



RP7 Business Plan Financial Issues Guidance Notes

August 2022

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1. Introduction

- 1.1 This document sets out the Utility Regulator's (**the Authority**) guidance for the completion and submission of financial information by NIE Networks (**NIE** or the **licensee**).
- 1.2 This document gives guidance on the 'Financial Issues Business Plan Templates' (Financial Issues BPTs) which the Authority intends to use, to better understand each separate business (for both the transmission and distribution licences) of the licensee. The information will be used to help the Authority make decisions for the RP7 price control period.
- 1.3 The Financial Issues BPTs will be particularly useful for the following two purposes:
 - a) Integration with other information submitted by the Licensee as part of their RP7 business plans and RP6 outturns; and
 - b) Understanding variances between forecast information and outturn information.
- 1.4 The RP6 Financial Issues BPT included a number of Tax worksheets which captured the calculation of tax and the allocation of costs etc. For RP7 we have decided to remove these worksheets. The Authority requests that to assist with RP7, NIEN submit RP6 Tax Reports to March 2021, Audited or Unaudited. Further detail is in section 3

General Financial Issues BPT instructions and guidance

- 1.5 The Financial Issues BPTs comprises of a detailed report of financial information (the 'Financial Issues BPT Reporting Workbook'). This file is in Microsoft Excel format; and
- 1.6 The Authority is requesting that the file referenced in 1.5 above shall be submitted for the combined distribution and transmission licences of NIE (the distribution licence and the transmission licence combined);
- 1.7 In total therefore, NIE shall submit a minimum of 2 files to the Authority, in order to comply with this guidance.
- 1.8 The submission must be: accompanied by a letter signed by a director on behalf of the Licensee confirming that the data has been provided in accordance with this guidance.
- 1.9 The Authority's agreement is required before any resubmission of information can be made and in any such instance the BPT files must be resubmitted in full, unless the Authority has agreed otherwise. This is a

particularly important point because the Financial Issues BPT reporting workbook is linked with the Cost and Volume BPT workbook and therefore any resubmission needs to properly maintain the links and consistency to any other submitted information. Any resubmission must be accompanied by a repeat submission for items referred to in paragraph 1.5 above unless the Authority has agreed otherwise.

- 1.10 Where the licensee has obtained ‘better information’ for historic periods, than the information presented in the licensee’s regulatory accounts, the licensee shall only use that ‘better information’ for those historic periods where that information reconciles to the licensee’s Cost and Volume BPT. Otherwise, the Financial Issues BPT Reporting Workbook should reconcile to the Licensee’s audited regulatory accounts for each relevant historic year

Workbook structure

- 1.11 The main data tables have been formatted to allow the Authority to easily understand the data. The structure and order of the data tables should be maintained. Additional data columns should not be introduced.
- 1.12 The Reporting Workbook uses the following distinctions:

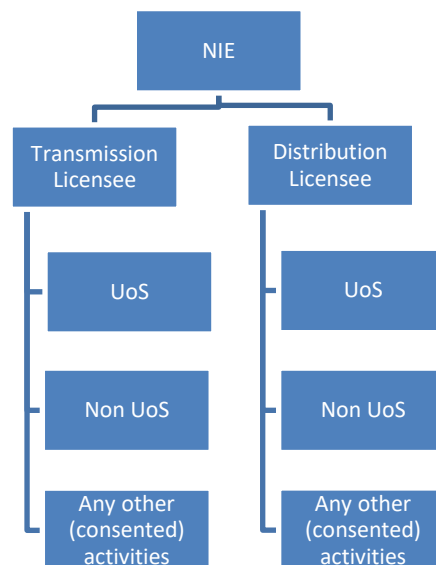


Figure 1 - The distinctions made in the Financial Issues BPT Reporting Workbook

- 1.13 Therefore, the licensee is required to make clear in the Reporting Workbook, the transactions relating to: UoS (Use of System) funded; Non UoS funded; and ‘Any other (consented) activities’.
- 1.14 The UoS funded and Non UoS funded categories feed through to worksheet F15 to allow for a reconciliation of total costs to the Cost and Volume BPT files for the same distinction.

