



# RP7 Overarching Guidance

## August 2022

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# 1. Introduction

## Overview

- 1.1 This document sets out the Utility Regulator's (the Authority) overall guidance for the completion and submission of the various Business Plan Templates (BPTs) for the RP7 price control period.

## Legal framework

- 1.2 The data submission shall be provided under Condition 8 of the Transmission and Distribution Licences (Provision of information to the Authority) pertaining to NIE Networks Ltd (NIE Networks or the licensee).

## Relevant period and timescales for reporting

- 1.3 The relevant reporting year for the provision of information runs from 1 April to 31 March of the following calendar year. For example, a reporting year of 2021 or 2020/2021 means the year ended on 31 March 2021. This convention applies throughout the BPTs.
- 1.4 In certain BPT work areas, the 2017/2018 reporting year has been broken down into two part years (with the first part running from 1 April 2017 to 30 September 2017 and the second part running from 1 October 2017 to 31 March 2018) to facilitate the allocation of data between the RP5 and RP6 price controls. Where this is the case, this has been clearly indicated in the reporting workbook.
- 1.5 The licensee must provide the information required under the various BPTs by the **31 March 2023**. This is the same deadline as for the submission of the RP7 Business Plan.

## Review following submission

- 1.6 Once the licensee has submitted the data to the Authority, the Authority or a person nominated by the Authority ('a reviewer') will undertake its detailed review of the information. A formal Query Process is envisaged as starting as soon as the RP7 Business Plan is submitted **31 March 2023** and is expected to continue until **10 November 2023** (with final queries being issued on **27 October 2023**). The Query Process will involve further information requests to the licensee to clarify specific aspects of the RP7 Business Plan submission and, as a consequence, further queries to licensee responses may in addition be raised, as appropriate.

## **Template errors**

- 1.7 In the event of any errors being identified in any of the templates after the templates have been sent out to the licensee for completion, the following procedure shall be followed:
- 1.8 Upon identifying an error, notify us by email to [electricity\\_network\\_reporting@uregni.gov.uk](mailto:electricity_network_reporting@uregni.gov.uk) detailing the nature of the error. Do not correct the error in the version to be submitted to us without prior guidance by us to do so.
- 1.9 We will respond and, if necessary, provide guidance on correcting the error.
- 1.10 We will maintain a log of known issues for consideration when preparing future BPTs and annual/cost reporting master templates.

## 2. Business Plan Submission

### Introduction

- 2.1 Various workbooks and documents as set out below have been provided to support the RP7 Business Plan submission:
- a) Business Plan Reporting Workbooks contain the various templates for data submission by NIE Networks. Many include pre-defined formulae and the colour coding utilises the same formatting as that already established under the annual Regulatory Information Guidance (RIGs). The various workbooks are:
    - (i) Transmission Costs & Volume;
    - (ii) Distribution Costs & Volume;
    - (iii) Financial Data;
    - (iv) Financial Issues;
    - (v) Network Investment;
    - (vi) Benchmarking & Efficiencies; and
    - (vii) Pensions
  - b) Business Plan Guidance Notes provide specific guidance on completion of the BPT Reporting Workbooks
  - c) We continue to use the DPCR5 (version 3) glossary developed by Ofgem. A separate annex to this glossary has also been developed to identify Northern Ireland specific terms not covered in the Ofgem glossary.
- 2.2 For the avoidance of doubt, we do not require any data, whether forecast or outturn, within the BPTs to be subject to formal data assurance. Rather we expect NIE Networks to include their best estimate of costs and activities across the RP7 price control period and to be held to account for their delivery of the eventual RP6 regulatory contract of outcomes, outputs and KPIs.
- 2.3 Instructions and guidance for the completion and subsequent submission of the Business Plan submission are set out below. They are complemented by instructions and guidance for each work area, as appropriate.

- 2.4 Our document “Approach to Asset Maintenance” is attached as annex 1 to this document. Further guidance relating to Capital Investment in the Network is attached as annex 2. Our document “Business Plan Assessment” is attached as annex 4 to this document.
- 2.5 We reserve the right to issue additional, complementary guidance on selected business plan components if and as appropriate.

