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Guidance

RIIO Regulatory Financial Performance Reporting – Regulatory Instructions and Guidance (Version 1.1)

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This document provides instructions and guidance to licenced network operators to enable them to complete the reporting requirements associated with Financial Performance under the RIIO (Revenue = Incentives + Innovation + Outputs) framework.

Contents

Foreword

This document contains the Regulatory Financial Performance Reporting Regulatory Instructions and Guidance (RIGs).

The purpose of this document is to provide a framework to allow Ofgem to collect accurate and consistent information from licenced network operators (Licensees).

A number of licence conditions require the Licensees to provide us with this information. The main licence conditions for the purposes of this document are:

- Standard Condition B15: Regulatory Instructions and Guidance of the electricity transmission licence
- Standard Condition 46: Regulatory Instructions and Guidance of the electricity distribution licence
- Standard Special Condition A40: Regulatory Instructions and Guidance of the gas transporters licence

This guidance applies for reporting from Regulatory Year 2018-19 and covers Financial Performance for the RIIO-1 period. For RIIO-T1 and GD1 the RIIO-1 period is from 1 April 2013 until 31 March 2021 and for RIIO-ED1 this is from 1 April 2015 until 31 March 2023.

Associated documents

https://www.ofgem.gov.uk/publications-and-updates/direction-modify-regulatory-instructions-and-guidance-rigs-riio-et1-version-53

https://www.ofgem.gov.uk/publications-and-updates/direction-make-modifications-regulatory-instructions-and-guidance-rigs-riio-ed1-version-40

https://www.ofgem.gov.uk/publications-and-updates/direction-modification-riio-gd1-price-control-regulatory-instructions-and-guidance-version-50

1. Introduction

1.1.   This section sets out the purpose and structure of the regulatory instructions and guidance, which will apply to the Licensees for RIIO-1 period. It also sets out guidance on the process for reporting under the Regulatory Instructions and Guidance and our data assurance requirements.

Background

1.2.   This is the first price control to be conducted under our new RIIO (Revenue = Incentives + Innovation + Outputs) model. Through RIIO-1 we are setting the regulatory framework to apply to Licensees. RIIO-1 is the period 1 April 2013 until 31 March 2021 for RIIO-T1 and GD1 and from 1 April 2015 until 31 March 2023 for RIIO-ED1.

1.3.   The Regulatory Instructions and Guidance (RIGs) provide a framework that enables Ofgem to collect data from network operators (Licensees) during the RIIO-1 period in a consistent format. We collect data to enable us to administer the Conditions of the Licence (the conditions which relate to the price control) which include monitoring the performance of Licensees against our final proposals/determinations, monitor compliance with price control obligations and to allow analysis between price controls and at the subsequent price control review.

1.4.   The RIGs prescribe the information which Licensees must report, guide them on how to provide this information and enable the Licensees to put systems in place to collect the data to the detail we require.

Legal framework

1.5.   For RIIO-1 the reporting requirements have been consolidated in a single new licence condition for each sector, these are collectively referred to as 'the RIGs':

- Standard Condition B15: Regulatory Instructions and Guidance of the electricity transmission licence;

- Standard Condition 46: Regulatory Instructions and Guidance of the electricity distribution licence; or

- Standard Special Condition A40: Regulatory Instructions and Guidance of the gas transporters licence

1.6.   The RIGs Licence Condition sets out the scope and governance arrangements for the RIGs.

1.7.   This Regulatory Financial Performance Reporting (RFPR) RIGs forms part of the overall RIGs reporting.

Components of the RFPR

1.8.   The Regulatory Financial Performance Reporting (RFPR) aims to produce a comprehensive, transparent, accessible and accurate measure of network company Financial Performance under the RIIO framework.

Overall structure

1.9.   The RFPRs comprise two main elements:

- RFPR templates for reporting the data (in MS Excel v.2007 or newer); and

- RFPR commentary and supporting information eg Enduring Value and allocation methodologies

RFPR templates

1.10.   The data templates have been designed to collect data that shows the Licensees Financial Performance during RIIO-1. The templates will also reconcile the Licensees' statutory[1] accounts, the Price Control Financial Model (PCFM), annual performance reporting, discretionary incentives decisions, corporation tax returns and other directions from Ofgem that impact the RIIO-1 price control.

1.11.   Key points to note when completing the tables are:

- Some cells in some tables have been designed to link to cells in other tables. These links must be retained by Licensees in the version submitted to Ofgem. Failure to do so will also be considered non-compliance with the RIGs.

- The RIGs tables are colour coded as follows:
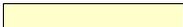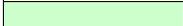
	Input cells
	Totals cells (of formula within worksheet)
	Referencing to other worksheets
	Referencing to other workbooks
	Check cells
	No Input
	Descriptions and pack data
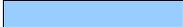
- All financial values should be input in the price base indicated in each table.

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[1] Where a Licensee's financial year-end date differs from the regulatory year-end, such that a complete set of financial statements is unavailable, we would expect a reconciliation to be provided as part of the submitted RFPR Commentary. See paragraph 3.4 of this document.

- Unless otherwise indicated in the guidance document or templates, actual financial values should be provided in £ million to a minimum of and displayed at one decimal place, with financial values reconciling with the audited statutory accounts (or audited regulatory accounts if still completed)[2]. However, the Licensees 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.

- Enduring Value Adjustments should be reported at the highest reasonable level of accuracy from information held by the Licensee.

Instructions and guidance

1.12. The purpose of this document is to provide instructions and guidance to enable Licensees to complete the associated tables.

1.13.   For the avoidance of doubt, this document should be read in conjunction with and are subordinate to the RIGs Licence Conditions.

Provision of forecast data

1.14.   Where stated in this guidance and tables there will be a requirement to provide forecasts for any remaining years of the RIIO-1 price control period, and as required into RIIO-2.

1.15. It is acknowledged that forecasts will not be as accurate as actual reported data. Nevertheless, it is expected that Licensees should take reasonable measures to ensure that forecasts are as robust as possible.

RFPR commentary

1.16.   Alongside the submission of their templates, each Licensee must provide a RFPR commentary and supporting Enduring Value methodologies. The guidance for this is set out in section 3. A commentary is required in order to provide an understanding of Licensees RIIO Financial Performance and to set out the methodologies it has used to derive any Enduring Value Adjustments or allocation of costs.

1.17.   The commentary should also provide an understanding of material variances against previous year's submission.

Errors

1.18.   In the event of any errors in the RFPR templates identified after they are sent out to Licensees for completion, the following procedure should be followed:

- Upon identifying an error, notify Ofgem by email, detailing the nature of the error.

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[2] The Licensee must state in their commentary whether reconciliation is to audited statutory or regulatory accounts.