- 1.15 For simplicity, UoS can be referred to as 'within the price control' and Non UoS can be referred to as 'outside the price control'.
- 1.16 The 'Any other (consented) activities' category is designed to be a catch all category in circumstances where neither the UoS funded or Non UoS funded categories are appropriate. However the Authority expects that most transactions will be classified as either UoS funded or Non UoS funded and anything reported as 'Any other (consented) activities' should be documented clearly in the associated Commentary Template.

Data Entry

- 1.17 In addition to the data entry guidance in the Overarching Guidance, and for the avoidance of doubt, the licensee shall follow the Authority's additional guidance below.
- 1.18 The Financial Issues BPTs should not be returned with outstanding reconciling items or erroneous check cells unless agreement has been provided by the Authority in writing and the reconciling items are described in detail in the Commentary Template, including where appropriate, the process for making good these items.
- 1.19 No new worksheets shall be inserted. The existing worksheets are designed such that they may be expanded if necessary to maintain the existing functionality and purpose of the workbooks. The UR may request additional detail but this should not be provided unless otherwise requested. Should the Licensee feel that additional transparency can be provided by providing more information than we request in the Reporting Workbook we suggest that the Licensee utilises the Commentary Template (see section overarching guidance) to include such additional detail.
- 1.20 If the existing worksheets require new rows or columns to be inserted this should be recorded in the change log along with an explanation. The existing formatting and integrity of the worksheets shall be maintained.

2. Instructions & guidance for each worksheet in the Financial Issues BPT Reporting workbook

2.1 The worksheets within the workbook are structured as follows:

1. The 'Cover' worksheet – this worksheet introduces the name of the workbook, the licensee name or names, the reporting price base, the relevant year or years and an input to identify any relevant Related Party. Consistent with the two licences, the reporting periods are 1st April to 31st March for each year. For the avoidance of doubt, a reporting year of “2026” means the year ended on 31st March 2026, and this convention throughout the workbook.
2. The 'Nav' worksheet – this worksheet helps with workbook navigation. It contains three sections: the Key; the Version submission control; and Worksheets, each of which are described below.
 - a) Key – in this section the Authority sets out a workbook colour code key for each cell in the workbook. For example: the licensee's input cells are formatted in the colour yellow; cells which total figures within a worksheet are formatted in the colour green; and cells which reference other worksheets within the workbook are formatted in light blue and so on, as set out in the 'Key' section
 - b) Version submission control – for each submission the licensee should input the date the version was submitted to the Authority and the submission version number. This functionality will avoid the need to change the file name when submitting the workbook.
 - c) Worksheets – This section introduces each remaining worksheet within the workbook by setting out the worksheet type, worksheet name, a worksheet status and a worksheet category. The worksheet name is hyperlinked for ease of navigation.
3. The 'Change Log' worksheet – this worksheet records any changes to the workbook. For each version of the workbook the licensee or the Authority must input the relevant: version number; date; comments/ notable changes; the effect of the changes; and the reason for the changes. A new version shall be created if any of the following apply: new formula/s; changed template structure; new worksheets required; changed data input; or changed row, column headings or classifications. Unless otherwise agreed, only the Authority should make structural or formula changes to the workbook. The licensee shall

complete a new row for each submission of the workbook, and the UR shall complete a new row for each updated version of the workbook, by completing all the relevant cells in that row.

