score (as used by the PPF) and detail the constituent scores in the Commentary.

*Section B – Pension admin costs paid by all DB schemes*

2.73. Row 52: Enter the total pension administration costs for all DB schemes for which the licensee is a sponsoring employer.

2.74. Rows 55 – 64: Enter the allocation of DB scheme administration costs paid in year directly by the employer (not collected through the scheme contributions), split by non-regulated and regulated business segments.

2.75. Rows 58 – 63: Please provide the names of all other licensees making direct payments towards DB scheme administration costs; along with the amount of payments attributable.

2.76. Rows 67 – 76: Enter the allocation of DB scheme administration costs, collected during the year through the scheme contributions (not paid directly by the employer), split by non-regulated and regulated business elements.

2.77. Rows 70 – 75: Please provide the names of all other licensees making payments towards DB scheme administration costs through normal ongoing contributions; along with the amount of payments attributable.

2.78. Rows 83 - 88: Enter the values of administration costs that are attributed to the segments of the transportation business.

### **Worksheet – Pension reconciliation triennial**

2.79. The purpose of the table is to reconcile the value of pension costs shown in the cost reporting tables with the pension costs shown in the finance tables. It operates as a consistency check across the tables and also shows the total pension costs for comparison to price control allowances.

2.80. Instructions for completion are as follows:

- Rows 7 – 16 these rows automatically collect data from RIGs cost tables.
- Rows 19 – 25: Input any reconciling items between the total in the cost tables and the pension table totals (row 31).
- Rows 28 – 36: These rows automatically collect data from RIGs pension tables 1.9.1, 1.9.2 and 1.9.3.
- Rows 41 to 54: Insert any reconciling items between total pension costs as reported in the cost tables (row 11) and to that reported in the P&L and balance sheet movement figures in the Regulatory Accounts.
- Rows 59 to 72: Insert any reconciling items that have been reported in the accounts of related parties.
- Row 74: This row highlights any remaining reconciling balance, ie where the reported amounts in the Cost RIGs (row 11) does not reconcile to the amounts reported in the Financial Issues RIGs (row 38). The necessary tables must be reworked until the reconciling balance in row 74 is nil.
- Row 78: Enter pension charges as reported in the regulatory accounts P&L account statement.
- Rows 78 – 79: Insert any movement in pension provisions as reported in the regulatory accounts balance sheet statement.

### **Worksheet – Deficit allocation methodology (DAM) statement Triennial**

2.81. This table is to be defined as part of developing the Pension Deficit Allocation Methodology.



### **Worksheet – DAM reconciliation triennial**

2.82. This table is to be defined as part of developing the Pension Deficit Allocation Methodology.

### **Worksheet – Pensions defined benefit triennial**

1.1. The purpose of this table is to collect data relating to defined benefit scheme pension costs, assets and liabilities, deficits and ancillary data. The table also collects information on all membership data and scheme data. This information will form a part of the panel data for the pension reasonableness reviews in accordance with our approach to pension costs and as set out in our Pension Principles.

1.2. Data is to be provided for each DB pension scheme where there is an element relating to the transmission business. During RIIO-T1, this table should be completed for columns G, J and M; with information at as 31 March 2013, 2016 and 2019, respectively.

1.3. Section A: This section collects information on the total DB scheme for which the licensee is a sponsoring employer. This data should be that for the latest updated s.224 valuation or latest full triennial valuation. It should not be information repeated from the previous triennial valuation.

1.4. Rows 10 to 18: Enter the attribution of total scheme deficit or surplus by the constituent sponsoring affiliates, ie the total for non-regulated businesses and the amounts attributable to each affiliated licensee. The method of attribution is to be detailed in the Commentary. Where any deficit is allocated to other licence holders, the attribution should be reflected in that licensee's RRP.

1.5. Row 21: State the basis of the scheme valuation used (eg full triennial, Pension Act 2004 section 224 update).

1.6. Row 26: Specify whether the scheme valuation has been audited.

2.83. Rows 28 to 52: Enter details on the movements in assets held in the scheme. The balance brought forward should be the gross value of assets in the scheme. If opening balances are revised, please correct the previous year's data rather than adjusting in the current year. Where any changes are made to prior year data, these should be detailed in the Commentary.

2.84. Sign Convention: Enter any contributions into the scheme as positive numbers. Benefit payments made by the scheme and other withdrawals should be shown as a negative. Investment profits should be entered as a positive, whereas investment losses should be entered as a negative.

2.85. Rows 57 to 86: Enter detail of assets held by the scheme. Where other assets are identified, enter these in rows 78 to 85 and provide description in the commentary.

2.86. Rows 91 to 105: Enter details of the movements in pension scheme liabilities by category. Additional categories should be entered in rows 100 to 105.

2.87. Rows 111 to 128: Enter the details of all bulk transfers from corporate transactions since the previous reasonable review of pensions.

2.88. In rows 111 – 116: Insert the names of any pension scheme that are counterparties to bulk transfers in or out of the licensee's scheme. Enter the year end value of the assets attributable from each 'bulk transfer' arising from a corporate transaction. Provide details in the Commentary, including how the valuations of assets and liabilities have been determined, eg actuarial assessment of assets and liabilities of relevant members. On the basis that the assets of a scheme may not be hypothecated or identifiable to any sub group of members, then the assets may be apportioned based on the ratio that the liabilities of these members bear to the total liabilities. The liabilities should be separately computed based on each member transferred in.

2.89. Rows 120 – 125: Insert the names of any pension scheme that are counterparties to bulk transfers in or out of the licensee's scheme. Enter the year end value of the liabilities from each bulk transfers arising from a corporate transaction. Provide details in the Commentary, including how the valuations of assets and liabilities have been determined, eg actuarial assessment of assets and liabilities of relevant members. On the basis that the assets of a scheme may not be hypothecated or identifiable to any sub group of members, then the assets may be apportioned based on the ratio that the liabilities of these members bear to the total liabilities. The liabilities should be separately computed based on each member transferred in.