## **General instructions and guidance**

- 2.6 The submission should be made in the defined formats:
- a) BPT Reporting Workbook in Microsoft Excel format;
  - b) Commentary document (see section 4 for more detail);
  - c) RP7 Business Plan<sup>1</sup> (in free text format);
  - d) RP7 Executive Summary (to accompany the RP7 Business Plan and also to be in free text format), which we expect NIE Networks to publish on the web for wider consumer and stakeholder consumption; and
  - e) (where applicable), any additional documentation as requested in the BPT Guidance Notes and/or Commentary and/or as deemed appropriate by the licensee in Microsoft Excel, Microsoft Word or pdf format.
- 2.7 It should be noted that for Microsoft Excel-based workbooks, submission in a portable document format (PDF) are not permissible.
- 2.8 The RP7 Business Plan should contain the following sections as a minimum:
- a) Executive Summary
  - b) Capital Expenditure
    - (i) Capital Investment in the Network
    - (ii) Overall description of investment
    - (iii) RP6 out-turn report

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<sup>1</sup> For the avoidance of doubt, the “RP7 business plan submission” refers to the entire suite of BPTs and accompanying Business Plan and Executive Summary submission. The “RP7 Business Plan” refers to the stand alone document we expect NIE Networks to submit, which is consistent with the detailed data and commentary located within the company’s BPTs and Executive Summary.

- (iv) Approach to asset maintenance
- c) Proposed new strands of investment
  - (i) Detailed description of new programmes/projects
  - (ii) Detailed needs case
  - (iii) Proposed outcomes, outputs and KPIs
- d) Operational expenditure
  - (i) Base expenditure
  - (ii) Additions/reductions to base
- e) Benchmarking and comparative efficiency
  - (i) Comparative efficiency modelling
  - (ii) Special factors, atypicals and regional adjustment
  - (iii) Real Price Effects (RPEs) and Frontier Shift
  - (iv) Proposed efficiencies
- f) Pensions
  - (i) Actuarial viewpoints
  - (ii) Strategic, regulatory, organisational and operational context
  - (iii) Impact on RP7
- g) Financial information
  - (i) Revenues and Tariffs
  - (ii) Customer numbers
  - (iii) Volumes of electricity consumed and generated
  - (iv) Costs & Volumes (as per the C&V BPT)
  - (v) Summary of the Financial Data BPT information
  - (vi) Summary of the Financial Issues BPT information
- h) Outputs, outcomes and KPIs

- (i) Scope and results of consumer engagement and how this has informed plans for RP7
- (ii) Delivering the outcomes consumers need and customer satisfaction
- (iii) Proposed outcomes, outputs and KPIs
- (iv) Proposed incentive mechanisms
- i) How we propose to innovate for consumers
  - (i) What consumers can expect
  - (ii) Digitalisation of Data - NIE Networks should set out its plans to make data and system service opportunities/platforms available to consumers
- j) Sustainability
  - (i) Proposed response to energy strategy
  - (ii) Proposals for the reduction of business and network carbon footprint including but not limited to:
    - Continued use of SF<sub>6</sub>
    - Network losses
    - Substation energy consumption
    - Energy Theft
- k) Conclusions
  - (i) Consumer impact

2.9 In addition to the above list we also require the following to be included in the business plan

***Digitalisation and data***

2.10 As the energy system becomes more complicated and interlinked (through for example, decarbonisation and decentralisation), access to robust data and digitalised services (which use this data) will in turn, become more important to ensure effective and more timely decisions are made to not only decarbonise, but ensure it is done in a least-cost way and is in the interests of and protects consumers.