4. The 'Checks' worksheet – this worksheet collects the results of the check cells throughout the remainder of the workbook. The licensee shall ensure that the workbook contains no errors prior to submission to the Authority.
5. The 'Universal data' worksheet – this worksheet is designed to provide inputs to subsequent worksheets within the workbook. The intention is that this worksheet can separate generic (and verifiable) inputs from subsequent calculations.
6. The 'F1 – P&L' worksheet – this worksheet is designed to obtain a standard format of the licensee's profit & loss / Statement of comprehensive income, across time, consistent with the licensee's regulatory accounts. More guidance is provided below at paragraph 2.2.
7. The 'F2 – Bal Sht' worksheet – this worksheet is designed to obtain a standard format of the licensee's balance sheet / statement of financial position, across time, consistent with the licensee's regulatory accounts. More guidance is provided below at paragraph 2.14.
8. The 'F3 Cashflow' worksheet – this worksheet is designed to obtain a standard format of the licensee's statement of cash flows, across time, consistent with the licensee's regulatory accounts. More guidance is provided below at paragraph 2.27.
9. The 'F4 Net Debt' worksheet – this worksheet is designed to obtain the licensee's Net Debt in a standard format, and allow for reconciliation to the Debt reported in the F2 worksheet. The licensee may not need to use all of the input cells but the intention is that all circumstances are catered for. More guidance is provided below at paragraph 2.34.
10. The 'F5 Financing costs' worksheet – this worksheet is designed to identify the financing costs for each of the debts reported in F4 and to allow for the financing costs to be fed through to F1 and F3. More guidance is provided below at paragraph 2.53.
11. The 'F15 Recn total costs to reg acs' worksheet – this worksheet is designed to reconcile total costs reported in the C1 BPT Reporting Workbook (within the C1 matrix) to the total costs reported within the Financial Issues Reporting Workbook. A distinction is made between UoS funded costs and non UoS funded costs. The F1, F2, and C1

worksheets feed information into this worksheet to aid the reconciliation. Other than the 'Checks' worksheet, no other worksheets depend on this worksheet. More guidance is provided below at paragraph 2.58.

12. The 'F16 Recn net debt' worksheet – this worksheet is designed to reconcile the net debt figures reported in the F4 worksheet to the net debt figures reported in the F2 worksheet. Other than the 'Checks' worksheet, no other worksheets depend on this worksheet. More guidance is provided below at paragraph 2.62.

Specific instructions & guidance on the 'F1 – P&L' worksheet

- 2.2 In this section we set out further detail on this worksheet in order to supplement the instructions and guidance provided in paragraph 2.1.6.
- 2.3 It is the responsibility of the licensee to complete this worksheet and ensure it is reliable for the subsequent calculations within the Reporting Workbook.
- 2.4 Data shall be input to this worksheet in nominal prices (in £m).
- 2.5 The Authority recognises that there are more distinctions in this worksheet than would normally be made in the Regulatory Accounts; however the
- 2.6 additional detail allows for consistency and reconciliation with other tables.
- 2.7 Row 6: Indicate the applicable standards to which the accounts are prepared /forecasted by selecting from the drop down list one of the following: "UK GAAP"; "UK FRS101"; "UK FRS102"; or "EU-IFRS".
- 2.8 Row 8: Insert the total revenue for both historic and forecast periods. Historic periods should reconcile to the regulatory accounts.
- 2.9 Rows 8 to 53: These rows cover the licensed entity and must agree to the audited Regulatory Accounts for historic years aside from the circumstances described above where better information was available after regulatory accounts were completed.
- 2.10 Row 32: "Other finance income/Investment income" on this table must include Non-UoS related items, financial movements on pension schemes and all movements on derivative financial instruments.
- 2.11 Rows 57 to 115: These rows must be completed with the split of the total position (down to operating profit before finance costs and tax) into the two segmental elements shown. The UoS funded element is calculated by deducting all other segments from the total.
- 2.12

- 2.13 Rows 119 to 139: Where the licensee has reported under IFRS for the first time, this section must be completed to identify the differences between reporting under old UK GAAP and IFRS/new UK GAAP. This will aid understanding of the changes and implications for the tax charge once the licensee reports under either EU-IFRS or new "UK GAAP" (ie FRS101 or FRS102 which is effective for regulatory reporting year commencing 1 April 2015, but for which early voluntary adoption is allowed).