- Ofgem will respond and if necessary provide guidance to all Licensees on correcting the error.
- Ofgem will maintain a log and correct master template for the following year

Reporting under the RIGs

Timescales for reporting

1.19. The relevant reporting year for the provision of information under the RIGs is from 1 April to 31 March for each year of RIIO-1. The templates for reporting should include forecast information for each of the remaining years of the RIIO-1 price control period, unless otherwise stated in the guidance. Forecasts into the RIIO-2 period are also required in some tables.

1.20. Unless stated otherwise, the Licensees must provide the information required under the RIGs as soon as reasonably practicable and in any event, no later than 31 July following the end of every reporting year. This is the latest date that Licensees can submit information unless Ofgem has previously consented otherwise in writing. The first relevant year for RFPR in RIIO-1 is 2018-19.[3]

1.20.

Form of submission

1.21. Instructions for the electronic submission of the tables will be circulated to the Licensee in advance of each submission deadline. However, if there is any doubt about the method of submission, the Licensee must contact Ofgem.

1.22. The submission must be accompanied by a letter (or part of an overall RIGs sign-off letter) signed by a director on behalf of the Licensee confirming that the data is accurate in all material respects and has been provided in accordance with the RFPR RIGs.

1.22.1.23. RFPR file naming convention for July submissions, and for any resubmissions for the excel templates to be "[Sector] [NWO GROUP NAME] [NWO NAME] submission YYYY" (e.g. ED1-WPD SWEST submission 2019.xlsx). For the commentary, it should be "[Sector] [NWO GROUP NAME] [NWO NAME] commentary YYYY" (e.g. ED1-WPD SWEST commentary 2019.docx).

Resubmissions

1.23.1.24. The Licensee is required to seek the agreement of Ofgem before resubmitting any information in accordance with these RIGs. This may be as a result of the Licensee identifying an error or as part of Ofgem's review of their submission (see paragraph 1.26)

1.24.1.25. In any such instance, the RFPR must be resubmitted in full unless agreed otherwise by Ofgem. The resubmission should only 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. The volume of supporting information the Licensee will be

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[3] The ESO should publish their RFPR, the later of, 31 July or within two weeks of Ofgem's direction for the ESO Reporting and Incentive (ESORI), but in any case no later than 30 September following the end of each relevant reporting year, unless otherwise stated by Ofgem.

required to submit to support any resubmission will be dependent on the nature of any required resubmission. The Licensee may be required to re-publish their RFPR re-submission (see paragraph 1.27).

~~1.25.~~1.26.   For each resubmission a detailed explanation must be provided on the changes log in the RIGs listing every cell that has been amended. The explanation must include sufficient commentary to explain the reasons for the required resubmission.

Review

~~1.26.~~1.27.   Once the Licensees have submitted the information to Ofgem, Ofgem, or a person nominated by Ofgem ('a reviewer'), will undertake a detailed review of the information.

Publication and sharing of templates

1.27.1.28.   It will be a requirement for Licensees to publish, on their company websites, their full RFPR submission (excluding table 7a and 8a). Where a Licensee consider there is commercially sensitive information this can be redacted.

1.28.1.29.   Licensees should publish the RFPR by no later than 31 July following the end of each relevant reporting year.[4]

1.29.1.30.   If Ofgem consider any redacted information should not be redacted it may publish this information, but it will not do so without informing and considering the views of the Licensee in advance of any publication.

Structure of this document

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

- Section 2 provides instructions for completing the RFPR data template tables.

- Section 3 provides guidance for completing RFPR commentary.

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[4] The ESO should publish their RFPR, the later of, 31 July or within two weeks of Ofgem's direction for the ESO Reporting and Incentive (ESORI), but in any case no later than 30 September following the end of each relevant reporting year, unless otherwise stated by Ofgem.

2. Instructions for completing the RFPR data template tables

Section summary

The purpose of this section is to provide instructions for completing the data template(s) tables by each Licensee.

Overview

2.1.   The data templates comprise a series of tables in a Microsoft Excel workbook. The purpose of the workbook is to facilitate the submission of uniform and comparable financial information from Licensees. This enables comparison across the Licensees and comparative regulation on a consistent basis throughout the RIIO-1 period. It consists of a number of data entry tables and various summary tables.

2.2.   Licensees should submit accurate information for the relevant period. Further guidance is provided in this section.

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

Structure of the template

2.4.   The template contains the following tables:

- RFPR cover
- Data
- Content and version control
- Change log
- R1 - RoRE
- R2 - Revenue
- R3 - Reconciliation to Totex
- R4 - Totex
- R5 – Output Incentives
- R6 - Innovation
- R7 - Financing
- R7a - Financing input
- R8 - Net Debt
- R8a - Net Debt input
- R9 - RAV
- R10 - Tax
- R11 - Dividends
- R12 - Pensions
- R13 - Other Activities

Completion

2.5.   A separate template should be completed for each licensee. For Cadent, where their single licence has four networks, a separate template is to be submitted for each network (East of England, North London, North West and West Midlands). For NGET and NGGT a separate template is to be submitted for their transmission and system operations (See Appendix 1 for system operator completion). Hence NGET is not required to submit 2 separate templates now that ESO is a separatein its own legal entity. There will be a separate template for NGESO.[5]

Data entry

2.6.   As the template is a series of tables in a Microsoft Excel workbook, links and formulae have been included to limit, where possible, the amount of manual data entry required. The workbook cells have not been "locked", but Licensees are not to change any formulas or formats (including insertion or deletion of rows or columns, moving any cells, or altering any text, figures or formulae in any cells not shaded yellow) without instruction from Ofgem first. If a change is necessary (to correct an error, for example), we will notify all Licensees of the correction to be made. All financial values should be input in the price base indicated.

Definitions

2.7.   The separate glossary of terms provides a definitive list of definitions and interpretations for all RIGs documents but excludes terms defined in the licence conditions. Where a term is defined in a RIGs document, it can also be found in the glossary of terms. The glossary at Appendix 2 is specifically for terms used in this document.

2.8.   The terms in Appendix 2 of this document are subordinate to the licence conditions. Therefore, if a term is defined in both the licence and Appendix 2 to this document, the licence takes precedence.

Use of apportionments and allocations

2.9.   Apportionments should be avoided wherever possible. However, where Licensees (and any affiliate or related undertaking of the Licensees) has to do this to complete the tables, the basis of apportionment/allocation must be provided. Changes in apportionment/allocation should also be highlighted in the RFPR commentary.

Additional information

2.10.   If Licensees consider additional information beyond that requested is necessary to develop a complete understanding of the information presented in the tables of the template, then such information should be included in an appendix to the RFPR commentary.

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[5] GT/GTSO to provide combined template by 14 August.

