



RP7 Business Plan Transmission Cost & Volumes Guidance Notes



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General Instructions & Guidance for the worksheets in the Cost & Volume Business Plan Reporting Workbook

1.1 The worksheets within the workbook are structured as follows:

Cover worksheet – this worksheet introduces the name of the workbook, the company name or names of the related parties, the reporting price base and the relevant year or years. As referenced above, the reporting periods are 1st April to 31st March for each year. A reporting year of “2021” means the year ended on 31st March 2021. We use this convention throughout the business plan templates.

Nav worksheet – this worksheet helps us to navigate the workbook. It contains three sections: the Key; the Version submission control; and Worksheets, each of which are described below.

Key - We set out a colour code key for each cell in the workbook. For example: the company'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 this section

Version submission control – for each submission the company 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 (except for the change to YYYY_MM_DD as identified above).

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.

Change Log worksheet – this worksheet records any changes to the workbook. For each version of the workbook the company 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. As referenced above, unless otherwise agreed, only the Authority should make structural or formula changes to the workbook. The company shall complete a new row for each submission of the workbook completing all the relevant cells in that row.

1.2 The data submission comprises the following worksheets with detailed instructions and guidance on the individual worksheets provided in the subsequent sections:

C1 – Cost Matrix (2013 – 2031)

V5 – Asset Age Profile

V6 – Business Carbon Footprint

CM17 - FTEs

2. Cost Templates

2.1 The company is required to include historic and forecast data as follows:

- a) RP5 and RP6 historic – outturn data
- b) RP6 forecast – projected data to the end of the price control
- c) RP7 forecast – projected data

Worksheet C1: UR Cost Matrix (2013 – 2031)

2.2 The 'C1 –UR Cost Matrix 20YY' worksheets collect the outturn financial information we need to understand the complete picture of the company's business, on a basis which is comparable with the GB DNOs.

2.3 Individual worksheets are required to be completed for each year.

Cost Types

2.4 Cells A10 to A27 separate the following 'cost types':

- a) Labour;
- b) Pensions;
- c) Contractors;
- d) Materials;
- e) Wayleaves;
- f) Road Charges;
- g) Rent;
- h) Subscriptions; and
- i) Related Party Margins.

Cost Categories

2.5 Broad categorisation of the cost categories occurs using cells B6 to AK6, allowing for identification between:

- a) Direct Activities;
- b) Non Activity Based Costs;

- c) Indirect Activities;
- 2.6 Cells B7 to AK7 further identify the following cost categories:
- a) Load Related;
 - b) Non Load Capex (excluding Non-op Capex);
 - c) Network Operating Costs;
 - d) NABC (non activity based costs);
 - e) Closely Associated Indirects;
 - f) Business Support Costs;
 - g) Non Op Capex;
- 2.7 As implied by the layout of the matrix, columns: B to S are exclusively 'direct' cost categories as far down as row 40 in the worksheet.
- 2.8 Columns T and U are exclusively Non Activity Based Costs as far down as row 40 in the worksheet.
- 2.9 Columns V to AK are exclusively 'indirect' cost categories (again as far down as row 40 in the worksheet).
- 2.10 The requirements exclude some cost categories and sub-categories reported to Ofgem which are not relevant in our circumstances. These categories may be added back into the cost matrix in the future if necessary. The company shall reconcile the total costs (as per cell AL75) to the Financial Data BPT Reporting Workbook total for the same reporting period. If necessary, the company shall identify any additional cost categories required to provide a complete statement of costs.

Allocation of income rows 42 and 43

- 2.11 The C1 matrix provides the facility for the company to re-allocate income received under certain categories of cost to other categories of cost. For example, income received for connection activity may be required to cover business support costs or closely associated indirect costs. The template includes checks in cells AM42 and AM43 to ensure that the allocation of income rows net to zero.
- 2.12 These rows have caused some confusion in the past, in terms of how they differ from the other allocations described below, so the Authority is providing the following additional guidance to show why they are still necessary and appropriate for the company to complete.

- 2.13 These two rows re-allocate income received, which can be very different from the associated costs that the income was designed to cover.
- 2.14 Income will be very different from costs because: income is usually based on an estimation of future costs (not actual costs incurred in the past); in many cases, income is received in advance of costs being incurred and the matrix is designed to capture these timing differences.
- 2.15 By way of a simplified example, imagine a connection job was estimated by the company at £1,000, being £800 of direct costs and £200 of indirect costs. Imagine then that the customer pays this estimation of £1,000 to the company, in advance of the works being carried out, after which, the company carries out the work for an actual cost of £900 which represents £750 of direct costs and £150 of indirect costs.
- 2.16 In the above example rows 42 and 43 are designed to capture the allocation of £200 of income received on behalf of the estimated indirect costs. As can be seen from the example, the allocation of £200 is a different allocation to the allocation of actual costs, and potentially received in a different time period than when actual costs were incurred.

Allocation of indirect costs to Connections and D5 projects rows 47 to 72

- 2.17 The C1 matrix provides the ability for the company to allocate indirect costs to 'D5 Projects', 'Connections - Sole Use' and 'Connections – Shared Use'. Cells B47 to B54, C56 to C63 and D65 to D72 should contain positive figures (indicating an allocation of costs to these categories) whereas cells V48 to AK72 should contain negative figures (indicating an allocation of costs from those categories). If this is not the case, the company should set out the reasons in its commentary. The template includes checks in cells AM48 to AM72 to ensure that the allocation of indirect costs in these rows, net to zero.

