

**RIIO-ED1 RIGs Financial Issues
Commentary, version ~~23~~.0**

[DNO to enter regulatory year]

[DNO to enter DNO name]

Contents

<u>Contents</u>	<u>2</u>
<u>Summary - Information Required</u>	<u>1</u>
<u>Supporting Data Submissions</u>	<u>1</u>
<u>Changes to Amounts Reported in Prior Year(s)</u>	<u>1</u>
<u>F2 – Net Debt</u>	<u>21</u>
<u>F6 – Tax Clawback Data</u>	<u>32</u>
<u>F8 – Reconciliation to Regulatory Accounts</u>	<u>52</u>

Summary - Information Required

One Commentary document is required per DNO Group. Respondents should ensure that comments are clearly marked to show whether they relate to all the DNOs in the group or to which DNO they relate.

Commentary is required in response to specific questions included in this document. DNO's may include supporting documentation where they consider it necessary to support their comments or where it may aid Ofgem's understanding. ~~Please highlight~~ Highlight in this document if additional information is provided.

The purpose of this commentary is to provide the opportunity for DNOs to set out further supporting information related to the data provided in the Financial Issues tables of the of the cost and volumes Reporting Pack. It also sets out supporting data submissions that DNOs must provide to us.

Supporting Data Submissions

If not submitted please indicate when the submission will take place and/or reason for delay.

	Comment
Corporation Tax return (CT600) and supporting tax computations for the licensee's last statutory accounting financial year.	
Final agreed corporation tax return for all years closed by HMRC in the regulatory year and up to the date of submission of the <u>Cost and Volumes Reporting Pack</u> . Financial Issues Reporting Pack	
Annual audited accounts for each Pension Scheme	
Copy of the Certification by senior accounting officer that is prescribed in FA2009, which certifies annually that the accounting systems for the company and its subsidiaries are adequate for the purpose of reporting of 'taxes and duties'.	

Changes to Amounts Reported in Prior Year(s)

Explain each and any change(s) to amounts reported in prior year(s) columns. Identify each separately by table number and cell number.

~~F1a, F1b & F1c — Income Statement, Statement of Financial Position and Statement of Cashflows~~

~~Commentary should specifically include explanation of:~~

- ~~— Accounting framework adopted (EU-IFRS, FRS101 / FRS102)~~
- ~~— Exceptional items~~

Comments

F2 – Net Debt & Interest

	Comments
Whether within the “Analysis of Other amounts due to/ (from) group companies per Balance Sheet (memorandum)” there are any amounts that are more than one year old. If this is so, explain whether or not these amounts should not be considered as part of net debt for the purpose of assessing whether the gearing ratio has been exceeded.	
If there are any derivative financial instruments held by a related party that are not <u>included in the value</u> reported in the table, quantifying them and stating which debt(s) is being hedged.	Interest rate swaps: Losses and gains: Cross currency swaps:
Identify any new debt or debt refinanced, or new derivative financial instruments in the regulatory year.	New debt in the year:
Detail the covenants relating to the top five loans by value.	

~~F3 – Financing Requirements~~

~~A commentary is required to detail any concerns the licensee has about refinancing, except to the extent that such issues have been separately notified to Ofgem.~~

Comments

~~**Cross reference to the financial factors considered as part of the Availability of Resources certification**~~

F4—Tax Computation

	Comments
Confirm when tax returns have been agreed with HMRC for statutory financial years that are relevant to the regulatory year under report.	
Where there are or have been investigations by HMRC into the licensees in the last two years (to the date of the submission), what the investigation was for and the outcome, specifically any changes to reported taxable profits/losses or revisions of capital allowance pools; and any transfer pricing investigations.	
Whether there have been any surrenders or receipt of group loss relief, or consortium relief; and, if so, explain with which entities and the amounts. Also confirm that any surrender of losses or use of consortium relief has been paid for in full (at the applicable corporation tax rate for the year, or the rate applied).	
An analysis of other add-backs should be disclosed and described separately for individual items over £500,000 where the individual analysis exceeds two.	

F5—Allocation to Tax Pools

	Comments
Explain the basis upon which apportionment of actual totex to tax pools has been made.	
Explain material variances between PCFM allocations and actual allocations in the regulatory year under report.	
Confirm when tax pools have been agreed with HMRC for statutory financial years that are relevant to the regulatory year under report.	

F6 – Tax Clawback Data

Commentary should specifically include explanation of the reasons for each item reported as a borrowing not in accordance with the defined net debt item. The commentary should include:

- A description of the item
- A basic explanation of why the item has arisen
- An explanation of how the figure has been calculated. This should be sufficient for Ofgem to confirm the calculation during the visits if required.

Where you disagree with or have comments on tax/gearing clawback computation explain those.

Comments**F7—Pensions**

A commentary is required to detail any other relevant items identified in the completion of this table. In particular it should specifically include explanation of:

	Comments
Where the employee contribution rate per the valuation/scheme rules differs from that expressed as a percentage of employee actual contribution and pensionable salary (excluding salary sacrifice) provide an explanation of the difference.	
Where the employer contribution rate per the valuation/scheme rules differs from that expressed as a percentage of employer actual contributions and pensionable salary (excluding salary sacrifice) provide an explanation of the difference.	
Where the actual deficit funding payments vary from that using the regulatory fraction for a year, explain why this so and when the discrepancies will be remedied.	
Where the pension scheme encompasses more than one DNO, related party or business activity how the reported amounts have been calculated.	

Pension Protection Fund (PPF) Costs

Commentary should specifically include explanation of:

	Comments
Explain any material variance in the PPF levy charges compared to prior years.	

Pension Scheme Administration Costs

Commentary should specifically include explanation of:

	Comments
Explain any material variance in the scheme administration charges compared to prior years.	

F8 – Reconciliation to Regulatory Accounts

Commentary should specifically include explanation of the reasons for each reconciling item. The commentary should include:

- A description of the reconciling item
- A basic explanation of why the reconciling item has arisen
- An explanation of how the figure has been calculated
- Where IFRS has been adopted a statement of that fact listing the principle changes in the Accounts to opex and capex is required.
- Where costs are incurred by an affiliate and not recharged to the licensee, state name of affiliate, amount and reasons why not recharged and justification for allowing such costs as efficient and why they should be allowed in computing RAV additions.
- Where any pension costs (ongoing employer contributions, deficit funding payments, PPF levies or pension scheme administration costs are incurred by an affiliate and not recharged to the licensee, state name of affiliate, amount and reasons why not recharged and justification for allowing such costs as efficient and why they should be allowed as distribution costs of the licensee.

Comments