2.90. Section B Membership data: This section seeks information on the membership of the total DB scheme, except for rows 195 to 206 which is restricted to the licensee. It is accepted that this data may need to be revised in subsequent years. If opening balances are revised, please correct the previous year's data rather than adjusting in the current year. Where any changes are made to prior year data, these should be detailed in the Commentary.

2.91. Rows 139, 151, 158 & 167: These rows include values for members who became deceased at or during the financial year. Row 165: New dependents should be populated with any dependent members created on the death of a member in one of the other categories.

2.92. Rows 180 -190: Enter membership totals split between those with protected rights under the Protected Persons legislation and the remainder of the scheme.

2.93. Rows 195 to 206: Split the membership associated with the licensee between those with protected rights under the Protected Persons legislation and the remainder of the scheme. Provide explanation in the Commentary, including if any amounts have been accepted where assets do not cover the liabilities.

2.94. Section C Scheme mergers: Rows 215 – 244: This section provides details of any mergers into this DB scheme, collecting incoming scheme data to compare to scheme data pulled from other sections.

2.95. Rows 246 – 247: The funding ratios refer to the percentage of scheme asset cover of scheme liabilities. This should be provided based on year-end values for assets and liabilities.

2.96. Section D Actuarial valuation results: This section seeks information on the actuarial valuation results for the total scheme. This refers to scheme funding valuations rather than valuations for other purposes (for example, company accounting valuations or PPF levy valuations). Where necessary answers should be expanded upon in the Commentary.

2.97. Rows 268 – 269: Average remaining active service life should be provided for the scheme membership as a whole, however if there is a significant difference in the remaining service life between non-regulated and regulated members, please provide both numbers in the Commentary.

2.98. Rows 282 – 283: Specify the mortality table used, including any age ratings: eg "PMA/PFA92 U=2004 x-1 with medium cohort improvement factors subject to a 1% underpin". Expand in Commentary as necessary.

2.99. Rows 286 – 287: Specify the mortality table used, including any age ratings: eg "PMA/PFA92 U=2004 x-1" with medium cohort improvement factors subject to a 1% underpin. Expand in Commentary as necessary.

2.100. Rows 296, 312, 328 & 344: The rows headed "normal retirement age" are to be completed with the earliest age at which unreduced benefits are payable on age retirement (which might strictly be different to the scheme's "normal retirement age").

2.101. Rows 357 – 361: Information on AVC facilities is required only to the extent that employees can purchase additional service in the defined benefit scheme or the employer contributes in some way. Information is not required for defined contribution AVC schemes.

2.102. AVC information is required for the scheme as a whole.

## 3. Instructions for completing the total expenditure worksheets

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### Chapter Summary

The purpose of this chapter is to inform the completion of the total expenditure worksheets by each TO. This is to enable Ofgem to effectively monitor the performance of the companies in relation to their business plans and total expenditure baselines set in the Final Proposals.

### Introduction

3.1. The purpose of the worksheets in this area is to report total expenditure. In the main these worksheets pull data from other areas of the RIGS.

### Overview of worksheets

3.2. The worksheets included within this chapter are:

- Summary Totex
- Ofgem Adjustments to Totex

#### Worksheet – Summary Totex (No input required)

3.3. The purpose of this table is to collect a summary of total opex and capex data to allow the financial model to be populated with actual reported data for the year.

3.4. The table is self populated with information from the Ofgem adjustments worksheet and licensees should not enter any data in here.

#### Worksheet - Ofgem Adjustments to Totex (No input required)

3.5. The purpose of this table is to make any adjustments to the figures reported by transmission companies before they are fed into the financial model. These adjustments will be discussed with the licensees

3.6. The table is populated by Ofgem and licensees should not enter any data in here.

## 4. Instructions for completing the operating expenditure worksheets

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### Chapter Summary

The purpose of this chapter is to inform the completion of the operating expenditure worksheets by each TO. This is to enable Ofgem to effectively monitor the performance of the companies in relation to their business plans and operating expenditure baselines set in the Final Proposals.

### Introduction

4.1. The purpose of the worksheets in this area is to report opex information at various different levels to enable Ofgem to fully understand opex trends and performance. Certain large and significant areas of cost are broken down into greater detail so that we can understand the movements more easily.

4.2. Licensees should submit accurate (and where instructed) audited figures of their costs and revenues for the relevant period. Further guidance is provided below.

4.3. All costs are to be entered on a cash basis (see Glossary) and exclusive of atypical items except where specifically instructed to report data. Cash means exclusive of all provisions and all accruals and prepayments that are not incurred as part of the ordinary level of business.

4.4. Forecast data will **only** be required at a total category level on the summary of cash controllable costs table.

### Overview of worksheets

4.5. The worksheets included within this chapter are:

- Summary of Cash Controllable Costs
- Provisions
- Irregular Items
- Direct Opex

- Analysis of Excluded, Consented, and De Minimis Services
- Analysis of CEO & Other Corporate Costs
- Analysis of IT & Telecoms Costs
- IT & Telecoms Allocations
- Insurance Costs
- Analysis of Property Costs by Building
- Property cost allocations
- Analysis of Business Support Costs
- Business Support Allocations
- Related Party Transactions
- Year on Year Movement in Controllable Costs
- Total Transmission Salary and FTE Numbers
- Resilience
- Apprentices and training
- In sourced outsourced
- IRM Expenditure
- NIA expenditure
- NIC expenditure
- Innovation revenue condition
- Innovation revenue input
- Physical security opex

### **Worksheet – Summary Cash Controllable Costs**

4.6. The purpose of this table is to provide a breakdown of cash controllable costs into activities within business support, closely associated indirect and direct costs. The table also collects non controllable costs and provision movements to add to total accounting costs.

4.7. Cost data is to be input on a cash controllable cost basis. Costs should be input as positive values. On table 1.3a data is to be input net of capitalisation of closely associated indirect costs and business support costs. (Direct costs are drawn directly from table 1.3b on a net basis, ie costs are allocated directly to direct opex and there is no further capitalisation. Table 1.3b data is to be input gross of capitalisation of closely associated indirect costs and business support costs.