Specific instructions & guidance on the 'F2 – Bal Sht' worksheet

- 2.14 In this section we set out further detail on this worksheet in order to supplement the instructions and guidance provided in paragraph 2.1.7.
- 2.15 It is the responsibility of the licensee to complete this worksheet and ensure it is reliable for the subsequent calculations within the Reporting Workbook.
- 2.16 Data shall be input to this worksheet in nominal prices (in £m).
- 2.17 This worksheet will provide data from the regulatory accounts on a consistent and comparable basis and allow for forecasted closing balances to be used in financial modelling. It will also allow differences between accounting standards to be identified.
- 2.18 The Authority recognises that there are more distinctions in this worksheet than would normally be made in the Regulatory Accounts, however the additional detail allows for consistency and reconciliation with other tables.
- 2.19 Row 64: The "Hedging Reserve" on the balance sheet is only to be used by licensees reporting under IFRS or new UK GAAP (ie FRS101 and FRS102).
- 2.20 Rows 73 to 93: Where the licensee reports under IFRS or new UK GAAP (ie FRS101 and FRS102) for the first time, and for subsequent years, this section must be completed to identify the differences between the two approaches.
- 2.21 Rows 102 to 111: These rows summarise the capex additions by segmental type.
- 2.22 Rows 116 to 121: Enter amounts of the book values of the disposal of tangible and intangible assets and the corresponding cash proceeds split for tangible assets into operational and non-operational assets. The cash proceeds must be entered as a negative value, except where the disposal is to an affiliate where market values must be entered again as a negative value. Rows 118 to 120 shall be linked to Cost and Volumes BPT by the licensee.
- 2.23

- 2.24 Rows 127 to 129: Enter amounts of additional customer contributions in the year by segment to agree with those in the Cost and Volume BPT Reporting Workbook. The licensee should ensure that row 131 is linked to Cost and Volumes BPT to ensure the check cell gives an 'OK' result.
- 2.25 Rows 135 to 137: Enter amounts of interest capitalised in tangible and intangible asset additions in the year by segment.
- 2.26 Rows 141 to 143: Enter amount(s) of any tangible and intangible asset revaluations in the year by segment.

Specific instructions & guidance on the 'F3 Cashflow' worksheet

- 2.27 In this section we set out further detail on this worksheet in order to supplement the instructions and guidance provided in paragraph 2.1.8.
- 2.28 It is the responsibility of the licensee to complete this worksheet and ensure it is reliable for the subsequent calculations within the Reporting Workbook.
- 2.29 Data shall be input to this worksheet in nominal prices (in £m).
- 2.30 This worksheet is designed to obtain a standard format of each licensee's Cashflow position consistent with the Regulatory Accounts.
- 2.31 It will be used to obtain data on a consistent and comparable basis across time; and to sense check any financial modelling.
- 2.32 This sheet is linked to movements implied by the P&L and balance sheet as far as practicable.
- 2.33 Rows 58 to 64: Input reconciling items between opening debt and the closing debt implied by the decrease/increase in net cash.

Specific instructions & guidance on the 'F4 Net Debt' worksheet

- 2.34 In this section we set out further detail on this worksheet in order to supplement the instructions and guidance provided in paragraph 2.1.9.
- 2.35 It is the responsibility of the licensee to complete this worksheet and ensure it is reliable for the subsequent calculations within the Reporting Workbook.
- 2.36 Data shall be input to this worksheet in nominal prices (in £m).
- 2.37 This worksheet collects details of all borrowing, guarantees and financial derivatives, interest rates on debt, repayment dates and cash and short term investments.
- 2.38 This information could be used to compare gearing levels to any regulatory modelling data; and to enable the calculation of any tax benefit of excess

gearing. It is also used to provide details of future refinancing requirements where the licensee has loans falling due for repayment.