Purpose and instruction for completion of tables

RFPR cover	In cell C5 select licensee name from drop-down menu
	In cell C7 select reporting year from drop-down menu
	In cell C8 enter version number
	In cell C9 enter submitted date
Data	Ofgem will update this table annually. Licensees should verify this data and raise any discrepancies with Ofgem.
	Where actual RPI data becomes available before the submission date, Licensees should update the actual data and confirm with Ofgem.
Content & version control	In cells C9:C18 enter date of submission as applicable
	In cells D9:D18 as applicable provide brief summary of changes from previous version
Change log	Enter any changes to template

R1 – RoRE

Purpose and Use by Ofgem	The purpose of this worksheet is to produce a view of the licensee's Return on Regulatory Equity (RoRE) which uses a consistent approach across sector and regulated NWOs.
	The RoRE will be presented using both the notional and actual gearing. It will also be presented annually (actuals and forecast), cumulative actuals to date and for the full price control period (actuals and forecast). It will also include the impact of licensee adjustments eg Enduring Value.
Instructions for Completion	This table auto-populates, no input required
	Financial data will be displayed in real prices (2009-10 for RIIO-T1 and GD1, and 2012-13 for RIIO-ED1)

R2 – Revenue

Purpose and Use by Ofgem	The purpose of this worksheet is for the Licensee to report allowed and actual revenue and reconcile this to its statutory accounts (or regulatory accounts if still completed).
Instructions for Completion	In rows 10-12 enter the base revenue allowance (PU term), MOD term and RPI true up (TRU term) as per the latest Revenue return. Base revenue and MOD values should also reconcile with the latest published PCFM.
	In row 13 enter the RPIF term as per the Revenue return.
	In row 16 enter the sum of adjustments for allowed pass through items (PT term) as per the latest Revenue return.

	In rows 19–24 enter other adjustments as per the latest Revenue return.
	In row 25 enter correction factor (K term) from the latest Revenue return.
	There is no requirement to forecast revenue in rows 10-25.
	In row 33 enter collected Regulated Distribution Network Revenue (RD term) from the latest Revenue return.
	In rows 36-44 enter other turnover items, add additional (with description) rows as required.
	In rows 48-63 enter any other adjustments, include description.
	In row 67 enter Turnover/Revenue as per profit and loss or Income Statement from the statutory accounts (or regulatory accounts if still completed).

R3 – Reconciliation to Totex

Purpose and Use by Ofgem	The purpose of this worksheet is for the Licensee to reconcile their actual costs from their statutory accounts (or regulatory accounts if still completed) with their actual reported annual Totex.
Instructions for Completion	No information for forecast years is required in this table.
	In rows 9-14 enter values (where applicable) as per statutory financial statements. Where the statutory financial statements contain additional line items, Licensees should include these in rows 15-17 and add additional rows as required.
	In row 19 enter operating costs per statutory financial statements.
	In rows 26-45 enter adjustments to reconcile to ''Total net costs after non-price control allocations" in the RRP for the relevant regulatory year.
	In row 49 enter total costs per latest Regulatory Reporting Pack (RRP) submission.
	In row 53-77 enter items not recognised in Totex, to reconcile from 'Total net costs after non-price control allocations to Totex per latest RRP submission.

R4 – Totex

Purpose and Use by Ofgem	The purpose of this worksheet is for the Licensee to report their Totex performance against the allowance set with adjustments for Enduring Value. This should reconcile with the latest submitted RRP.
Instructions for Completion	In row 12 (and 40 for GD and NGGT) enter the Totex actuals/forecast as per the latest submitted RRP.
	In row 13 (and 41 GD and NGGT) enter the Totex allowance (taken from the 2019latest published PCFM)

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	including allowed adjustments and uncertainty mechanisms (eg where a decision has been made by Ofgem).
	In row 22-27 (and 50-55 for GD and NGGT) enter Totex Enduring Value Adjustments (see para. 3.5) and cross-reference to relevant appendix in the RFPR commentary. Add additional rows as required.
	Where a licensee has more than one capitalisation rate (GDNs and NGGT) they should disaggregate their Totex costs accordingly and use additional rows 38-64.

R5 – Output incentives

Purpose and Use by Ofgem	The purpose of this worksheet is for the Licensee to report their annual actual and forecast performance against the RIIO price control incentives.
Instructions for Completion	In rows 11-17 enter actual and forecast incentive revenues. Incentive revenues should relate to the year the incentive has been (or is forecast to be) operationally earnt.
	In rows 21-27 enter a brief supporting narrative eg where a discretionary incentive has yet to be directed by Ofgem and/or the basis for forecast incentive performance.
	In cells C50, C54, C58, C62, C66, C70, C74 select from the drop-down menu, the year in which incentive performance is recognised in Allowed Revenue.
	In rows 82, 85, 88, 91, 94, 97 & 100 enter the impact on allowed revenue within RIIO-1 from incentives.
	In rows 105-111 provide any additional explanation for the inputs in rows 82, 85, 88, 91, 94, 97 & 100.

R6 – Innovation

Purpose and Use by Ofgem	The purpose of this worksheet is for the Licensee to report their annual actual and forecast total expenditure, Successful Delivery Rewards, and amounts that cannot be recovered through revenue for the following: • Network innovation allowance (NIA) • Low carbon network fund (LCNF) – ED licensees only • Network innovation competition (NIC)
Instructions for Completion	General – enter the amount actually spent or forecast to be spent on innovation.
	In row 9 enter actual and forecast eligible NIA expenditure and bid preparation costs actually spent or forecast to be spent.
	In row 10 enter actual and forecast Unrecoverable Expenditure (eg not conforming to technical requirements) relating to NIA.

	In row 11 enter actual and forecast Company Compulsory Contribution (i.e. 10% contribution funded by licensee) relating to NIA.
	In row 15 enter actual and forecast LCNF Second Tier and Discretionary Funding Mechanism amount taken from the latest Revenue return or Cost RRP.
	In row 16 enter actual and forecast LCNF First Tier Funding Mechanism amount from the latest Revenue return or Cost RRP.
	In row 20 enter actual and forecast awarded NIC funding actually spent or forecast to be spent
	In row 21 enter actual and forecast Company Compulsory Contribution (i.e. 10% contribution funded by licensee) relating to NIC.
	In row 23 enter any rewards relating to successful delivery for LCNF and NIC projects.

