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Guidance

RIIO-GT2 Finance Business Plan Data Template (BPDT) instructions and guidance

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This document sets out the instructions and guidance for completing Business Plan data templates, required as part of the process of setting RIIO-GT2.

This document is for people who are filling out the Business Plan data templates and want to know general and specific guidance for reporting Business Plan data. It explains the scope of the Business Plan data templates, what to consider when completing them, and where to find more information.

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Contents

Associated Documents **4**

1. Introduction **5**
Purpose 5
Publication 5

2. General Instructions for Completing the BPDT **6**
Reporting arrangements 6
BPDT structure and data entry 6
Accounting policies 8
Use of Estimates and Allocations 8
Reporting scope 8
Definitions 8

3. Finance Tables **10**
Universal Data 10
Tab 1.01 BPFM Inputs 10
Tab 1.02 Financial Requirements 10
Tab 1.02b Debt 13
Tab 1.02c Interest 14
Tab 1.03 Tax Inputs 14
Tab 1.04 Disposals 1 15
Tab 1.05 Disposals 2 15

Associated Documents

RIIO-2 sector specific methodology consultation, 18 December 2018
https://www.ofgem.gov.uk/publications-and-updates/riio-2-sector-specific-methodology-consultation

RIIO-2 Business Plan Draft Guidance Document, 21 December 2018
https://www.ofgem.gov.uk/publications-and-updates/riio-2-business-plans-draft-guidance-document

Priorities and Work Plan of the RIIO-2 Challenge Group, 28 February 2019
https://www.ofgem.gov.uk/publications-and-updates/priorities-and-work-plan-riio-2-challenge-group

Notice proposing modifications to the RIIO-GT1 Price Control Regulatory Instructions and Guidance: Version 6.1
https://www.ofgem.gov.uk/publications-and-updates/notice-proposing-modifications-regulatory-instructions-and-guidance-rigs-riio-gt1-version-61

1. Introduction

Purpose

1.1. This document sets out the instructions and guidance for completing the Business Plan data template (BPDT) that supports the submission of the National Grid Gas Transmission's (NGGT's) Business Plan.

1.2. The BPDT is an Excel workbook. It consists of a number of data entry sheets with various summaries. The BPDT should support and be consistent with the submitted Business Plan. The BPDT should be completed in accordance with these instructions and definitions provided in this document.

1.3. The BPDTs and these instructions provide a framework for the collection and provision of consistent information in order to avoid varying interpretations of definitions and reporting requirements.

1.4. These instructions are limited to ensuring consistency of reporting in the BPDTs. They do not set out the process for when draft and final Business Plans should be submitted or provide guidance on what should be included in Business Plans. These instructions should be read alongside the RIIO-2 Business Plan Draft Guidance Document and the Priorities and Work Plan of the RIIO-2 Challenge Group.

1.5. These instructions do not change any definitions or obligations contained within the gas transporter licence applicable to NGGT and in the event of any conflict, the licence conditions will always take precedence.

Publication

1.6. NGGT consider some of the information provided in the BPDT to be commercially sensitive. Ofgem is bound by the requirements of section 105 of the Utilities Act 2000 relating to the disclosure of information.

1.7. Ofgem recognises the value of improving transparency of information in regulating natural monopolies and we intend to continue to review to what extent to publish further disaggregated data and analysis alongside the Business Plans.

2. General Instructions for Completing the BPDT

This instruction and guidance document ('instructions') provide a framework for the collection and provision of consistent information to support the well-justified business plans submitted by NGGT. The output from this process will be the Gas Transmission completed business plan data templates. Ofgem will use this information to assist in the assessment of the well-justified business plan submissions for RIIO-GT2.

Reporting arrangements

2.1. NGGT must provide the completed BPDT in an excel format.

2.2. NGGT must complete the BPDT in full. If information is incomplete, the NGGT should provide a clear explanation for why.