4.8. SO costs should be reported separately from TO costs where appropriate.

4.9. Table 1.3c is the difference between tables 1.3a and 1.3b. This table represents the business support and closely associated indirect costs capitalised and is automatically populated.

### **Worksheet – Provisions**

4.10. The purpose of this table is to collect details of the provisions that have affected the results so that Ofgem can understand any significant events happening in the year.

4.11. Data should be input as required in the yellow shaded cells. Costs should be input as positive or negative values as appropriate. SO costs should be reported separately from TO costs where appropriate. Provisions are those defined under standard accounting terminology.

### **Worksheet – Irregular Items**

4.12. The purpose of this table is to identify irregular or one off costs over £0.5m included in the costs Table 1.3abc so that Ofgem can understand any significant events happening in the year. Irregular items are costs that are not part of the normal recurring business activities.

4.13. Costs should be input as positive values. SO costs should be reported separately from TO costs where appropriate.

### **Worksheet – Direct opex**

4.14. The purpose of this table is to show the amount of cash controllable operating costs spent on fault repairs, planned inspections and maintenance, vegetation management, operational property management, physical security, and allowed innovation costs.

4.15. Costs should be input as positive values. Data should be input into the cells that are highlighted in yellow. Costs will be total costs for each activity. The main items included within “other” should be identified in the cells highlighted in yellow.

### **Worksheet – Direct opex (estimates)**

4.16. The purpose of this worksheet is to shows the amount of cash controllable operating costs spent on fault repairs, planned inspections and maintenance, vegetation management, operational property management, security (armed guards), BT 21 CN teleprotection, and allowed innovation costs (incl. IFI) (*annual innovation allowance from April 2013*)

4.17. Values in this table are to be based on reasonable estimates of the level of activity. Totals should reconcile back to table 2.1. Forward looking data should provide a representation of the expected levels of activity, commensurate with a well-justified business plan.

4.18. The main items included within “other” should be identified in the cells highlighted in yellow.

4.19. The total table should reconcile to the total costs of direct opex on Table 1.3a/b. This table is intended to capture the best estimate of the allocation of the costs presented in Table 2.1.

4.20. ‘Reconciling items’ should include all items necessary to reconcile 2.1a to the Direct Costs section of 1.3a.

4.21. ‘Fault Repairs’ should include all activity that is unplanned or undertaken in response to failure or unexpected behaviour of assets. ‘Planned Inspections & Maintenance’ should include all activity not included in ‘Fault Repairs’. The precise make-up of the elements included in each of ‘Fault Repairs’ and ‘Planned Inspections & Maintenance’ should be detailed in the associated narrative.

### **Worksheet - Analysis of Excluded, Consented, and De Minimis Services**

4.22. The purpose of this table is to collect costs and revenues relating to Excluded, Consented, and De Minimis services provided by the transmission business by type of service.



4.23. Cost and revenue should be input as positive values.

#### **Worksheet - Analysis of CEO & Other Corporate Costs**

4.24. The purpose of this table is to show the gross cash controllable cost of CEO and other corporate costs and the amounts allocated to GB regulated network businesses directly or via a related party and to other business within the group.

4.25. Costs should be input as positive values. The costs should reflect the total costs relating to their GB regulated network businesses including excluded services associated with those businesses. The table should reflect the amount of costs allocated directly to the businesses with allocations of such functions, if any, from related parties.

#### **Worksheet – Analysis of IS & Telecoms Costs**

4.26. The purpose of this table is to collect gross cash controllable cost information relating to non-operational Information Systems (IS) & Telecoms expenditure and activities.

4.27. Costs should be input as positive values. Input costs for each IS & telecoms function by cost category. Input staff and contractor numbers in total.

#### **Worksheet - IS & Telecoms Costs allocations**

4.28. The purpose of this table is to show the allocation of costs to the GB regulated network businesses, excluded services and other non-regulated business, split between non-operational and operational costs.

4.29. There are no specific instructions for completion of the table.

#### **Worksheet - Insurance Costs**

4.30. The purpose of this table is to collect cash controllable cost information relating to insurance costs, premiums, policies and cover etc, including the actual costs and cover relating to the transmission and other GB regulated network businesses.

4.31. In Table 2.7.1 Insurance Premiums - input the appropriate details of all insurance policies and how this is allocated to the businesses and excluded services. Insurance premiums - Cost of insurance premiums including insurance premium tax.

4.32. In Table 2.7.2 Total Insurance Department costs - input details of the total cost of the insurance department and how this is allocated to the businesses and excluded services.

#### **Worksheet - Analysis of Property Costs by Building**

4.33. The purpose of the table is to collect gross cash controllable cost information relating to all non-operational property costs.

4.34. Buildings holding SO staff or assets should be treated as non-operational.

#### **Worksheet - Property Costs allocations**

4.35. The purpose of this table is to show the allocation of costs to the GB regulated network businesses, excluded services and other non-regulated business, split between non-operational and operational costs.

4.36. There are no specific instructions for completion of the table.

#### **Worksheet - Analysis of Business Support Costs**

4.37. The purpose of this table is to provide gross cash controllable cost analysis of business support costs and table 2.9.1 shows how the costs are charged to the GB regulated network businesses (and non regulated business where required). These tables show non-operational costs only.

4.38. Costs should be entered by business support cost type and type of expenditure in the boxes highlighted in yellow (several categories/lines are linked to other tables and updated automatically).

#### **Worksheet - Business Support Allocations**

4.39. The purpose of this table is to show the allocation of costs to the GB regulated network businesses, excluded services and other non-regulated business, split between non-operational and operational costs (although it is expected the allocation will be 100% to non-operational).

4.40. There are no specific instructions for completion of the table.

#### **Worksheet - Related Party Transactions**

4.41. The purpose of this table is to provide an analysis and understanding of the nature and size of services provided to the transmission business and other GB regulated network businesses by each related party.

4.42. Input a description of the services provided by each related party. Input as positive numbers the turnover data for the related party as charged to the transmission business, other regulated network businesses and external customers. Input as negative numbers the respective costs incurred. Where the total charge from a related party to the transmission business is less than £500k per annum that related party does not need to be included on this table.