R7 - Financing

Purpose and Use by Ofgem	The purpose of this worksheet is for the Licensee to report their annual actual and forecast Net Interest as per the Regulatory (RIIO-1) definition. This is then adjusted to remove inflation and include early redemption costs and amortisation of discount/premia on issue and compared against the cost of debt allowances published in the latest PCFM. The Licensee is also required to reconcile actual Net Interest with the interest charge included in the statutory accounts (or regulatory accounts if still completed).
	The Net Interest Per Regulatory (RIIO-1) Definition will continue to be used as an input to calculate any tax clawback calculations.
Instructions for Completion	Row 28 - Net Interest Per Regulatory (RIIO-1) Definition actuals should reconcile to previous RIGs reported Net Debt & Tax Clawback Inputs to previous Tax Clawback Calculations.
	In row 29 enter forecast new financing/refinancing Net Interest (per regulatory RIIO-1 definition) costs.
	In rows 31 and 32 disaggregate Net Interest including forecast new financing/refinancing costs (row 30) between external and intra-company Net Interest
	In row 35 enter, as a memo, the element of Net Interest per Regulatory (RIIO-1) definition that relates to non-cash principal inflation accretion on bonds and loans.
	In row 47 enter new/refinanced debt issuance expenses.
	In row 79 enter cost of debt allowance as per latest published PCFM. This can be calculated from the PCFM using the RAV figure taken from row 28 of the Return&RAV tab in the PCFM, multiplied by notional gearing (row 54 of the Input worksheet in the PCFM),

| | multiplied by the cost of debt (row 52 of the Input worksheet in the PCFM). So, (RAV*gearing* CoD). |
| | In row 7~~8~~ enter cost of debt allowance as per latest published PCFM. This can be calculated from the PCFM using the RAV figure in row 29 in the Return&RAV tab. This should be multiplied by the gearing (row [37]⁶), then multiplied by the cost of debt (row [35]). So, (RAV*gearing* CoD). |

⁶ Row numbers in PCFM can differ depending on which network is selected

R7a - Financing Input

Purpose and Use by Ofgem	The purpose of this worksheet is to report debt costs for each debt type, segregating each type between the income statement and the cash flow statement. This should reconcile with information presented the latest statutory accounts (or regulatory accounts if still completed).
Instructions for Completion	In column M:Y for tables B-M enter in £m debt costs for each debt type, segregating each type between the income statement and the cash flow statement (where required). Report historical and expected costs for embedded debt & associated products only (ie do not forecast refinancing or new debt issuance costs) for each year of RIIO-1 and RIIO-2.
	Blue cells will automatically populate from details entered in table R8a.
	For columns M:Y in Tables B & C enter income statement and cashflow amounts for the instruments listed prior to the effect of any associated swaps.
	For Tables D-F enter income statement and cashflow impact of each instrument in columns M:Y.
	In Tables G-M enter income statement and cashflow impact of each derivative in columns M:Y.
	In section titled "Analysis of Financing Costs as Per Income Statement" enter financing costs as per income statement of the statutory accounts (or regulatory accounts if still completed) for each year of RIIO-1 and RIIO-2.
	In the yellow 'Other Adjustment' rows in cells C412-C416 and C444 enter the name of any other adjustments, including the reference name for any finance cost adjustments as referenced in tables E and F.
	In rows 425:432 enter the value for any other adjustments not included within the sub total for "Debt Interest Expense".
	In rows 466:474 enter adjustments to convert finance costs as per income statement to Net Interest per Regulatory (RIIO-1) definition
	In rows 477-483 enter adjustments to be applied to the assumed finance cost for performance assessment. Any adjustments added into the yellow coloured rows should be explicitly specified and justified as part of the accompanying commentary. Row 477 has been included for debt issuance expenses to be added back in for performance assessment purposes. Row 478 has been included for adding back costs associated with early redemption of long term debt for performance assessment purposes. Only buyback costs that are incurred in the normal course of business should be included here. Buyback costs associated with M&A activity or preparing for M&A activity should be excluded from this line as these are considered exceptional costs

	that should not form part of RIIO financing performance assessment. Row 479 has been included to allow the annual accrued principal inflation on inflation linked swaps to be included for performance assessment if this cost has been otherwise excluded from Net Interest Per Regulatory (RIIO-1) definition. We would expect Net Interest Per Regulatory (RIIO-1) definition to include all inflation derivative payments that attract tax relief (because this definition is used for tax clawback) but to the extent Companies pay inflation derivative principal accretion on a periodic basis (for example every 5 years) and this cash payment is what is reflected in their statutory accounts (or regulatory accounts if still completed) we believe it is more accurate for performance assessment purposes to include an adjustment to remove the cash payment and then add back in the annual accrual associated with this expense. Companies should ensure not to double count and should only include derivative principal inflation accrual costs in this row if not already included in row 475 or if periodic principal inflation cash payments are excluded through an adjustment in one of the other rows 480-483.
	Transmission companies only: In rows 487 and 531 enter allocation (%) of net interest (per income statement and cashflow statement respectively) for the system operator.
	In rows 495-522 enter financing costs as per cash flow statement of the statutory accounts (or regulatory accounts if still completed) for each year of RIIO-1 and RIIO-2.
	In rows 509 and 522 enter any other adjustments, including adjustments for finance costs in tables E and F.
	In relation to IFRS 16, there is no change in RRP reporting, and hence any element of interest cost in lease payments should be excluded from tables R7 and R7a.

R8 - Net Debt

Purpose and Use by Ofgem	The purpose of this worksheet is for the Licensee to report their annual actual and forecast Net Debt as per the Regulatory (RIIO-1) definition. The Licensee is also required to reconcile the actual Net Debt with statutory accounts (or regulatory accounts if still completed).
	The Net Debt Per Regulatory (RIIO-1) Definition will continue to be used as an input to calculate any tax clawback.
Instructions for Completion	In cell D8 enter opening cash, short term deposits and overdrafts (per Balance Sheet) less restricted cash balances.
	Row 42 - Total Net Debt per Regulatory (RIIO-1) definition actuals should reconcile to previous RIGs reported Net Debt & Tax Clawback Inputs to Tax Clawback Calculation

	In row 4<u>3</u>~~2~~ enter forecast new debt/refinancing. In cell D4<u>7</u>~~6~~ enter opening Regulatory Net Debt including forecast new debt/refinancing at the start of RIIO-1.