2.3. For any queries on the data templates, or if any errors are discovered on completion, an email should be sent to RegFinance@ofgem.gov.uk.

2.4. Any resubmission of the BPDT is only to be made by agreement between Ofgem and the NGGT and in any such instance, the pack should be resubmitted in full. Resubmission is required to be accompanied by a letter signed by a Director.

BPDT structure and data entry

2.5. The BPDT has been separated into the following sections:

- General tables: Tables 0.00 – 0.05 provide general information relating to the templates including fixed data and validation.
- Finance tables: Tables 1.01 – 1.05 collect financial information.
- Activity tables: Tables 2.00 – 3.08 collect cost and workload data for activities within Opex and Capex.
- Network Characteristics: Tables 5.01 – 5.07 collect additional data relating to the Transmission system asset and its operation.
- Environment: Table 6.01 collections environmental performance information.

2.6. The colour scheme used in the Finance worksheets is as follows:

- Yellow cells represent input fields.

- Light green is used in the finance tables to denote cells containing formulae.
- Dark blue shaded cells in the 'Universal Data' sheet denotes forecasted values.
- Light blue in the remaining finance sheets denote links to elsewhere in the workbook.
- Grey shaded cells in the finance sheets denote non-input cells.

2.7. Certain fields require positive entries, whereas others require negative entries. Unless specified otherwise in the individual table instructions below, the following rules apply:

- Gross costs are to be entered as positive values.
- Contributions (customer or otherwise) are to be entered as negative values.
- Cost recoveries are to be entered as negative values.

2.8. NGGT should only make entries in the indicated input fields. The excel workbook has not been locked or password protected, but NGGT must not make any changes to the formulae, format or structure contained in the template unless these instructions or instructions from Ofgem provide otherwise.

2.9. The BPDT requires the reporting of actual and forecast costs for RIIO-GT1 and the forecast costs for RIIO-GT2. For specific programmes extending beyond RIIO-GT2, longer-term forecasts are required.

2.10. A financial year for the provision of information required will be a period of 12 months commencing on 1 April of each year and ending on 31 March of the following calendar year.

2.11. The base year (price base) for costs is 2018/19, therefore, all costs should be provided in 2018/19 prices unless otherwise stated. Ofgem will provide the RPI and CPIH indices to use for deflation/inflation purposes. RPI will be used for inflation to the end of the last year of RIIO-1 and CPIH will be used for inflation from the start of the first year of RIIO-2. G46 to H67 of the Universal Data sheet provide the year average inflation to be used for each year.

2.12. All tables are to be completed exclusive of real price effects (RPE) as these are captured separately in Table 2.15. Tables are to be completed inclusive of ongoing efficiency (i.e. 'frontier shift') and these assumptions are to be stated in Table 2.15.

2.13. Unless otherwise stated in this document or in the BPDT, actual financial values should be provided in £ million to a minimum of three decimal places. Financial values should reconcile with audited regulatory accounts for historical years for which audited regulatory accounts have been produced. NGGT are required to provide all actual financial data to the highest reasonable level of accuracy available from their source systems, and commensurate with the purpose for which such data is intended, taking into consideration the appropriate allocations that are necessary to complete the tables.

2.14. Unless otherwise stated in this document or in the BPDT, all financial values should be input as positive numbers. Where a reportable value is zero or not applicable to the NGGT, then a zero should be input, rather than the cell being left blank.

2.15. Workload and outputs should be entered in the unit of measurement set out in this guidance or in the BPDT. Workload units and outputs should be reported at the highest

reasonable level of accuracy from the source systems and commensurate with the purpose for which such data is intended taking into consideration the appropriate allocations that are necessary to complete the tables.

Accounting policies

2.16. The BPDT should be prepared on a cash typical basis (see Glossary[1]). Cash means exclusive of all provisions and all accruals and prepayments that are that are not incurred as part of the ordinary level of business. All expenses recognised are those expected to be incurred as part of the ordinary level of business.