- 2.39 The worksheet provides information on derivative financial instruments to facilitate understanding of existing debt structures.
- 2.40 The worksheet is designed to enable different types of borrowing and lending to be identified and any derivative products relating to the debt to be linked to it.
- 2.41 Where debt is of a short-term nature (and can therefore be replaced several times in a year) the year-end balance must be shown in the debt statement. The interest rate for the year must be that relating to the year-end debt.
- 2.42 Row 14: Enter the Closing RAB balance at 31st March each year.
- 2.43 For Sections A to F, income statement debits and cash out flows must be entered as positive values, and credits and cash inflows as negative values.
- 2.44 Rows 44, 99, 154, 209, 265, 302, 356, 411, 465, 521, 575, 631, 685, 739, and 794: please note that, beneath each of these rows, there are additional hidden rows which may be unhidden by the licensee, in circumstances where additional rows are needed. The hidden rows may be linked to the F5 worksheet to help maintain the integrity of the workbook and minimise the burden on the licensee to create new links between worksheets.
- 2.45 Rows 292 to 797: Detail all derivatives and values together with what exposure is hedged against. The description box must include the reference number of the loan(s) to which the derivative relates.
- 2.46 At table A ("Schedule of cash, short term deposits and overdrafts") please input, under the prescribed headings, the balance per the regulatory accounts at the regulatory financial year end.
- 2.47 At table B ("Analysis of External borrowings, bonds, loans and finance leases") please input, under the prescribed headings, the name of the lender and the nature and a description of the instrument, the redemption date, the rate of interest, and the balance at the regulatory financial year end.
- 2.48 At table C ("Analysis of loans from other group companies") please input, the legal entity providing the financing and the nature and a description of the instrument, the redemption date, the rate of interest, and the balance at the regulatory financial year end.
- 2.49 At table D ("Analysis of loans to other group companies") please input, the name of the borrower and the nature and a description of the instrument, the

redemption date, the rate of interest, and the balance at the regulatory financial year end.

- 2.50 At table E ("Analysis of other amounts due to/(from) group companies per Balance Sheet") please input, the name of each affiliate, the nature of the balance (e.g. the trading balance, cash on deposit) and separately the amounts payable and receivable. Balances with each individual affiliate must be shown separately. Note: table E is a memorandum table as inter-company trading balances are not usually part of net debt.
- 2.51 At table F ("Guarantees given on behalf of other group companies"), please input, any guarantees (including joint and several) given on behalf of any other group companies/related parties, listing the name of the company guaranteed, entity to whom the guarantee was given, the amount guaranteed and the date of any consent or derogation in respect thereof from the Authority.
- 2.52 At tables H to L ("SWAPS in existence"), please input, any derivative financial instruments as defined in accounting standards extant at the year-end relating to or in respect of any loan or balance disclosed under the prescribed headings. Only the value of cross currency swaps (used in the gearing calculation) is linked into the summary table.

Specific instructions & guidance on the 'F5 Financing costs' worksheet

- 2.53 In this section we set out further detail on this worksheet in order to supplement the instructions and guidance provided in paragraph 2.1.10.
- 2.54 It is the responsibility of the licensee to complete this worksheet and ensure it is reliable for the subsequent calculations within the Reporting Workbook.
- 2.55 Data shall be input to this worksheet in nominal prices (in £m).
- 2.56 For sections B to E, the interest paid (or received) must be shown on a P&L basis and on a cash basis. The values for each basis must be entered on the line with the corresponding reference number.
- 2.57 Please note that, beneath some rows (17, 72, 128, 183, 239, 294, and 350), there are additional hidden rows which may be unhidden by the licensee, in circumstances where additional rows are needed.

Specific instructions & guidance on the 'F15 Recn total costs to reg acs' worksheet

- 2.58 In this section we set out further detail on this worksheet in order to supplement the instructions and guidance provided in paragraph 2.1.11.
- 2.59 It is the responsibility of the licensee to complete this worksheet and ensure it is reliable for the subsequent calculations within the Reporting Workbook.
- 2.60 Data shall be input to this worksheet in nominal prices (in £m).
- 2.61 The licensee may insert additional rows for other adjustments, as necessary, within the reconciliation sections.