### **Worksheet - Year on Year Movement in Controllable Costs**

4.43. The purpose of this table is to enable licensees to explain the reasons for increases and decreases in costs year on year of £0.5m or more (these are the net increases and decreases year on year in table 1.3abc).

4.44. Licensees should fill in the reasons for changes in costs in the boxes shaded in yellow. The table should be completed to clearly explain the year on year movements additional explanations can be provided in the narrative if required.

### **Worksheet - Total Transmission Salary and FTE Numbers**

4.45. The purpose of this table is to show the total transmission and business support gross staff costs and FTEs. This will provide a cost per FTE for comparisons of total transmission employment costs and business support employment costs.

4.46. The licensee should fill in total gross staff costs by type, and FTEs as indicated by the boxes shaded in yellow. Trainee Craftsperson and Engineer FTE numbers and costs are linked to table 2.18 Apprentices and Training and automatically updated. Other Trainees represent Graduate and Other Staff/Management Trainees.

### **Worksheet – Resilience**

4.47. The purpose of this table is to identify all opex and capex resilience costs covering all dimensions of resilience excluding physical and cyber security.

4.48. Costs should be input as positive values. Where costs are specific to an asset or site the name of the site or asset should be given. All costs should relate to resilience costs incurred as stand-alone and/or retrofit expenditure whether on specific assets, specific sites or a collection of assets/sites. For the avoidance of doubts any resilience costs embedded within future schemes as part of enhanced standards and formal requirements (eg legal and environmental) need not be split out from relevant schemes and reported in these tables.

### **Worksheet – Apprentices and Training**

4.49. The purpose of this table is to show the numbers and costs of apprentices and other trainees and the training costs associated with them.

4.50. Costs should be input as positive values. Data should be input into the cells that are highlighted in yellow.

#### **Worksheet – Insourced/Outsourced**

4.51. The purpose of this table is to help in understanding the different business models in use by companies and how much work is done in house or by contractors. It will help in comparison of costs between TOs.

4.52. Enter details of internal labour, ongoing pension costs and directly procured materials. For all open book contracts enter the value of labour only contracts and other contracts breaking down the total contract cost into the various headings identified in the table. For all closed book contracts enter the total value of labour only contracts and the total value of other contracts.

#### **Worksheet – Innovation Rollout Mechanism (IRM) Expenditure**

4.53. The purpose of this table is to provide Ofgem with the costs and other data relating to schemes designed to rollout a proven innovation.

4.54. There are two reporting tables within this worksheet. The first is for the scheme name and category, with total costs reported by year. The second is to split the total costs by cost type. These costs will be added to the RAV in accordance with the rules.

#### **Worksheet – Network Innovation Allowance (NIA) Expenditure**

4.55. The purpose of this table is to report the amounts spent under the NIA. NIA expenditure information is required to monitor the total amount spent by the Licensee and claimed through the NIA funding mechanism.

4.56. Costs reported in this table must be incurred in accordance with the version of the NIA Governance Document in place when the expenditure was made, as published by Ofgem. In the description below, capitalised terms are defined in the NIA Governance Document. No expenditure should have been incurred (and therefore reported) prior to 1 April 2013. This worksheet requires the same data broken down by different categories. The first requires detailed cost data to be reported by cost type. The second breaks the costs down as either bid preparation Costs, or against each (named) project.

### **Worksheet – Network Innovation Competition (NIC) Expenditure**

4.57. The purpose of this table is to collect expenditure from the NIC project bank account for any NIC project that is being implemented. The expenditure is recorded by project. As NIC projects do not form any part of RIIO-T1 allowances and requires separate detailed reporting every 6 months, this table will serve only to balance this worksheet to the regulatory accounts.

4.58. This table should only show expenditure for the regulatory year and not the outstanding funds required for the project. No expenditure should have been incurred (and therefore reported) prior to April 2013.

### **Worksheet - Innovation Revenue Condition**

4.59. The purpose of this table is to enable Ofgem to set the pass through rate for the NIA. No input is required.

### **Worksheet - Innovation Revenue Input**

4.60. The purpose of this table is to inform Ofgem on licensees revenue associated with the innovation stimulus (NIC, NIA and IRM).

4.61. This table sets out the amount to be collected by the licensee for the regulatory year for the NIC. The amount will be the full amount for the whole duration of the Project and not just the expenditure in that regulatory year.

4.62. The table shows the amount collected by the licensee for the regulatory year for the NIA. The Licensee should report the amount that was recovered to fund NIA projects or prepare submissions for the NIC as part of their eligible Bid Preparation Costs.

4.63. The table shows the amount to be collected by the licensee in each regulatory year through the IRM. The amount to be collected for the NIC and IRM is calculated in accordance with a Funding direction issued by the Authority in accordance with GDC 10.

### **Worksheet - Physical security (opex)**

4.64. The purpose of this table is to inform Ofgem of the opex spent on physical security. There are no specific instructions for completion of the table.

## 5. Instructions for completing the capital expenditure worksheets

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### Chapter Summary

The purpose of this chapter is to inform the completion of the capital expenditure worksheets by the TO. This is to enable Ofgem to effectively monitor the performance of the companies in relation to their business plans and capital expenditure baselines set in the Final Proposals.

### Introduction

5.1. The purpose of the worksheets in this area is to report capital expenditure (capex) information at various different levels to enable Ofgem to fully understand capex trends and performance.

5.2. Licensees should submit accurate and (where instructed) audited figures of their costs for the relevant period. Further guidance is provided below.

5.3. All costs are to be entered on a cash basis (see Glossary) and exclusive of atypical items except where specifically instructed to report data. Cash means exclusive of all provisions and all accruals and prepayments that are not incurred as part of the ordinary level of business.