2.17. The BPDT should be prepared using the same accounting policies as in the preparation of the regulatory financial statements, in accordance with UK GAAP or IFRS, unless otherwise stated. In the event that the accounting policies applied to prepare the template differ from those used in the regulatory financial statements (for some or all years), NGGT must include appropriate details including quantification of the difference.

Use of Estimates and Allocations

2.18. Apportionments should be avoided wherever possible. However, where NGGT (and any affiliate or related party undertaking of the NGGT) have to do this to complete the tables, the basis of apportionment must be provided. Changes in apportionment should also be highlighted.

Reporting scope

2.19. The data presented in the BPDT should relate to the activities of the NGGT whether carried out directly by the NGGT or by another party on behalf of the NGGT (e.g. related parties or third parties carrying out activities for the NGGT). De minimis costs are to be included where such activities are carried by the NGGT (which has been consented to by the Authority in accordance with Standard Special Condition A36).

2.20. Specific sections have been included in the template to separately capture costs associated with excluded services and de minimis activities.

Definitions

2.21. The definitions set out in the Glossary of the RIIO-GT1 Gas Transmission Price Control Regulatory Instructions and Guidance[2] should be used to complete the template in a consistent way. NGGT must ensure that the definitions are clearly understood and are complied with when entering any data into the BPDT. Where there is doubt or

[1] https://www.ofgem.gov.uk/publications-and-updates/notice-proposing-modifications-regulatory-instructions-and-guidance-rigs-riio-gt1-version-61
[2]https://www.ofgem.gov.uk/publications-and-updates/notice-proposing-modifications-regulatory-instructions-and-guidance-rigs-riio-gt1-version-61

uncertainty, please refer to Ofgem for clarification. This is to ensure consistency and comparability of data entry.

3. Finance Tables

Universal Data

Purpose and Use by Ofgem	The purpose of this worksheet is to demonstrate the principles and calculation used to inflate from RIIO1 price base (2009/10) to RIIO2 price base (2018/19).
Instructions for Completion	• NGGT will populate yellow input cells G09:G13. • RPI: enter the Financial Year Average RPI figure in cell J50 in tab "Universal Data". Enter the RPI inflation figure in cell K50 in the same tab. • CPIH: enter the Financial Year Average CPIH figure in cell M50 in tab "Universal Data". Enter the CPIH inflation figure in cell N50 in the same tab.

Tab 1.01 BPFM Inputs

Purpose and Use by Ofgem	The purpose of this worksheet is to provide a summary of information from the BPDT, to be used as input values in the Business Plan Financial Model.
Instructions for Completion	Certain fields in this worksheet are automatically populated, as they collate and aggregate information from other sections of the workbook, whilst other fields need to be filled by NGGT. • NGGT will populate yellow input cells • BPFMPension inputscolumns N:U, enter EDE values as per latest BPFMinflated to 2018/19 price base. In columns V:Z enter value in cell U50. Enter any known adjustments that may be included as part of the 2020 triennial pensions review.

Tab 1.02 Financial Requirements

Purpose and Use by Ofgem	The purpose of this worksheet is to provide summary information relating to the actual debt and debt cost position of licensees as well as actual equity issuance and equity dividend forecasts. This will enable actual company financing positions to be used as input values into the Business Plan Financial Model for the purposes of calculating financial ratios based on actual company financing structures and costs.