- 2.11 NIE Networks plays a key digitalisation role in the energy transition and holds important data. We have already set expectations on SONI regarding access to data and digitalisation through its price control. We also note the Department for the Economy has, through its energy strategy action plan, proposed creating a Digitised Energy System focusing on Consumer Data, System Data, Accessibility and Smart Technologies.
- 2.12 We expect NIE Networks to submit a strategy with its business plan which we will then assess upon receipt during the draft determination stage. This should include:
  - 2.13 A strategic vision and ambition on what digitalisation and data role NIE Networks seeks to play across its roles and how this will benefit users and ultimately consumers in Northern Ireland.
  - 2.14 An assessment of best-practice innovation and lessons learned elsewhere and what may work in a Northern Ireland context.
  - 2.15 An assessment of user and stakeholder needs, strategy to engage and collaborate with users and stakeholders and clear resulting actions and how they link to consumer outcomes.
  - 2.16 A strategy for how NIE Networks is going to ensure that its workforce has the right capabilities, training, experience, culture and how it will embed ideas and learning into the organisation, across digital, data and technology areas.
  - 2.17 A strategy encompassing NIE Networks' ownership of governance, corporate interactions and accountability to promote and account for a culture of digitalisation and data.
  - 2.18 A strategy for engaging and collaborating, co-ordinating with stakeholders (including how it links with whole system strategy), customers and taking account of and aligning with consumer interests.
  - 2.19 An action and delivery plan to meet users' and consumers' needs across NIE Networks roles, to include cost, benefit, options, prioritisation, delivery/timing, milestones, treatment of uncertainty, how success will be measured.
  - 2.20 A cybersecurity strategy that encompasses NIE Network's plans for the digitalisation of data and complies with the relevant Network codes.
  - 2.21 We may also consider whether licence conditions are required to underpin our approach to digitalisation and data. We are currently considering this area further.

2.22 We are conscious that this is a relatively new area of development and so flexibility may be required over time as expectations become clearer (for example, through government policy). We aim to make our approach as flexible as possible and necessary to achieve our aims.

### ***Delivering the Energy Strategy - pathway to net zero***

2.23 While the Department for the Economy new Energy Strategy, and the Climate Change Act (Northern Ireland) 2022, both identify net zero carbon by 2050 as a policy objective, how the transition will develop in practice will be determined by future policy decisions, the development of technology and processes and how consumers respond to these changes. The RP7 Price Control must address this in a way which facilitates the pathway to net zero, while ensuring that investment is delivered at reasonable cost.

2.24 In this section of our Approach we consider:

- a) How **forecast demand scenarios** should be used to inform investment plans which are reasonably certain and necessary in a range of potential future pathways.
- b) the development and application of **whole system planning** to secure greater co-operation and co-ordination between parties (including SONI and other relevant stakeholders) in order to decarbonise at least-cost and securely.
- c) the transition from Distribution Network Operator to **Distribution System Operator (DSO)** to actively manage the network at a local level; enabling customer access, customer choice and great customer service.
- d) investment in **system monitoring, control and data acquisition** which will provide the functionality necessary to actively manage the network and allow producers and consumers to manage generation and demand at a local level.

### ***Forecast demand scenarios***

2.25 DfE's Energy Strategy recognises that a range of approaches which could be taken to deliver a net zero energy carbon mix by 2050. To help illustrate potential pathways after 2030, it provides two scenarios based on different policies and technologies:

- a) a **Power Play** scenario based on high levels of electrification powered by the expansion of off-shore and on-shore wind, solar photovoltaic and marine technologies.

- b) a **Flexible Fit** scenario which also uses higher levels of electrification but with a greater use of fuels such as hydrogen and bio-fuels.
- 2.26 These scenarios were developed using a new publicly- funded new publicly- available and open-source Energy Transition Model built specifically for Northern Ireland.
- 2.27 NIE Networks' plans for RP7 will need to address the increasing demand which will come from the electrification of heat and transport while accounting for potential benefits of energy efficiency, and the opportunities offered by the range of new technologies, distributed energy resources and changes in consumption patterns which might reduce peak demand on the network.
- 2.28 We expect the company to consider a range of forecast scenarios which is informed by the demand modelling undertaken for the Energy Strategy and takes account of emerging local and national policies on issues such as the future of combustion engine vehicles and home heating. NIE Networks' Business Plan should set out the forecast scenarios considered in its plans in a way which can be understood by consumers, highlighting key assumptions and how they impact on average and peak demand at intervals up to 2050.
- 2.29 We expect the company to assess how the range of forecast scenarios impact on peak loads and investment up to 2030 and propose investment on the distribution network which is reasonably certain and necessary under a range of future scenarios. We also expect NIE Networks to consider potential investment beyond 2030 up to 2050. We recognise that there will be greater uncertainty and divergence of scenarios beyond 2030, but we expect NIE Networks to test whether investment proposed up to 2030 will continue to be useful into the future and will not close off alternative future solutions.
- 2.30 The company should consider the potential for alternatives to distribution investment such as the use of local services such as contracted services for demand reduction or consumer demand management in response to price signals.
- 2.31 The distribution investment plan should consider and explain the proposed timing of investment. In some circumstances, investment in advance of need may be desirable to align with maintenance activities or secure a broader strategic objective. The company must provide clear justification for investment in advance of need.