R8a - Net Debt input

Purpose and Use by Ofgem	The purpose of this worksheet is to report general information for each type of embedded debt only (ie do not forecast refinancing or new debt issuance). Actual values should reconcile with information in the latest statutory accounts (or regulatory accounts if still completed).
Instructions for Completion	Note that new drop-down items can be added (for all input cells) to expand the available default options (see "Data" worksheet). In the following tables: A. Schedule of cash, short term deposits and overdrafts (per Balance Sheet) Enter the following in rows 12-18 • ~~Income statement debits and cash out flows (entered as +ve values, credits as -ve values)~~ • Cash at bank and in hand (-ve) • Amounts posted with banks as collateral under derivative arrangements (-ve) • Short term deposits (-ve) • Overdrafts (+ve) • Amounts posted as collateral by banks under derivative arrangements (+ve) • Restricted cash balances (~~entered as +ve values, credits as -ve values~~) Insert additional rows as required B. Analysis of external borrowings, bonds, external loans and finance leases Enter the following for Bonds (rows 25-34) (enter separate rows for separate tap issuances): • ISIN • Issue date • Maturity date • Description • Bond type – select from drop-down menu • Payment rank – select from drop-down menu • Reference rate – select from drop-down menu • Coupon rate/margin spread on reference rate (%) • Original currency – select from drop-down menu • GBP value on date of issue (£m) - GBP Value on date of issue should be issue price*notional issued (reflecting above/below par issuance prices or premiums/discounts) • Transaction costs (total) (£m) – include rating fees, bank fees, listing agent fees etc, do not include premiums/discounts (above/below par issue prices)

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- Swapped/Hedged at issue - Has the bond been swapped? Enter percentage of notional hedged/swapped (eg for a fully swapped bond, enter 100%)
- Post swap/hedge coupon rate (%) - If the bond has been swapped, what is the company pay leg of the swap (interest liability). All swap details to be entered in tables G-M and cross referenced to instruments in tables B & C (if applicable).
- Special features – select from drop-down menu. This is from the perspective of the issuer.
- Base index
- Notional issued (£)
- Yield to maturity at issue date

For external loans and finance leases (rows 39-48) enter the following for all loans and leases included as liabilities on balance sheet (we recognise that this may result in a different set of leases disclosed pre 2019 and post 2019 due to IFRS16 changes):

- Identifier (if applicable)
- Issue date
- Maturity date
- Description
- Loan type – select from drop-down menu
- Payment rank – select from drop-down menu
- Reference rate – select from drop-down menu
- Interest rate/margin spread on reference rate (%) (for leases this should be the rate at which the lease payments are discounted under IFRS16 for PV liability calculation)
- Original currency – select from drop-down menu
- Max loan/commitment rate (£m)
- Transaction costs (total) (£m) – include rating fees, bank fees, listing agent fees etc, do not include premiums/discounts (above/below par issue prices)
- Swapped/Hedged at issue. Has the loan been swapped? Enter percentage of notional hedged/swapped (eg for a fully swapped loan, enter 100%).
- Post swap/hedge interest rate (%) - If the loan has been swapped, what is the company pay leg of the swap (interest liability). All swap details to be entered in tables G-M and cross referenced to instruments in tables B & C (if applicable).
- Special features – select from drop-down menu. This is from the perspective of the issuer
- Base index
- Counter party – select from drop-down menu
- Commitment fee (£m)

For table C. Analysis of loans from other group companies (rows 54-63) enter the following:

- Identifier (if applicable)
- Issue date
- Maturity date

- Description
- Loan type – select from drop-down menu
- Payment rank – select from drop-down menu
- Reference rate – select from drop-down menu
- Coupon rate/margin spread on reference rate (%)
- Original currency – select from drop-down menu
- Max loan (£m)
- Transaction costs (total) (£m) – include rating fees, bank fees, listing agent fees etc, do not include premiums/discounts (above/below par issue prices)
- Swapped/Hedged at issue. Has the loan been swapped? Enter percentage of notional hedged/swapped (eg for a fully swapped loan, enter 100%).
- Post swap/hedge interest rate (%) - If the loan has been swapped, what is the company pay leg of the swap (interest liability). All swap details to be entered in tables G-M and cross referenced to instruments in tables B & C (if applicable).
- Special features – select from drop-down menu. This is from the perspective of the issuer
- Base index
- Counter party – select from drop-down menu
- Commitment fee (£m)

For table D. Analysis of loans to other group companies (rows 69-78) enter the following:

- Identifier (if applicable)
- Issue date
- Maturity date
- Description
- Loan type – select from drop-down menu
- Payment rank – select from drop-down menu
- Reference rate – select from drop-down menu
- Coupon rate/margin spread on reference rate (%)
- Original currency – select from drop-down menu
- Max loan/commitment rate (£m)
- Transaction costs (total) (£m)

For tables E. Analysis of other amounts due to/(from) group companies per Balance Sheet (rows 84-93) and F. Other financial exposure (rows 100-109) enter the following:

- Identifier (if applicable)
- Description
- Start date
- End date
- Name of counter party

For tables G. Currency SWAPS (rows 116-125), H. Interest rate SWAPS (rows 144-153) and I. Inflation-linked SWAPS (rows 171-180) enter the following:

- Identifier (if applicable)
- Issue date
- Maturity date

- Description & rationale for instrument (reference instruments in tables B & C if used to swap these instruments)
- Receive leg currency – select from drop-down menu
- Pay leg currency – select from drop-down menu
- Notional amount (£m)
- Payment frequency eg 6,12 months
- Receive leg type
- Receive leg Rate/margin spread on underlying (%)
- Receive leg underlying reference rate (if any)
- Pay leg type – select from drop-down menu
- Pay leg rate/margin spread on underlying
- Pay leg underlying reference rate (if any)
- Name of counterparty

In rows 128-137, 156-165 and 183-192 enter additional commentary on individual instruments (as of latest reporting date, using ref to rows 116-125, 144-153 and 171-180.

For table J. Interest rate forward contracts (rows 199-203) enter the following:

- Identifier (if applicable)
- Issue date
- Maturity date
- Description & rationale for instrument
- Notional amount (£m)
- Rate (%)
- Name of counterparty

In rows 206-210 enter additional commentary on individual instruments (as of latest reporting date, using ref to rows 109-203)

For table K. Foreign exchange forward rate contracts (rows 217-221) enter the following:

- Identifier (if applicable)
- Issue date
- Maturity date
- Description & rationale for instrument
- Notional amount (£m)
- Exchange rate receive/pay
- Name of counterparty

In rows 224-228 enter additional commentary on individual instruments (as of latest reporting date, using ref to rows 217-221)

For tables L. Other swaps, forward rate contracts & OTC options and M. Other derivatives including exchange traded futures and options in rows 233-237 and 249-253 enter description and in rows 240-244 and 256-260 enter additional commentary on individual instruments (as of latest reporting date, using ref to rows 233-237 and 249-253

In columns T:AF for tables B-M enter in £m historical and expected book value as of each year-end for embedded

	debt only including any accretion value (ie do not forecast refinancing or new debt issuance levels). This should be entered for both RIIO-1 and RIIO-2 periods. Book value should reflect that stated in statutory accounts (or regulatory accounts if still completed) with any unamortised issue costs (or other adjustments) excluded from the regulatory definition in later rows. Transaction costs can be reported separately, see column M in tables B-D.
	In rows 268-280 enter additional commentary (for most recent year ended)
	In rows 284-299 convert the net debt (as per statutory accounts (or regulatory accounts if still completed)) to the Regulatory (RIIO-1) Definition of Net Debt. In cells C288:299 enter description of adjustment
	In row 303 enter system operator allocation (transmission companies only)
	In rows 310-313 and 318-321 enter % split for RIIO-1 and RIIO-2 for pre derivative average exposure to interest rate and inflation changes and post derivative average exposure to interest rate and inflation changes by the following: • Proportion of net borrowings which are fixed rate • Proportion of net borrowings which are floating rate • Proportion of net borrowings which are RPI linked • Proportion of net borrowings which are CPI linked
	In rows 326-327 and 332-333 enter % split for RIIO-1 and RIIO-2 for pre derivative average exposure to currency rates and post derivative average exposure to currency rates by the following: • Proportion of net borrowings which are GBP based • Proportion of net borrowings which are non GBP based
	Where stated add additional rows as required.