Specific instructions & guidance on the 'F16 Recn net debt' worksheet

- 2.62 In this section we set out further detail on this worksheet in order to supplement the instructions and guidance provided in paragraph 2.1.12.
- 2.63 It is the responsibility of the licensee to complete this worksheet and ensure it is reliable for the subsequent calculations within the Reporting Workbook.
- 2.64 Data shall be input to this worksheet in nominal prices (in £m).
- 2.65 This worksheet takes the Net debt information from the F4 Net Debt worksheet and reconciles it to the Net debt as per the worksheet F2 – Bal sht. The Licensee shall input the value of reconciling items in rows 17 to 24.

Data Entry

- 2.66 In addition to the Overarching Guidance and for the avoidance of doubt, the licensee shall follow the Authority's data entry guidance below.
- 2.67 The Financial Issues BPT reporting workbook should not be returned with outstanding reconciling items or erroneous check cells unless agreement has been provided by the Authority in writing and the items are described in detail in the Commentary document, including where appropriate, the process for making good these items.
- 2.68 If the existing worksheets require new rows or columns to be inserted this should be recorded in the change log along with an explanation. The existing formatting and integrity of the worksheets shall be maintained.
- 2.69 All financial transactions should be on a cash basis unless the definitions of the cost require otherwise.

- 2.70 Separate transactions shall be recorded for inflows and outflows of monies and netting of inflows and outflows is not permitted without prior written approval from the Authority.
- 2.71 The Licensee shall follow the following guidance in respect of data entry:
- a) Text shall be entered as text and numbers as numbers.
 - b) In the worksheets the numbers will be displayed in £m to three decimal places. The Licensee is required to provide this data to the highest level of accuracy available to them with the minimum being three decimal places; unless otherwise indicated.
 - c) Zero values must not be left blank, but instead, unless otherwise agreed, a zero should be input.
 - d) Where it is appropriate to leave a cell blank, it should be blank and not include a text space or other entry which might be interpreted as data.

Definitions

- 2.72 The terms used in the Financial Issues BPT has been defined by the UR in the context of this work area and in conjunction with the Transmission and Distribution Licences. In the event of any discrepancy, only the UR can provide clarification.
- 2.73 For the avoidance of doubt the terms used in the Financial Issues BPT, are subordinate to the licence conditions. Therefore, if a term is defined in both the licence and the glossary, the licence takes precedence.

3. Tax Reports

- 3.1 Paragraph 12.35 of Annex 2 of Northern Ireland Electricity Ltd's Electricity Distribution and Transmission Licences requires NIE Networks to furnish the Utility Regulator with an annual tax report.
- 3.2 The Authority requests that to assist with RP7, NIEN submit all RP6 Tax Reports to March 2021, Audited or Unaudited.
- 3.3 The Authority intends to use these Tax Reports, to better understand the Licensee's tax affairs, information used for the calculation of the tax element of the Licensee's Maximum Regulated Distribution / Transmission Revenue and any retrospective adjustments in respect of previous years amongst other things.
- 3.4 The information will be used to assist the Authority make decisions for the RP7 price control period.

4. Commentary Document

4.1 See “Overarching Guidance” document.

5. Glossary of Terms

- 5.1 The relevant definitions of the Electricity Distribution (DPCR5) Glossary of Terms – Regulatory Instructions and Guidance: Version 3 applies to the Business Plan Submission.
- 5.2 Specific additional definitions relevant to the Business Plan Submission are set out in Annex 3 of the Overarching Guidance.

6. Version Control

Version	Date	Description	Applicable Year
01.00	February 2022	Issued to NIEN for comment	All
02.00	June 2022	Revised doc issued to NIEN for comment	All
05.00	August 2022	Issued to NIEN	All