- 2.32 A confirmed distribution investment plan should be provided for investment which is reasonable, certain and necessary under a range of future scenarios. The investment should be linked to outputs such as specific projects, volumes of work volume/capacity of connected technology including the associated profile of outputs realised after 1 April 2031.
- 2.33 The company should set out how it has integrated its assessment of investment related to future scenarios and any other strands of work – including maintenance programmes and show how outputs delivered by the different programmes are mutually exclusive.

### ***Whole-system planning and solutions***

- 2.34 It is important that if we are to expect an increase in network investment through decarbonisation outcomes that we have confidence all steps possible are being taken to ensure it is co-ordinated to ensure best value for consumers.
- 2.35 To date, planning and actions by networks and system operators have been largely regulated by the Utility Regulator to optimise their networks to benefit consumers, but as the system becomes more complex and interlinked, greater co-operation and co-ordination between parties (including SONI and other relevant stakeholders) is required to take account of system impacts in order to decarbonise at least cost and securely. Regulators are requiring companies to, for example, ensure they consider alternatives to network reinforcement and plan investment more optimally than is currently the case across network boundaries.
- 2.36 We have already set expectations on SONI regarding whole-system planning and solutions through its price control. We also note the Department for the Economy has, through its energy strategy action plan, identified a need to improve the quality and availability of energy data to support better system planning and operation, and allow greater engagement by consumers.
- 2.37 We expect NIE Networks to submit a strategy with its business plan which we will then assess upon receipt during the draft determination stage.
- 2.38 NIE Networks will need to build a common understanding of where actions taken by it could have cross-network impacts, identify and implement actions (innovative and/or other) that optimise synergies, and develop processes with SONI and other relevant parties that ensure optimal resource utilisation. NIE Networks will need to ensure that there is clear delineation of role and responsibility (to take a non-exhaustive example, between the TSO and the DSO functions). This will include:

- a) Strategic vision and ambition: overarching strategic ambition across its different roles and how this is going to benefit Northern Ireland consumers in terms of outcomes.
- b) Roles and responsibilities: description and justification for interfacing with SONI across the transmission and distribution interface. Roles and responsibilities should be developed and agreed with SONI and stakeholders and customers should be effectively engaged with. Co-ordinating across the wider electricity system (including beyond the distribution and transmission interface) and potentially on a cross-sector, or sectoral basis.
- c) Innovative best-practice/lessons learned: assessment of best-practice innovation and lessons learned elsewhere that could be relevant to NIE Networks whole-system thinking; and what may work in a Northern Ireland context.
- d) People planning: setting out how NIE Networks is going to ensure that its workforce will have the right capabilities, training, experience, culture and how it will embed ideas into NIE Networks' organisation.
- e) Governance: Plan and processes for organisational governance, corporate interactions and accountability to promote and account for a culture of whole-system thinking.
- f) Co-ordinating and collaborating: Plan and process for engaging and collaborating with stakeholders, customers, and taking account of consumer interests, across all NIE Networks.
- g) Action and delivery plan to meet Northern Ireland consumer interests, to include cost, benefit, options, milestones, prioritisation, delivery/timing, treatment of uncertainty and how success will be measured.

2.39 We may also consider whether licence conditions are required to underpin our approach to whole-system thinking. We are currently considering this area further.