R9 – RAV

Purpose and Use by Ofgem	The purpose of this worksheet is to identify an annual Regulatory Asset Value (RAV) position using the annual actual and forecast RAV as published in the latest PCFM and apply the Enduring Value Adjustments.
	This sheet also reconciles the closing RAV balance per the PCFM to the calculated closing RAV.
	The equity element NPV neutral adjusted closing RAV is then used to calculate the RoRE in table R1 - RoRE.
Instructions for Completion	In row 11 enter closing RAV per latest published PCFM.
	In cell D16 enter opening RAV (before transfers) per latest published PCFM.

	In row 17 enter any transfers with Actuals per latest published PCFM and forecast values (derived from latest submitted RRP forecast) for future years. In row 19 enter any net additions (after disposals) with Actuals ~~per latest published PCFM~~ and forecast values (based on latest RRP submission) for future years. In row 20 enter any net additions (after disposals) relating to Enduring Value Adjustments corresponding to details provided in appendices to the RFPR commentary. In row 22 enter depreciation with Actuals per latest published PCFM and forecast values (based on latest RRP submission) for future years. In row 23 enter depreciation relating to Enduring Value Adjustments. In rows 25-27 enter any other adjustments; Licensee should provide a description of any adjustment. Add additional rows as required.

R10 – Tax

Purpose and Use by Ofgem	The purpose of this worksheet is for the Licensee to reconcile their CT600, actual corporation tax liability (pre-group relief), with the adjusted/forecast regulated tax liability. The reconciliation should include adjustments for timing differences and to exclude tax that relates to the non-regulated business. The adjusted/forecast regulated tax liability with timing differences is then compared against forecast tax allowances to be calculated in the PCFM.
Instructions for Completion	In row 12 enter actual tax liability as per CT600 (pre-group relief). Where a CT600 has yet to be submitted for a previous Regulatory Year an estimation of the tax liability should be entered. In rows 15-18 enter adjustments to remove the non-regulated tax liability, add additional rows as required. Licensees should provide a judgement on the tax liability that relates to their regulated and non-regulated business. In rows 24-33 enter other adjustments eg timing differences and Enduring Value Adjustments. For "Tax arising from MOD values" entities should enter amounts where there hasn't been any adjustment for tax in the latest PCFM. In row 36 enter the forecast tax liability. In row 60 enter tax allowance per latest published PCFM. In row 61 enter any actual or forecast tax clawbacks. In row 66 enter forecast tax allowance. In row 67 enter any forecast tax clawbacks. In rows 71-73 reconcile forecast movement in tax allowance between: - Row 71 - changes in corporation tax rates - Row 72 - Tax allowance retained within deadband - Row 73 - Other (Totex, allowances, reopeners, other adjustments) In rows 85 and 87 the Licensee should provide the Tax impact of financing performance at both notional and actual gearing in the price base indicated in tab R10 – Tax. The licensee should provide in the RFPR commentary the methodology used to derive the impact.

R11 – Dividends

Purpose and Use by Ofgem	The purpose of this worksheet is for the Licensee to report the dividend paid that relates to the regulated business. This should reconcile with information in the statutory accounts (or regulatory accounts if still completed).
Instructions for Completion	In row 8 enter dividend paid as per the statutory accounts (or regulatory accounts if still completed).

	In rows 10-12 enter adjustments to remove dividend paid not related to the regulated business, add additional rows as required.
	In row 15 enter any shareholder loan interest (not included or allowed as Net Interest per Regulatory (RIIO-1) definition).

R12 - Pensions

Purpose and Use by Ofgem	The purpose of this worksheet is for the companies to report a summarised position of their pension deficit for their defined benefit schemes.
Instructions for Completion	In row 8 enter the total pension deficit repair payment made by the licensee for its share of any defined benefit schemes.
	In row 10 enter the element of the total pension deficit repair payment made for defined benefit schemes included in row 8 that relates to the Established Deficit.
	In row 11 enter the element of total pension deficit repair payment made for defined benefit schemes included in row 8 that relates to the Incremental Deficit.
	In row 17 enter Established Deficit (EDE) allowance as per the latest published PCFM.
	In row 18 enter the element of EDE allowance that relates to pension payment history allowance (PPH).
	In cell D24 enter the valuation date for the latest concluded defined benefit pension scheme triennial actuarial valuation.
	In cell D26 enter the price base for information reported for the latest concluded pension scheme triennial actuarial valuation.
	In cell D29 enter the total liabilities attributable to the post Cut-off Date notional sub fund from the latest PDAM dataset provided to Ofgem following the triennial actuarial valuation.
	In cell D30 enter the total liabilities attributable to the pre Cut-off Date notional sub fund from the latest PDAM dataset provided to Ofgem following the triennial actuarial valuation. In cell D32 enter the total assets attributable to the post Cut-off Date notional sub fund from the latest PDAM dataset provided to Ofgem following the triennial actuarial valuation.
	In cell D33 enter the total assets attributable to the pre Cut-off Date notional sub fund from the latest PDAM dataset provided to Ofgem following the triennial actuarial valuation. In cell D38 enter the Licensee element of the Established Deficit from the latest PDAM dataset provided to Ofgem following the triennial actuarial valuation.

	In cell D39 enter the Licensee element of the Incremental Deficit from the latest PDAM dataset provided to Ofgem following the triennial actuarial valuation.

R13 - Other Activities

Purpose and Use by Ofgem	To capture any Ofgem related fines and penalties
Instructions for Completion	In rows 11-13 enter any Ofgem (those published on Ofgem's website) related fines and penalties, with description. Add additional rows as necessary. Ex-gratia payments to be excluded.
	In row 15 enter any adjustments for tax, relating to Ofgem fines and penalties, if any fine or penalty is tax deductible
	In rows 19 enter total guaranteed standard payments.
	In row 20 enter any adjustments for tax, relating to GS payments, if any GS payment is tax deductible.