5.4. Forecast data is only required on the capex summary table.

### Overview of worksheets

5.5. The worksheets included within this chapter are:

- Capex Summary
- Non Operational Capex
- System Operator (SO) Capex
- Project Listing
- Physical Security Capex

- Flood Mitigation
- Unit Cost Assumptions
- Primary Asset Projects – Compressor Stations and Pipelines
- Primary Asset Projects – Compressor Units

### **Worksheet – Capex summary**

5.6. The purpose of this table is to collect information relating to the licensee’s historical and forecast expenditure.

5.7. There are no specific instructions for completion of the table.

### **Worksheet – Non operational capex**

5.8. The purpose of this table is report expenditure on non operational capex.

5.9. This table requires the licensee to insert the name of specific IT projects where the total expenditure is £1m or more. Full project details not just expenditure in the year should be entered as indicated by the column headings. Expenditure on all other assets and IT assets less than £1m should be entered in total. Where the total spent on a project is more than £1m but the expenditure within a particular year is less than £1m, this should be shown as an individual project and not included in the IT expenditure <£1m category.

### **Worksheet – System operator (SO) capex**

5.10. The purpose of this table is to report the expenditure on SO capex.

5.11. Enter the name of each project. Data should be entered for each project under the appropriate asset heading.

### **Worksheet – Project listing**

5.12. The purpose of this table is to provide a list of all assets planned and forecast to be installed on the NTS system.

5.13. List all current projects or forecast ones. Pipelines are to be identified by start and finish points. Compressors are to be identified by compressor station and under each compressor station each power unit shall be listed. Block valves do not need to be identified separately where they form part of another asset which is listed

separately. Pig traps do not need to be identified separately where they form part of another asset which is listed separately. Date constructed: insert year eg 1971. Design life: insert number of years. Insert pipeline diameters in mm. Measure pipeline lengths between recorded start and finish points in km. Identify each pipeline by its NTS feeder number. Insert compressor power in mega watts (MW). Insert the compressor power source eg gas or electric for each power unit. Expenditure analysis to be provided for completed projects to include a breakdown of expenditure.

5.14. Under the column heading 'Project group/theme' for all capex including incremental entry and exit projects for gas transmission, state the name of the main scheme or entry point or exit point where an incremental signal was received which triggered this specific project. Where there has been more than one separate signal for incremental capacity at the same NTS point, include which phase the project relates to. The names of 'project group/theme' should be agreed with Ofgem.

#### **Worksheet - Physical security capex**

5.15. The purpose of this table is to inform Ofgem of the capex spent on physical security.

5.16. There are no specific instructions for completion of the table.

#### **Worksheet - Flood mitigation**

5.17. The purpose of this table is to collect volumes and levels of expenditure on work to mitigate the risk of flooding.

5.18. NGGT must input the number of assets in each risk category which have had, or are forecast to have, flood mitigation work carried out. The information provided will be shared with DECC.

#### **Worksheet - Unit cost assumptions**

5.19. The purpose of this table is to understand the make-up of the current non load related capex spend and forecast for the price control period between price and volume.

5.20. Assumed cost for new pipelines: Enter the total capital cost of pipelines due to be commissioned in that formula year. Assumed unit cost basis: is the unit cost that has been assumed to apply in the absence of any specific costs generated from feasibility studies, risk assessments etc. Assumed cost accuracy: report accuracy as a percentage within which outturned costs are expected to fall relative to the assumed cost. Assumed costs and assumed unit costs for compressors are to be construed similarly. Compressor costs should not include the costs of rewheeling existing units where there is new motive power being installed at an existing station.



Rewheels should be accounted for separately. For previous years, the value should be the capitalised costs of historical investments commissioned in that year.

**Worksheet - Primary asset projects compressor stations and pipelines**

5.21. This table will be developed by the licensee and Ofgem.

**Worksheet - Primary asset projects – compressor units**

5.22. This table will be developed by the licensee and Ofgem.

## 6. Instructions for gas network data worksheets

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### Chapter Summary

The purpose of this chapter is to inform the completion of the gas network data worksheets by each TO. This is to enable Ofgem to effectively monitor the performance of the gas transmission networks including in relation to system flows and asset health during RIIO-T1.

### Introduction

6.1. The purpose of the worksheets in this area is to report data on the network and its performance at various different levels to enable Ofgem to fully understand the network changes and network performance year on year.

6.2. Licensees should submit accurate and (where instructed) audited figures of their data for the relevant period. Further guidance is provided below.

### Overview of worksheets

6.3. The worksheets included within this chapter are:

- System characteristics
- Activity indicators
- Utilisation and performance
- Demand and capability
- Compressor utilisation
- Environmental
- Asset data
- Forecast scenarios

### **Worksheet - System characteristics**

6.4. The purpose of this table is to collect high-level information relating to physical characteristics of the transmission network, showing changes year on year.

6.5. All system characteristics should be entered as at the end of a reporting year (ie 31 March). The data should include all network assets which are operationally available to the Gas National Control Centre (GNCC). Any network assets that are not included and that have not received permission for disposal from Ofgem should be explained in accompanying narrative.

### **Worksheet – Activity indicators**

6.6. The purpose of this table is to collect key indicators of the overall level of transmission activity.

6.7. All data should be for actual levels of demand showing flows into and out of the network. Gas Distribution Networks (GDN) demand levels from the NTS should be shown by Local Distribution Zone (LDZ).

### **Worksheet – Utilisation and performance**

6.8. The purpose of this table is to collect information relating to the overall size and quality of transmission service delivered.

6.9. 1-in-20 peak day demand levels to be shown for each LDZ. The demand assumed on the 1-in-20 peak day from all non-LDZ points should be included within 'all other demand'. This should include storage and interconnector flows if they are normally assumed to be taking gas from the NTS on the 1-in-20 peak day. Number of transmission system incidents: an incident is defined as any system event which results in a single or multiple loss of supply.

### **Worksheet – Demand and capability**

6.10. The purpose of this table is to collect key indicators of overall levels of capacity booked and levels of actual demand.

6.11. Capacity should be shown for each Aggregated System Entry Point (ASEP) indicating the highest value of firm capacity booked in the period for the reporting year. Actual flows at each Aggregated System Entry Point (ASEP) should indicate maximum values observed in the reporting year expressed in GWh/day.