2.40 We are conscious that this is a relatively new area of development and so flexibility may be required over time as expectations become clearer (for example, through government policy). We aim to make our approach as flexible as possible and necessary to achieve our aims.

### ***Distribution System Operator (DSO) transition***

- 2.41 The move towards a low-carbon economy will change the way we generate and use electricity in Northern Ireland. New technologies, digitalisation and changing customer needs will require active management of flexible Distributed Energy Resources (DER), including generation, services and demand management. Over time, the role of NIE Networks is changing from that of a Distribution Network Operator managing centralised generation with relatively passive demands, to a Distribution System Operator (DSO) with the capability to actively manage the network at a local level with more control over local supply and demand and flexibility. A DSO enables customers to be both producers and consumers, ensuring active consumer participation, consumer choice and improved customer service.
- 2.42 Key potential functions for a DSO include:
- a) Acquisition of data to flexibly manage the system, improve performance, provide data to consumers to allow them to manage their own generation and consumption and provide data to the TSO to optimise network management and development.
  - b) Enabling DER to participate in the Transmission System Operators markets for system services (within the limits of economic development of the distribution network).
  - c) Using active management of the network and local DER as solution to changes in demand and an alternative to conventional reinforcement.
  - d) Developing options for actively-managed connections to heavily congested networks.
  - e) Offering network tariffs which reflect the benefits of reducing demand at particular times of day or in particular locations to optimise the cost of balancing supply and demand.
- 2.43 Much work remains to be done on the transition from DNO to DSO. Key elements of this work (including the ongoing development of connection policies and the development of markets for distribution services) will be undertaken in parallel with RP7. However, DSO enablers such as network monitoring, data acquisition and network management should form part of the RP7 Business Plan.
- 2.44 We expect NIE Networks to submit a strategy for DSO transition in its RP7 Business Plan building on its consultation and the findings in its report Greater Access to the Distribution Network in Northern Ireland

Recommendations Paper published in December 2019<sup>2</sup>. The company should provide a robust evidence based assessment of the activities and costs necessary to deliver the transition and the timescale over which each element of the transition can be delivered. It should also include plans and costings for activities necessary to enable the transition (such as network monitoring and data acquisition) to the extent that these can be defined with reasonable confidence at this stage.

### ***Business Plan Assessment***

- 2.45 One of our aims for RP7 is that NIE Networks should produce a high-quality, well-evidenced business plan which can be accepted following limited scrutiny.
- 2.46 In recent price controls we have applied a process of Business Plan Assessment. This is structured around test questions which we would consider when we assess the quality of the business plan submission. These are grouped under 3 key themes which are set out below:
- Service contribution to good outcomes:
    - ◆ Test 1: Delivering value for money.
  - Services and costs:
    - ◆ Test 2: Delivering services and outcomes.
    - ◆ Test 3: Securing cost-efficiency and managing uncertainty.
    - ◆ Test 4: Aligning risk and return.
  - Trust in delivery:
    - ◆ Test 5: Engaging customers, consumers and other stakeholders.
    - ◆ Test 6: Ensuring resilience and governance.
    - ◆ Test 7: Accounting for past delivery.
    - ◆ Test 8: Securing confidence and assurance.
- 2.47 We plan to carry out a similar assessment of the RP7 Business Plan submission. This will ask NIE Networks to score itself against these

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<sup>2</sup> <https://www.nienetworks.co.uk/documents/future-networks/greater-access-to-the-distribution-network-in-nort.aspx/>

questions and we will then consider how NIE Networks has performed in relation to these criteria. We will provide feedback on our view of the quality of the NIE Networks' business plan submission within our Draft Determination. This approach is consistent with the approach to other network companies e.g. SONI and the Gas Distribution Network Operators (GDNs).

- 2.48 Annex 4 to this document provides further information on our approach to assessing the NIEN RP7 business plan.