3. Guidance for completing RFPR commentary

Section summary

This section sets out the guidance for the completion of a commentary that supports the Licensees RFPR.

Introduction

3.1.   This Licensee's RFPR submission should be accompanied by supporting commentary. The Licensees will also publish the RFPR template and commentary (including appendices).

3.2.   The main purpose of the RFPR commentary is to provide:

- a useful summary of the Licensee's financial and operational performance against RIIO, focussing attention on distilling key messages of the drivers of performance and presenting clear strategic insights;
- a narrative that explains any Enduring Value Adjustments and their impact on the Licensee RIIO Financial Performance;
- statements that the Licensee has the appropriate level of data assurance;
- an explanation where there has been a material change in the Licensee RIIO Financial Performance from the previous year published RFPR;
- an explanation of how costs have been allocated across the company/licensee for the purposes of RFPR reporting; and
- any other information the Licensee consider is appropriate to explain their RIIO Financial Performance.

3.3.   The appropriateness and materiality should be set at a level where omission or misstatement does not influence the RFPR.

Structure of RFPR commentary

3.4.   The outline structure of the commentary is as follows:

- Executive summary
- ~~Key Financial Performance measures~~
- Key operational performance measures
- Overview of regulatory performance
    - RoRE
    - Revenue~~, including narrative on forecast revenue~~
    - Totex performance
    - Output incentive performance
    - Innovation
    - Financing and Net Debt position
    - Taxation
    - RAV
    - Dividends paid and current policy
    - Pensions
        - ~~o~~

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- Data assurance statement
- Appendices
  - o Reconciliation where licensees have a different statutory reporting year from the Regulatory Year (not required if reconciling to audited regulatory accounts)
  - o Enduring Value Adjustments
  - o Basis of any estimates and allocations
  - Other relevant information
  - o

Appendices to the RFPR commentary

Enduring Value Adjustments

3.5.   Where Enduring Value Adjustments are made the Licensee must provide appendices to the commentary that sets out the following:

- Summary of the Enduring Value Adjustment;
- The methodology used in arriving at the Enduring Value Adjustment;
- Assumptions; and
- Reconciliation with the RFPR template

Basis of estimates and allocations

3.6.   Apportionments should be avoided wherever possible. However, where Licensees (and any affiliate or related undertaking of the Licensees) has to do this to complete the tables, the basis of apportionment/allocation must be provided. Changes in apportionment/allocation should also be highlighted in the RFPR commentary.

Other relevant information

3.7.   Where the licensee considers it appropriate, it should include any other relevant information that supports their RFPR to further explain their Financial Performance.

Completion of RFPR commentary

3.8.   A RFPR commentary is required from all licensees. Where a Licensee is part of a company that has more than one licence within a sector they should submit only one commentary.

The RFPR commentary should reconcile with the RFPR template. Any narrative or tables in the RFPR commentary should be clearly disaggregated by Licence (network for Cadent and by TO/SO for NGET and NGGT). NGET will only include TO from 19/20 onwards.

3.9.

Cross-referencing

3.9.3.10.   Where appropriate the Licensee can cross-reference to other publically available information that supports their RFPR. Any cross-referencing should clearly direct any user of the RFPR to the source data eg through hyperlinks. The licensee must also ensure that any user of the RFPR can find the relevant section within any cross-referenced publication eg page number, paragraph, chapter.

Appendices

Index

Appendix 1 – RFPR template reporting requirements for system operators

1.1. The table below sets out what RFPR tables are required to be completed by the system operator for 20198-20~~19~~ reporting, only tables required should be published:

Table A1.1: Tables required to be completed

Table	Requirement for ESO	Requirement for GSO
RFPR cover	Required	Required
Data	No input required for submission	No input required for submission
Content and version control	Required	Required
Change log	Required	Required
R1 - RoRE	No input required. Delete formulas in rows 48:57, 59:62 and 65:66	No input required. Delete formulas in rows 48:57, 59:62 and 65:66
R2 - Revenue	Required. Overwrite #REF! with zeros in rows 17 and 18.	Required. Overwrite #REF! with zeros in rows 17 and 18.
R3 - Reconciliation to Totex	Required	Required
R4 - Totex	Required	Required
R5 – Output Incentives	Required	Required
R6 - Innovation	R~~Not r~~equired~~, innovation reported in TO~~	Not required, innovation reported in TO
R7 - Financing	R~~Not r~~equired~~. The SO element is an allocation of TO net debt and financing cost and is reported in the TO RFPR.~~	Not required. The SO element is an allocation of TO net debt and financing cost and is reported in the TO RFPR.
R7a - Financing input		
R8 - Net Debt		
R8a - Net Debt input		
R9 - RAV	Required	Required
R10 - Tax	Required	Required
R11 - Dividends	R~~Not r~~equired~~, but note required in commentary with allocation of dividend payments between TO/SO~~	Not required, but note required in commentary with allocation of dividend payments between TO/SO
R12 - Pensions	Required	Required
R13 - Other Activities	Required	Required

Appendix 2 - Glossary

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

1.2. This appendix provides definitions of key terms included in these Instruction and Guidance and in the Templates. Where no definition is given for a specific item, those in the Gas Act 1986 (as amended) or Electricity Act 1989 (as amended), standard conditions, standard special conditions and special licence conditions applicable to the Licensees should be applied. Similarly, for standard accounting terms, IFRS/IAS and/or UK GAAP and Companies Act 2006 (or 1985 where still relevant) ("CA85") definitions should be applied.

1.3. In the circumstance where no definition is given, the Licensee should include in explanatory notes details of the treatment it has applied and inform Ofgem of the omission. Where a definition set out in this appendix is not the same, as that applied by a Licensee for other purposes, the definition set out herein must be used.

Actual Gearing	The ratio of the Licensee's Average Regulatory Net Debt to the Average RAV
Adjusted Closing RAV	The opening RAV at the start of the Regulatory Year adjusted for in-year transfers, net additions, depreciation and Enduring Value.
Allowed Revenues	The amount of money that a network company can earn on their regulated business. The components of allowed revenue are detailed in the Licence and their supporting documents, including the PCFM.
Cut-off Date	See definition in Energy Network Operators' Price Control Pension Costs - Regulatory Instructions and Guidance: Triennial Pension Reporting Pack supplement including pension deficit allocation methodology
Enduring Value	The true value of the regulated business over the course of the price control. The enduring value of the business factors in the financial impact of any decisions or future events, which have yet to be reflected in Revenue and RAV but are known at the time of estimation. The enduring value represents the establishment of sustained long term value to the regulatory network or to its operation.
Enduring Value Adjustment	Adjustments made to a licensee's financial or operational performance. These adjustments include the impact on the companies' return and RAV. Examples of Enduring Value Adjustments include: • future uncertainty mechanism claims; • expected adjustments for close out mechanisms (eg network asset reliability measures (NARMs) (previously referred to as

network output measures (RIIO-GD1 and T1) or network
asset secondary deliverables (RIIO-ED1));
- timing differences of delivery of outputs (eg volume drivers);
- known changes to future output delivery (eg volume drivers); and
- known adjustments not yet made to the PCFM (eg mid-period review decisions).