### **Worksheet – Compressor utilisation**

6.12. The purpose of this table is to collect data on overall compressor utilisation and enable year on year comparisons to inform about changing patterns of supply and demand.

6.13. Actual running hours should be recorded for each compressor unit. An estimate of running hours for each compressor unit should be provided going forward. It is recognised that this is an estimate, and will be constructed following a process similar to that used to produce the Network Review document, from a variety of intelligence. Accompanying narrative should describe the methodology used in detail and the reasons for year-on-year changes.

6.14. The maximum, expected and minimum utilisation of power for each compressor unit, expressed as a percentage of each units' rated maximum power from a series of current 1-in-20 peak-day network analyses should be provided. It is expected that the maxima and minima values are populated from examination of the 1-in-20 peak day network analysis models that have been created for normal investment planning purposes, and it is acknowledged that some interpolation may be required. Where maxima and minima as so construed, (ie are not directly populated from network analysis models), the reason for this should be explained (along with a description of the demand level and supply scenario where appropriate) and justified in the accompanying narrative. The expected values should be populated from the gas TO's main, central supply forecasting scenario.

### **Worksheet – Environmental**

6.15. The purpose of this table is to collect data on the environmental performance of the National Transmission System (NTS) so as to be able to link to throughput, and compare trends year on year.

6.16. This table is to include actual CO<sub>2</sub> and NO<sub>x</sub> gaseous emissions from compressor stations, consistent with the running hours presented in table 5.5, and following methodologies consistent with methodologies used for the NGGT's 'Network Review'. CO<sub>2</sub> emitted by gas powered compressors: normalise by energy delivered, estimated Kg of CO<sub>2</sub> per GWh. NO<sub>x</sub> emitted by gas powered compressors: normalise by unit of annual throughput. Methane emitted from plant: Kg of methane emitted per annum, normalised by energy delivered, Kg methane per GWh. Further detail (eg categorised volumes, etc.) may be provided where considered necessary.

### **Worksheet – Asset data**

6.17. The purpose of this table is to provide a list of all assets installed on the NTS system.

6.18. List all assets whose installation has been completed by 1<sup>st</sup> April for each year. Pipelines should be identified by start and finish points. Compressors are to be identified by compressor station and under each compressor station each power unit shall be listed. Block valves do not need to be identified separately where they form part of another asset which is listed separately. Pig traps do not need to be identified separately where they form part of another asset which is listed separately. Date constructed: insert year eg 1971. Design life: insert number of years. Insert pipeline diameters in mm. Measure pipeline lengths between recorded start and finish points in km. Identify each pipeline by its NTS feeder number. Insert compressor power in mega watts (MW). Insert the compressor power source eg gas or electric for each power unit, and technology (eg Rolls Royce RB211-24, Alstom Cyclone, MOPICO, etc).

### **Worksheet – Forecast scenarios**

6.19. The purpose of this table is to collect information to identify entry and exit forecast parameters which help to inform network reinforcement investment decisions.

6.20. The forecast scenarios to be reported on will vary from year to year. Values to be entered as necessary - maximum peak day 1-in-20 forecast levels are taken to be a minimum reporting requirement. The licensee may need to additionally report forecast data for other criteria eg SNT, Day1 Severe LDC, Day 'n' Severe LDC or such value as is identified as being a key driver for network planning. Within this table, the 'minimum' is expected to capture the minimum flow rate expected under 1-in-20 peak day demand conditions. The maximum and minimum case tables are to capture the collection of maxima and minima, respectively, ie they are an undiversified set (so the sum of entry flows in each table will have no meaning). The maxima and minima should be populated from NGGT's usual supply forecasting scenarios.

## 7. Instructions for completing the network outputs worksheets

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### Chapter Summary

The purpose of this chapter is to inform the completion of the outputs worksheets by each TO. This is to enable Ofgem to effectively monitor the performance of the companies in delivering their RIIO-T1 outputs and to determine any associated reward or penalty under the incentive arrangements consistent with the Final Proposals.

### Introduction

7.1. The purpose of the worksheets in this area is to report performance against the various outputs. This will allow Ofgem to monitor the licensee's performance against the output targets year on year.

7.2. Licensees should submit accurate and (where instructed) audited figures of their data for the relevant period. Further guidance is provided below.

7.3. All costs are to be entered on a cash basis (see Glossary) and exclusive of atypical items except where specifically instructed to report data. Cash means exclusive of all provisions and all accruals and prepayments that are not incurred as part of the ordinary level of business.

7.1. Some of the existing gas transmission licence conditions that are subject to change at RIIO-T1 have existing reporting requirements that overlap with some of the proposed output worksheets. An example is that between Special Condition C14 of the licence and the table for gas constraint management and NTS transportation support services.

7.2. We have not as yet reviewed the degree to which some of the existing reporting requirements may still be needed. We will do this before the publication of the final RIGs.

### Overview of worksheets

7.3. The worksheets included within this chapter are:

- Safety

- Customer satisfaction
- Gas incremental capacity
- Gas transmission connections
- Gas constraints and TSS
- Network flexibility
- Business Carbon Footprint
- Condition and risk – Entry Points
- Condition and risk – Exit Points
- Condition and risk – Compressors
- Condition and risk – Pipelines
- Condition and risk – Multi Junctions

### **Worksheet – Safety**

7.4. The purpose of this table is to collect information on the costs each TO incurs in delivering its safety obligations.

7.5. In line with our Strategy Decision we have not stipulated an exhaustive list of legislative requirements but rather included examples of those obligations. This is to ensure this output remains relevant should any further legislative requirements be imposed on the businesses during the price control period.

7.6. To complete the worksheet each TO is required to:

- identify the costs associated with delivering the specific safety obligation identified,
- if appropriate add other categories or safety obligations and the associated costs of delivering those obligations, and
- provide its total costs for meeting its safety obligations in each relevant year.