### **Submission and resubmission**

- 2.49 The complete RP7 business plan submission, for all work areas set out in paragraph 2.1 with all the elements in the required formats set out in paragraph 2.6, must be submitted electronically to the following email address: [electricity\\_network\\_reporting@uregni.gov.uk](mailto:electricity_network_reporting@uregni.gov.uk)
- 2.50 The RP7 Business Plan submission should be well-justified, self-explanatory, internally consistent and, unless demonstrated otherwise, correspond with any other submissions the licensee has made to us.
- 2.51 The Authority's agreement is required before any resubmission of information set out in a report produced in accordance with either the RIGs and/or RP7 business plan submissions. In any such instance all impacted documents for all impacted work areas must be resubmitted in full, unless the Authority has agreed otherwise.
- 2.52 For any resubmission, a separate explanation must be provided listing each and every cell number / text, that has been amended along with sufficient commentary to explain any such amendment(s) made.
- 2.53 A query process shall begin immediately upon submission of the entire business plan submission, comprising the suite of BPTs, RP7 Business Plan plus Executive Summary on **31 March 2023**, closing with final queries to NIE Networks on **27 October 2023**.

### **Financial basis, estimates and allocations**

- 2.54 The Reporting Workbooks and Guidance Notes for the different work areas clarify the cost basis in which financial data is to be reported. Where reporting is required in real prices, a constant price base shall be used, namely 2021/22 prices. The licensee shall use the workbook at Appendix 1 to convert to / from real prices to nominal prices and shall provide information in both nominal and real prices where that is requested in the different BPTs and work areas or where the licensee decides to include both.



- 2.55 Unless identified otherwise in the BPT Guidance Notes (or in the licensee's submission) the licensee should consistently classify revenues, costs and outputs, using the same policies and procedures to estimate and allocate costs as in the preparation of regulatory submissions relating to either the RP6 or RP7 price control periods, including the entire RP7 business plan submission. Where this is not the case, appropriate detail, including quantification of the difference, must be provided in the Commentary.
- 2.56 The data provided should include data from any affiliate or related undertaking of the licensee that either directly or indirectly provides goods and/or services to the licensee or forms part of the licensee's business, either separately or consolidated.

## 3. Reporting Workbooks

### Purpose

- 3.1 In order to ensure a clear and transparent approach to BPT submissions, the licensee is asked to populate the associated BPT Reporting Workbooks, taking into account the guidance as set out in this overarching guidance.
- 3.2 The Authority intends to undertake an annual report on NIE Networks' performance against its price control outputs, outcomes and KPIs, including financial under/out-performance. Such targets will form the basis of the RP7 Monitoring Plan going forward and shall be developed in light of the final determination.

### Workbook structure

- 3.3 The data that we request is partially based on the Ofgem RIIO business plan templates. These templates have been subject to exclusions and amendment to focus on more relevant data given our local context and to take account of local circumstance, especially where this may differ to that experienced within Ofgem's own context.
- 3.4 We may amend these requirements or seek supplemental information as necessary, especially post-RP7 business plan submission and during the subsequent formal Query Process.
- 3.5 We reserve the right to seek further and additional data submissions immediately preceding the issue of our RP7 suite of BPTs and before we enter the Query Process subsequent to the eventual RP7 business plan submission by NIE Networks.

### *Working with linked workbooks*

- 3.6 Some of the worksheets in the various BPTs may have been designed to link to other workbooks. In preparing and making its submission, the licensee must:
  - a) Save the workbooks on their own systems and re-establish any links necessary for the workbook to operate correctly;
  - b) Retain the links between workbooks in the version submitted to the Authority to allow the Authority to re-establish the links when the submission workbooks are saved on its systems; and

- c) Break all other links to the licensee's own systems before submission to the Authority.

### ***Naming Convention***

- 3.7 A BPT Reporting Workbook shall be titled "RP7 Business Plan XXXX Reporting Workbook" where XXXX represents the work area it relates.