Instructions for Completion	NGGT to use inflation assumptions provided in rows 10 and 11 to calculate any inflation linked debt payments (coupons, principal accretion or swap payments). NGGT to use interest rate assumptions provided in rows 16 to 19 for new debt raised in period. Rows28 to 88 is to reflect embedded debt costs pre interest rate and inflation derivatives, rows 94 to 145 to reflect debt costs post interest rate and inflation derivatives. Debt and interest expense should exclude any shareholder loans and shareholder loans payments respectively. Rows 165-206 is to reflect new debt costs (pre and post derivatives, i.e. there is no distinction between debt raised in a particular format directly and that raised in that format indirectly through derivatives). This is because it is assumed a TO may be able to forecast which format liability they would seek to raise for future years but may not be able to forecast whether this would be raised directly or through derivatives. All rows from 28 to 210 refer to notional principal outstanding and interest expense for different categories of debt and should reflect only the pure interest costs (without inclusion of any amortised or unamortised costs etc). Rows 214-243 then provide for adjustments to obtain values for net debt per regulatory definition and net interest per regulatory definition for reconciliation with PCFM and RFPR. Rows 246-257 provide space for other costs not included in the regulatory definition of net interest. Each section requests opening balance, amounts issued in year, amounts repaid in year and closing balance for the year. In addition the inflation linked sections request principal inflation accretion which is added to the closing balance of notional principal outstanding. Time weighted average for each category to be calculated as follows: - Volume outstanding for full period - Plus new issuance in year multiplied by year part the new issuance has been outstanding in that financial year (end of financial year minus issue date divided by days in financial year) - Plus amount repaid in year multiplied by year part the repaid debt was outstanding in that financial year (repayment date- start of financial year divided by days in financial year) Weighted average interest rate/spread for each category to be calculated as follows: - Debt principal outstanding for full period multiplied by its interest rate/spread - Plus new issuance in year multiplied by year part the new issuance has been outstanding in that financial year multiplied by its interest rate/spreadPlus amount repaid in year multiplied by

	year part the repaid debt was outstanding in that financial year multiplied by its interest rate/spread - The resulting total divided by time weighted average notional principal outstanding for that category The following fields are to be filled in by NGGT: • Row 35 to be completed with opening volume of fixed rate debt. Row 36 to be completed with volume of embedded fixed rate debt issued in each year • Row 37 to be completed with volume of embedded fixed rate debt repaid in each year. • Row 39 to be completed with volume of embedded fixed rate debt calculated on a time weighted basis • Row 40 to be completed with weighted average nominal coupon on fixed rate debt such that when multiplied by row 39 (time weighted volume of debt fixed rate) the result would be the interest expense associated with fixed rate debt. • Rows 41-72 to be completed consistently with rows 35-40 for the different debt product types with floating rate debt completed with weighted average margins or spreads, for example row 46 to be completed with weighted average margin or spread on £m LIBOR linked floating rate embedded debt such that when multiplied with row 46 (time weighted volume of debt floating rate) the result would be the interest expense associated with the margin/spread element of that debt. This will be combined with the Libor element of interest expense for floating rate debt from rows 20-22 to provide the interest expense associated with floating rate debt. • Rows 43 - 65 to be completed with weighted average real coupon on RPI linked embedded debt such that when multiplied with row 64 (time weighted volume of RPI linked debt) the result would be interest expense associated with RPI linked coupon payments. • Rows 66-72 to be completed consistently with rows 59-65 but for CPI or CPIH linked debt (if applicable). • Row 86 to be completed with company own records of embedded debt interest expense calculation (pre derivatives). This forms a check against the calculated row 87 which for example uses year average LIBOR rates rather than specific fixing date rates for each instrument. This check is required so that we can determine the magnitude of any differences. • Rows 95-136 to be completed post any derivatives used to swap the interest basis of particular debt instruments, so for example if £100m fixed rate bond issue has been swapped to 6m LIBOR the £100 notional would no longer feature in the volume of embedded fixed rate debt but would instead be included in the volume of embedded liability 6M