## **Worksheet – Customer satisfaction**

7.7. The purpose of this table is to collect the results from surveys that the transmission owners are required to carry out under the customer/stakeholder satisfaction output. The output has two financial incentive elements. One is a stakeholder engagement discretionary reward. The second is a deterministic financial incentive rewarding or penalising the transmission owners for performance as appraised by its customers and/or stakeholders through survey.<sup>1</sup> This table relates to this second element reflecting survey results and supporting information. At this stage the supporting information is work in progress. This is information that will provide us with confidence that the overall reward through this financial incentive is appropriate.

7.8. To complete the worksheet each TO is required to include:

- baseline level of performance (as specified in Special Licence Condition GTC 24)
- mean, median and 25% and 75% quartile survey scores<sup>2</sup> (in the case of National Grid this includes both the survey of customers and the equivalent scores for the survey of stakeholders).

7.9. In December 2012, we will also include details of supporting information that each TO will be required to report on. This might differ for each TO.

## **Worksheet – Gas incremental capacity**

7.10. The purpose of this table is to inform on needs for incremental capacity over time and details of how this is delivered by NGGT. It also supports and provides information about the future applicability and level of permits.

7.11. NGGT needs to report each signal (for each entry or exit point on the system) requiring incremental capacity. It also needs to provide detail of the proportion of capacity delivered within the relevant existing lead times (again by entry point).

7.12. At least for the year 1 April 2013 - 31 March 2014, and potentially beyond subject to our Final Proposals, NGGT should also report on the number of permits played in relation to projects in the relevant period by each point and the monetary value associated with these permits.

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<sup>1</sup> NGET and NGGT shall include results from both a survey of customers and a survey of stakeholders.

<sup>2</sup> The median and quartile scores will give us a clearer view of the spread of responses to the survey.



### **Worksheet – Gas transmission connections**

7.13. At this stage we are not in a position to share a draft table in this area. We are considering where appropriate information can support the new process introduced through UNC373. We intend to develop a table in time for the final RIGs.

### **Worksheet – Gas constraints and TSS**

7.14. The purpose of this table is to collect information about the costs and revenues associated with NGGT's constraint management actions and the actions in procuring transportation support services (TSS).

7.15. NGGT should supply the monetary amounts. Special Conditions GTC 120 and GTC 132 provide definitions.

### **Worksheet – Network flexibility**

7.16. The purpose of this table is to provide background information useful for understanding the demands for and capability to provide network flexibility.

7.17. This table is intended to capture the physical capability of connected systems. It is understood that the data provided will provide an initial dataset to describe flexibility which should be complemented by, as yet, unspecified datasets. Please ensure the complete list of items is populated, adding rows as necessary.

### **Worksheet – Environment Business Carbon Footprint (BCF)**

7.18. The purpose of this table is to provide information on the licensee business carbon footprint (in tonnes of CO<sub>2</sub> equivalent) in order for us to review the carbon footprint across all the TOs, and to assess the year on year percentage change.

7.19. CO<sub>2</sub> equivalent emissions arising from losses on the licensee's transmission system are included in the table since to provide an annual estimate of total BCF that will align with other environmental reports produced by the company.

7.20. The associated commentary must contain the methodology used, including detailed emission tables for each of the sections below, and further information on the methodology adopted.

7.21. As stated below, a licensee can select the 12 month period that it intends to use as its confirmed reporting year. This confirmed reporting year must have prior approval from Ofgem. We expect the confirmed reporting year to align with the statutory or regulatory accounts.

7.22. The reporting methodology must be compliant with the principles of the Greenhouse Gas Protocol<sup>3</sup> (GHG Protocol). In summary<sup>4</sup>, the BCF reporting must be:

- Relevant: the inventory must reflect the substance and economic reality of the company's business relationships, not merely its legal form.
- Complete: all relevant emission sources must be included.
- Consistent: accounting approaches, inventory boundary and calculation methodology must be applied consistently over time.
- Transparent: information on the processes, procedures, assumptions and limitations of the BCF reporting must be disclosed in a clear, factual, neutral and understandable manner, enabling internal and external verifiers to attest to its credibility.
- Accurate: GHG measurements, estimates, or calculations must be systemically neither over nor under the actual emissions value, as far as can be judged, and that uncertainties be reduced as far as practicable.

7.23. Licensee's must report on all Scope 1 and Scope 2 emissions (and a subset of Scope 3 emissions, as detailed below) on an 'operational control' basis, ie report all emissions from operations on which the TO has full authority to introduce and implement its operating policy.

7.24. Licensees must also report on a subset of Scope 3 emissions (business travel and external contractors), to ensure that the reporting captures all of the emissions arising from the development and operation of the licensee's transmission system, regardless of the legal entity carrying out each activity. According to this, we consider it valuable to focus on contractors emissions relating to the operational transport fleet and mobile power plants.

7.25. A licensee that forms part of a larger corporate group must provide a brief introduction outlining the structure of the group. The commentary must detail which organisations are considered to be within the reporting boundary for the purpose of this exercise.

7.26. Apportionment of emissions across a corporate group to the licensee's business units must be made clear in the commentary.

#### *Contractors*

7.27. The exclusion of any contractors must be justified and any thresholds used for exclusion must be stated in the commentary.

7.28. The commentary must also include an indication of what proportion of contractors have been excluded. This figure could be calculated based on contract value.

7.29. As far as possible, the licensee must try to ensure that data provided from different contractors is based on consistent assumptions.

*Detailed reporting requirements*

7.30. Licensees are given flexibility to set their own standards for:

- Reporting year. We expect this generally to align with the statutory or regulatory accounts.
- The use of estimates rather than direct measurement, and any exclusion from the reporting based on (lack of) materiality considerations. Any assumptions used to make estimates must be included in the commentary. It is anticipated that data will need to be estimated under two scenarios:
  - when the type of emissions is not measured
  - when there is measurement data, but an estimate is required as the data is not at the same level of granularity as required by the summary BCF worksheet.

7.31. As a general principle, the licensees must focus more on the first type of estimation.

7.32. The commentary must include data tables for each area of emissions (ideally at the same level of granularity as Defra conversion factors) containing the following information:

- the licensee in question
- the level of emissions (in tCO<sub>2</sub>e)
- the data source and collection process
- the relevant physical units eg miles
- the emission conversion factor used
- the source of the emission conversion factor (this shall be Defra unless there is a compelling case for using another conversion factor)
- the Scope of the emissions ie Scope 1, 2 or 3



- whether the emissions have been measured or estimated
- any tools used in the calculation
- whether the emissions stem from contractors.