### **Data Entry**

- 3.8 The licensee shall follow the guidance below in respect of data entry:

- a) Unless otherwise requested, the licensee should only input data in the yellow input cells. Cells which are not formatted as input cells should not be overwritten unless otherwise agreed. The licensee shall not perform its own calculations on the Reporting Workbook file it submits to the Authority.
- b) For ease of use a colour scheme has been applied to the template in which input cells are coloured yellow, pre-populated or not required cells are highlighted by grey-striped pattern, cells containing formula with references to other cells within the same worksheet are coloured in green, cells referencing other worksheets within the same workbook or other workbooks are coloured in different shades of blue and check cells are coloured in orange if the check is OK respectively red if there is an error. The template should be populated in such a way that all checks show "OK". If, in exceptional cases only, this is not possible, an explanation must be provided in the commentary.
- c) Text shall be entered as text and numbers as numbers.
- d) In the worksheets the numbers will be displayed to a minimum of two decimal places unless otherwise stated. The licensee is required to provide this data to the highest level of accuracy available to them with the minimum being two decimal places; unless otherwise indicated.
- e) Zero values must not be left blank, but instead, unless otherwise agreed, a zero should be input.
- f) Where it is appropriate to leave a cell blank, it should be blank; no text space or other entry which might be interpreted as data should be included.

- g) Historic data in the various BPT Workbooks should be reconciled to: data in the RIGS; other data which NIE provide as part of their RP7 business plan (not limited to where we specifically request for this in the associated Commentary); and any other RP6 submissions, before the RP7 business plan submission is made.
- h) New worksheets should not be inserted unless instructed to do so by the Authority.
- i) As BPTs are 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 the licensee is not to change any formulas or formats (including insertion or deletion of cells, rows, columns or worksheets, moving any cells, or overwriting cells not formatted as input cells, figures or formulae in any cells not shaded yellow) unless this is being done in line with specific instructions and guidance in the present document or otherwise instructed to do so by the Authority first. If a change is necessary the licensee shall ensure that the integrity of the workbook and worksheets is maintained and record the change in the changes log.

## 4. Commentary Document

### General instructions and guidance

- 4.1 The submission shall include commentary which shall be submitted in a single document covering all business plan template submissions. The document should be divided into chapters with each chapter covering an individual element of the submission (e.g. Network Investment, Financial Data etc.)
- 4.2 The Commentary should provide additional details, explanations and background information that may be helpful to better understand the data submitted in the Business Plan Data Template and put it into context.
- 4.3 The licensee should provide any information which is materially relevant to the regulatory framework. The commentary should focus on verifiable and objective fact supported by additional information where appropriate. It should be full and frank with the detail, appropriateness and materiality of the comments provided being at a level that avoids the need for the Authority to ask additional questions.
- 4.4 The licensee should provide commentary on the following specific issues:
  - a) An explanation of how indirect costs have been allocated to individual categories of work and outputs.
  - b) A description of any allocation methodology used to allocate costs (e.g. between individual categories of work, outputs, organisational entities or time periods), outlining the calculations for such methodologies. Where that methodology has changed the licensee shall describe this change and outline the calculations for the new methodology also. Unless agreed otherwise, the change should also be supplemented with a comparison between the methodologies over the price control period, or where the change occurs between price control periods, at least two reporting years.
  - c) A description of the methodology used to capitalise IMF&T and indirect costs outlining the reasons why allocations may differ from year to year

- d) An explanation of any instances where the licensee has been unable to report data on the basis set out in the template according to the cost reporting definitions. This should also include explanations regarding why this is the case as well as, where relevant, what developments are being made to ensure that the relevant data is captured in accordance with the relevant definitions and template structure in future years.
  - e) Why any figures are zero or have been left blank, for example, describing why they do not apply.
  - f) Any significant movements between time periods.
- 4.5 Where this guidance implies a requirement to provide data for a new cost category or activity, or an existing cost category or activity to a greater level of detail, where in either case such information has not previously been collected by the licensee (under the provisions of the RIGs or otherwise), the licensee must provide such data (should that require estimates) in respect of that category or activity, derived from such other information available to the licensee as may be appropriate for that purpose. In this case the licensee must set out the basis and methodology for deriving the estimated amounts in detail, in the Commentary Template.
- 4.6 The licensee should provide an opinion on whether the data could be shortened / expanded / combined or adjusted in any way in order to form a more robust data set.
- 4.7 The licensee should detail plans for the introduction of any new systems which have been or will be used for the completion of the workbook/worksheets. This should include the names and dates of implementation, what these systems are/will intend to populate on the sheet that could not be done previously, a description of what the planned/new systems will not be able to populate and what will still rely on management assumption /allocation methods.
- 4.8 The commentary should include details of any formula changes undertaken, other than those directed by the UR, which are required to complete the worksheet.
- 4.9 The licensee should include supporting documentation where they consider it necessary to support their comments or where it may aid the UR's understanding.
- 4.10 Backup documents referenced in the commentary should be attached as Annexes to the submission. An electronic copy of any Annex shall be provided.