	LIBOR and similarly the post swap spread to LIBOR would be included in the weighted average margin/spread on 6M LIBOR debt (and the fixed rate coupon on the original debt would not be included in the fixed rate weighted average coupon). • Rows 95-136 should only include derivatives used to partially or fully swap the interest basis of particular debt instruments. Overlay swap receipts and payments are included in rows 150-157 • Input rows between 165 and 189 to be completed with new debt raised in year- expected that this will only be completed for years 2019/20 onwards (debt issued before then would be embedded debt). • For simplicity it is assumed new debt raised would not be repaid prior to the end of RIIO-2 (however, this functionality could be built in if necessary) and that all new floating rate debt is 6M LIBOR linked (again, can be built in if necessary but didn't want redundant complexity if not required). No distinction has been drawn between pre and post derivatives for new debt because it is assumed this level of detail would not be forecast by networks (whether raised directly in a particular interest type or swapped to that interest type). However, this could be built in if necessary depending on network feedback. • Rows 166, 171,176,182 year proportion new debt raised is outstanding should reflect the proportion of the year (between 0 and 1) that the new debt is outstanding (i.e. if assumed to be issued at start of the year the year part would be 1, if mid year the year part would be 0.5, if assumed on specific dates is would be (end year date-issue date) / days in year. • Row 266 to be completed with actual forecast equity issuance. • Row 267 to be completed with actual forecast equity issuance transaction costs. • Row 269 to be completed with actual forecast equity dividends (or shareholder loan payments).

Tab 1.02b Debt

Purpose and Use by Ofgem	The purpose of this worksheet is to collect granular information relating debt and derivative products for cost reconciliation purposes. The sheet is identical to R8a in the RFPR (2018/2019 version) and should be completed consistently with RFPR guidance. Provision of this information is required due to the time difference of completing RFPR and submitting business plans and possibility of changes to debt or derivatives book in that time.

Instructions for Completion	This version of the sheet should be completed taking into consideration the debt and derivatives outstanding at the time of completing sheet 1.02 for submission with the business plan. The sheet should only include embedded debt (debt existing at the time of completion of the sheet), not forecast new debt or derivatives instruments. Networks should colour any individual debt or derivative additions or maturities/repayments since RFPR 2018/2019 completion in red.

Tab 1.02c Interest

Purpose and Use by Ofgem	The purpose of this worksheet is to collect granular information relating debt and derivative products for cost reconciliation purposes. The sheet is identical to R7a in the RFPR (2018/2019 version) and should be completed consistently with RFPR guidance. Provision of this information is required due to the time difference of completing RFPR and submitting business plans and possibility of changes to debt or derivatives book in that time.
Instructions for Completion	This version of the sheet should be completed taking into consideration the debt and derivatives outstanding at the time of completing sheet 1.02 for submission with the business plan. The sheet should only include embedded debt (debt existing at the time of completion of the sheet), not forecast new debt or derivatives instruments. Networks should colour any individual debt or derivative additions or maturities/repayments since RFPR 2018/2019 completion in red.

Tab 1.03 Tax Inputs

Purpose and Use by Ofgem	The purpose of this worksheet is to collect information relating to actual and forecast corporation tax information, including Capital Allowances,Tax Pool Allocations and impact of other factors (not already captured in the LiMo calculations) on actual tax payable compared to notional tax allowance.

Instructions for Completion	• NGGT will populate yellow input cells in rows 09:36. • NGGT will populate yellow input cells in rows 49:111

Tab 1.04 Disposals 1

Purpose and Use by Ofgem	The purpose of this table is to collect information relating to fixed asset disposals.
Instructions for Completion	• Rows 09 to 54: In yellow input cells enter details of disposals in the regulatory year by asset type for the company and individual licensees. For the avoidance of doubt, disposals should include assets transferred from the licensee to a company within the same group (i.e. a property company). • Rows 190 to 243: In yellow input cells insert details of any adjustments or reclassifications relating to disposals.

Tab 1.05 Disposals 2

Purpose and Use by Ofgem	The purpose of this table is to collect information relating to fixed asset disposals.
Instructions for Completion	• Rows 09 to 90: In yellow input cells enter property and land disposal income. All areas of the sub-table must be completed. The property and associated land include: in-whole or part of any operational site and in-whole or part of any non-operational site (eg office buildings).