7.33. The commentary must also include details of any auditing a licensee has performed to verify their emissions data.

*Apportionment*

7.34. When the emissions data is not available for the individual licensee then the apportionment factor used must be transparent. The basis for calculating the apportionment factor must also be included in the commentary.

4.75. We expect that the basis for calculating the apportionment factor will vary according to the area of emissions. The table below gives the preferred basis for determining the apportionment factor. Other methodologies can be used, but they must be justified.

**Table 7.1: Apportionment factor determination**

<b>Area of emissions</b>	<b>Basis for apportionment factor</b>
Building energy usage	Head count
Operational transport	Network length or km <sup>2</sup> of the Distribution Services Area (DSA).
Business transport	Head count, or like operational transport

*Buildings energy usage*

7.35. Emission for electricity usage in buildings must be converted according to the factor for the “Grid Rolling Average”.

7.36. Natural Gas, Diesel and other fuels are all categorised as fuel combustion and must be converted to tCO<sub>2</sub>e on either a Gross Calorific Value (Gross CV) or Net Calorific Value (Net CV) basis. We expect that this element of the chosen approach is clearly stated in the commentary and that this is consistently applied over time.

7.37. Electricity usage in substations must be captured under “Buildings energy usage”. All substation consumption must be treated as energy supplied rather than

losses. It is recognised that not all substations will be metered; rather, it is expected that licensees will in time register all substation as unmetered supplies and develop a common method for estimating consumption. Each licensee must include in its methodology (included in the commentary) the basis on which energy supplied has been assessed. Estimation could be based on a bottom-up approach, whereby the substation energy usage is split into estimates of its constituent parts, such as heating and lighting etc.

### *Transport*

7.38. Defra guidelines provide for a range of emission conversion factors for transport means, with the aim to provide the best possible estimate of emissions from the vehicle portfolio owned and/or operated by the company. The reporting must, as far as reasonably practicable, use the full range of emission conversion factors available (as applicable to the range of means of transport actually used by the company).

7.39. Defra allows for transport to be entered in terms of both mileage and fuel consumption. Reporting must be based upon mileage, using conversion factors at the greatest level of disaggregation that is reasonably practicable. Reporting can be based on fuel consumption only where detailed and reliable data is available, eg through fuel cards.

7.40. In cases where emission factors for specific transport means are not available (we are aware of this issue for helicopters, but there may be some other instances) the equivalent tonnes of carbon dioxide (tCO<sub>2</sub>e) must be estimated and summed to the closest means of transport (eg 'air' for helicopters). The methodology and assumptions used for estimating/measuring these emissions must be included in the commentary.

7.41. Operational transport is the transportation (often a fleet of vehicles) used in the day to day operation of the business – ie in the inspection and maintenance of the network.

7.42. Business transport is that undertaken by staff travelling to locations that are other than their normal place of work or moving between sites for purposes such as meetings.

### *Fugitive emissions*

7.43. This category caters for GHG emissions from a range of gases that may be relevant to the TO business. We anticipate that this will mainly include Methane emissions, but other gases may be included (eg HFC from air conditioning).

7.44. The commentary must identify which fugitive emissions have not been calculated or estimated.

*Fuel combustion (non-building)*

7.45. This is to cover for non-building fuel usage, such as mobile plants and the stand-by diesel mobile generators that are deployed from time to time in response to planned outages or faults. Defra emissions factors must be used. All mobile plant and generation used by the licensee, related and affiliate undertakings, contactors and sub-contractors must be included in so far as it is reasonably practicable. The methodology must describe the degree of estimation, and decisions to exclude any sources of emissions, applied.

*Losses*

7.46. This is to consider TOs responsibility towards losses as a Scope 2 emission, using the Defra conversion factor 'Grid Rolling Average' for electricity losses. Substation electricity usage must be excluded from the reported emissions for network losses, so that it is not double-counted.

7.47. As explained above, an estimate of losses is required because it is important for Ofgem to have an indication of the overall BCF for a company and across all TOs.

**Worksheet – Condition and Risk – Entry Points**

**Worksheet - Condition and Risk – Exit Points**

**Worksheet - Condition and Risk – Compressors**

**Worksheet - Condition and Risk – Pipelines**

**Worksheet - Condition and Risk – Multijunctions**

7.48. The purpose of these worksheets is to collect secondary deliverable information on current and forecast asset health, criticality and replacement priorities to assess performance against business plans and reported expenditure.

7.49. Asset health and criticality: NGGT to provide the number of assets by asset category heading falling within the asset health categories (HI1, HI2, HI3, HI4, HI5) and criticalities (C1, C2, C3, C4) for the year of reporting and for the end of the price control period/start of future price control period. Definitions of these categories are contained on these worksheets. The total of assets reported against each asset category should reconcile with the asset register. For the forecast asset health distribution the transmission companies should forecast for the entire asset base (ie it should take account of both the level of non-load related replacement and the level of load related additions).

7.50. Replacement priorities matrix: NGG to provide the replacement priorities based on the different combinations of asset health and criticality.

7.51. Replacement priorities tables: The replacement priorities tables are to be populated according to the risk matrix to be agreed between the transmission companies and Ofgem.

## 8. Instructions for completing the revenue reporting worksheets

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### Chapter Summary

The purpose of this chapter is to inform the completion of the revenue reporting worksheets. This is to enable Ofgem to determine allowed revenues for NGGT.

### Introduction

Whilst we have performed some initial development, the revenue reporting pack will be developed fully once the licence conditions are finalised. We anticipate providing a draft for comment in January of 2013.



# Appendices

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## Appendix 1 – Glossary and Definitions

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The purpose of this appendix is to provide definition of the terms included in these instructions and in the associated worksheets.

The definitions will be based on those in the business plan data tables and will be completed jointly by Ofgem and licensees in January 2013 as part of finalising the RIGs.