- 4.11 The licensee should detail the compliance assurance steps that they have followed to assure themselves of the accuracy and validity of the information contained in each submission. It may be helpful to identify the assurance techniques/steps, provide commentary as to how these applied and also to list the table(s) to which these techniques were applied. In respect of the assurance processes adopted, the licensee's commentary should cover:
- a) A description of the individual reporting areas that were subject to review during the reporting period (for example, the areas where an internal or external review has been carried out);
  - b) A description of the nature of any such reviews. For example, identifying the party carrying out the review, the scope of the activity and the type of activity involved;
  - c) The process through which the areas for review were identified and selected;
  - d) The process through which the scope of the review was defined and the specific audit techniques selected;
  - e) The outcome(s) of any review(s); and
  - f) Key areas of learning for future reporting periods should also be identified – i.e. highlighting improvements the licensee is looking to introduce as a result of the work.
- 4.12 The licensee should detail where there is insufficient or inconsistent guidance, such as any lack of clarity on cost definitions.
- 4.13 The licensee should provide an opinion on whether the data could be shortened / expanded / combined or adjusted in any way in order to form a more robust data set.
- 4.14 The licensee should detail plans for the introduction of any new systems which have or will be used for the completion of the workbook/worksheets; including the names and dates of implementation, and what these will be able to populate on the sheet that could not be done previously. A description of what the planned/new systems will not be able to populate, and what will still rely on management assumption /allocation methods.
- 4.15 The Licensee should provide details of any formula changes undertaken, other than those directed by the Authority, which are required to complete the worksheet.

- 4.16 The licensee should include supporting documentation where they consider it necessary to support their comments or where it may aid the UR's understanding.
- 4.17 Backup documents referenced in the commentary should be attached as Annexes to the submission of this commentary. An electronic copy of any Annex shall be provided. The file name used for the electronic copy of any Annex should include a reference to the relevant section of the commentary and be structured so that the order of the file name is the order they appear in the commentary.

### **Naming Convention**

- 4.18 The file name used for the electronic copy of any Annex to the Commentary document should include a reference to the relevant section of the commentary and be structured so that the order of the file name is the order they appear in the Commentary document.



## **5. Glossary of Terms**

- 5.1 The relevant definitions of the OFGEM Electricity Distribution (DPCR5) Glossary of Terms – Regulatory Instructions and Guidance: Version 3 apply to these BPTs.
- 5.2 Specific additional and/or deviating definitions relevant to these BPTs are set out in Annex 3 - Glossary of Terms attached to this document.
- 5.3 Where there are gaps, inconsistencies, errors or opaqueness in the terms, we expect the Licensee to bring these to our attention.

## 6. Data Assurance

- 6.1 Not all BPTs require data assurance as the requirements to do so reflect the differing analytical needs of the differing BPTs; a different approach to data assurance is expected across the suite of BPTs.
- 6.2 Apart from the BPT Pensions (for which specific Data Assurance requirements as detailed in the BPT Pensions Guidance Notes apply) no formal data assurance of the RP7 business plan submission is required.
- 6.3 For the avoidance of doubt we also do not require data assurance around forecast data contained within the BPTs.
- 6.4 It remains the licensee's responsibility to demonstrate to the Authority, the robustness and suitability of its own data assurance and risk reduction measures.
- 6.5 To reiterate earlier guidance, we expect NIE Networks to include their best estimate of costs and activities across the RP7 price control period and to be held to account for their delivery of the eventual RP6 regulatory contract of outcomes, outputs and KPIs.

## 7. Version Control

Version	Date	Description	Applicable Year
1.0	31/03/2022	First draft for review	All
3.0	22/08/2022	Final	All