Established Deficit	See definition in Energy Network Operators' Price Control Pension Costs - Regulatory Instructions and Guidance: Triennial Pension Reporting Pack supplement including pension deficit allocation methodology
Equity RAV	The value obtained by multiplying the RAV by (1 – the Actual Gearing) percentage.
Financial Performance	The relationship of income and expenses of licensees' regulated activities, as reported in the RFPR.
Incremental Deficit	See definition in Energy Network Operators' Price Control Pension Costs - Regulatory Instructions and Guidance: Triennial Pension Reporting Pack supplement including pension deficit allocation methodology
Net Debt	Net Debt is the net borrowing of a business at a given date. Net Debt includes: • Cash at bank; • Bank overdrafts; • Short term investments; • External borrowings (adjusted to reflect the ultimate liability in sterling resulting from any cross currency swaps relating to that debt instrument and excluding the impact of fair value adjustments and accrued interest); • Inter-company borrowings; • Short term loans to related parties (except where they have demonstrated the characteristics of being long term in nature, for example by repeated renewal); and • Long term loans to related parties only where they can be justified as for the benefit of the regulated business and are not in the nature of a distribution. Inter-company debtors/creditors/working capital: where these can clearly be identified as such, they are excluded. However, if they cannot, because the licensee does not clear these balances on a regular basis, they will be treated as effective intercompany loans and included in Net Debt. Net Debt excludes: • Year end balances of fair value adjustments on derivatives in statutory accounts (or regulatory accounts if still completed) (except cross currency swaps);

- Unamortised issue costs;
- Fixed asset investments where not readily converted to cash;
- Preference shares;
- Long term loans to related parties except where they can be demonstrated as for the benefit of the regulated business and are not in the nature of a distribution; and
- Short term loans to related parties except where they have characteristics of long-term loans.

Net Interest	Net Interest includes actual Net Interest (payable less receivable) for the price controlled business extracted from statutory accounts (or regulatory accounts if still completed), used on an accruals basis and total interest on index-linked debt based on the charge to the income statement in statutory accounts.

Interest includes:
- Actual Net Interest (payable less receivable) for the price controlled business extracted from statutory accounts, used on an accruals basis; and
- Interest on index-linked debt based on the charge to the income statement in statutory accounts (i.e. on an accruals basis).

Interest excludes:
- Any interest that would otherwise be included, but which does not qualify for corporation tax relief;
- Movements relating to pension fund liabilities reported in the statutory accounts within Net Interest;
- Fair value adjustments (e.g. losses on derivatives);
- Dividends on preference shares;
- The cost of retiring long term debt early (including exceptional debt redemption costs);
- Debt issuance expenses (including amortisation charges relating to discounts on debt issuance that had previously benefitted from a deduction against taxable profits); and
- The cost of maintaining committed undrawn liquidity backup lines (i.e. commitment fees).

PCFM (Price Control Financial Model)	The financial model used to recalculate base revenue figures for the licensee for the price control period.
Regulatory Asset Value (RAV)	A financial balance representing expenditure by the licensee that has been capitalised under regulatory rules. The licensee receives a return and depreciation on their RAV in their price control Allowed Revenues.
Regulatory Debt	Regulatory Net Debt adding back cash at bank, short-term investments and short term to related parties and loan terms loans to related parties as included in Regulatory Net Debt.
Regulatory Instructions and Guidance (RIGs)	The collective term for documents issued to licensees under their Licence by the Authority:

- Standard Condition B15: Regulatory Instructions and Guidance of the electricity transmission licence

- Standard Condition 46: Regulatory Instructions and Guidance of the electricity distribution licence

- Standard Special Condition A40: Regulatory Instructions and Guidance of the gas transporters licence

that include:

instructions regarding data and information that the licensee must report to Ofgem;

- guidance on the way in which data and information should be reported and the timing requirements for submissions; and
- templates, including workbooks in Microsoft Excel® format, for use by the licensee in making submissions. See also 'Regulatory Reporting Pack (RRP)'

Regulatory Net Debt	See Net Debt
Regulatory Net Interest	See Net interest
Regulatory Reporting Pack (RRP)	Information provided to Ofgem, in accordance with the RIGs, to enable it to administer the Special Conditions of the relevant Licence and, where not referenced in the Licence, the RIIO Final Proposals monitor the RIIO-1 price controls. See also 'Regulatory Instructions and Guidance (RIGs)'
Regulatory Year	A period of 12 months beginning on the 1st of April of the year within the price control and ending on the 31st of March of the following year.
Retail Prices Index (RPI)	A measure of the aggregate change in retail prices over time, published by the Office for National Statistics.
Return on Regulatory Equity (RoRE)	RoRE is the financial return achieved by shareholders in a licensee during a price control period from their actual performance under the price control.
Totex	The term used to describe the licensee's total expenditure (with limited exceptions) on regulated business activities. It includes both capital and operating expenditure items. The Totex approach facilitates the equalisation of incentives (between capital and operating expenditure solutions) under the Totex Incentive Mechanism.

Totex Incentive Mechanism (TIM)	TIM is the mechanism under which adjustments are made to reflect differences between the licensee's allowed Totex and actual expenditure. The licensee's Opening Base Revenue Allowances have been modelled on the basis that actual Totex expenditure levels are expected to equal allowed Totex expenditure levels (allowances). If actual (outturn) expenditure differs from allowances, for any Regulatory Year during the Price Control Period, the TIM provides for an appropriate sharing of the incremental amount (whether an overspend or under spend) between consumers and the licensee in accordance with the licensee's Totex Incentive Strength Rate.
Totex Capitalisation Rate	The percentage values set down against the licensee's name relating to actual Totex expenditure for Totex Incentive Mechanism Adjustments). It is the percentage of Totex which is added to RAV.
Uncertainty Mechanisms	Where significant cost changes are expected to be outside the company's control, Uncertainty Mechanisms are in place to allow changes to base revenue during the price control period. Examples include volume drivers and certain specified costs, including security.
Valuation Date	See definition in Energy Network Operators' Price Control Pension Costs - Regulatory Instructions and Guidance: Triennial Pension Reporting Pack supplement including pension deficit allocation methodology