Other guidance

- 2.18 The company should not return the BPT Workbooks with any erroneous check cells. A reconciliation for the total cost, as per cell AL75, to the annual total in the Financial Data submission, for each of these reporting periods is also required. This should identify the total costs allocated to transmission activities as well as any other items required to reconcile the values.

3. Volume Templates

Worksheet V5 – Asset Register – Age Profile

- 3.1 The 'V5 – Age Profile' worksheet records an aged profile of the existing asset quantities (by asset category as specified in the worksheet and the Glossary) in the Regulatory Year in which they were added to the network.
- 3.2 The company must input the average asset lives for the assets and the standard deviation of asset lives in the asset replacement profile section. Average asset lives are defined as the “expected average age at replacement as experienced by the company for the asset population (this is the mean value of the asset age replacement profile of the particular asset)”.
- 3.3 Assets must only appear in this table once they are energised on the network. Assets which have been re-energised must appear in the year in which the asset was originally installed.
- 3.4 Assets under construction must not be included in the age profile.
- 3.5 Strategic spares must not be included in this table until installed and energised on the system.
- 3.6 Assets disconnected and de-energised during the year but which are available for re-commissioning (e.g. pressure assisted cables) must not be entered in the age profile.
- 3.7 Asset data must be disclosed by operating, and not by construction, voltage. Where asset data is available only at construction voltage then this must be stated in the Commentary document.
- 3.8 The company is required to provide forecast data to the end of the RP7 price control.

Worksheet V6 – Business Carbon Footprint

- 3.9 This provides a quantification of the licensee's Business Carbon Footprint (in tonnes of CO2 equivalent).
- 3.10 We have not included network losses in the total BCF.
- 3.11 The associated commentary must contain the methodology used, including detailed emission tables for each of the sections below, and further information on the methodology adopted.

- 3.12 We recognise that it may not be possible to follow exactly the detailed guidance below for the forecast data – we expect, as far as possible, the same principles to be adopted, and any variances from the guidance to be explained in the commentary.

General principles of the reporting methodology

- 3.13 The reporting methodology must be compliant with the principles of the Greenhouse Gas Protocol¹ (“GHG Protocol”). In summary², the BCF reporting must be:
- a) Relevant: the inventory must reflect the substance and economic reality of the licensee’s business relationships, not merely its legal form
 - b) Complete: all relevant emission sources must be included (although in practice lack of data or cost of gathering could be a limiting factor)
 - c) Consistent: accounting approaches, inventory boundary and calculation methodology must be applied consistently over time
 - d) Transparent: information on the processes, procedures, assumptions and limitations of the BCF reporting must be disclosed in a clear, factual, neutral and understandable manner, enabling internal and external verifiers to attest to its credibility
 - e) Accurate: GHG measurements, estimates, or calculations must be systemically neither over nor under the actual emissions value, as far as can be judged, and that uncertainties be reduced as far as practicable

Reporting boundaries

- 3.14 The licensee must report on all Scope 1 and Scope 2 emissions (and a subset of Scope 3 emissions, as detailed below) on an “operational control” basis, i.e. report all emissions from operations on which the licensee has full authority to introduce and implement its operating policy.
- 3.15 The licensee should also report, where data is available, on a subset of Scope 3 emissions (business travel and external contractors), to ensure that the reporting captures all of the emissions arising from the development and operation of the licensee’s Distribution System, regardless of the legal entity carrying out each activity. According to this, we consider it valuable to focus

¹ <http://www.ghgprotocol.org>

² For further details, please refer to “GHG Protocol – A corporate Accounting and Reporting Standard”, available at: <http://www.ghgprotocol.org/files/ghg-protocol-revised.pdf>

on contractors emissions relating to the operational transport fleet and mobile power plants.

Contractors

- 3.16 The exclusion of any contractors must be justified and any thresholds used for exclusion must be stated in the commentary.
- 3.17 The commentary must also include an indication of what proportion of contractors have been excluded. This figure could be calculated based on contract value.
- 3.18 As far as possible, the licensee must try to ensure that data provided from different contractors is based on consistent assumptions.

Detailed reporting requirements

- 3.19 The licensee is given flexibility to set their own standards for:
- 3.20 Reporting year. We understand that calendar years is the current standard;
- 3.21 The use of estimates rather than direct measurement³, and any exclusion from the reporting based on (lack of) materiality considerations⁴. Any assumptions used to make estimates must be included in the commentary. It is anticipated that data will need to be estimated under two scenarios:
 - a) When the type of emissions is not measured.
 - b) When there is measurement data, but an estimate is required as the data is not at the same level of granularity as required by the summary BCF worksheet.
- 3.22 As a general principle, DNOs must focus more on the first type of estimation.
- 3.23 The commentary must include data tables for each area of emissions (ideally at the same level of granularity as the DAERA conversion factors) containing the following information:
 - a) the level of emissions (in tCO₂e)
 - b) the data source and collection process⁵

³In accordance with the principles of the GHG protocol and ISO14001, we expect a process of continual improvement, so that estimates are progressively replaced by direct measurement. More attention must be given to those estimates of emissions, which are likely to be significant.

⁴In cases where emissions have not been estimated, it is important that this is transparently documented and justified in the methodology

⁵Collection processes requiring a more detailed explanation must be elaborated upon elsewhere in the commentary.

- c) the relevant physical units e.g. miles
 - d) the emission conversion factor used
 - e) the source of the emission conversion factor (this shall be DAERA unless there is a compelling case for using another conversion factor)
 - f) the Scope of the emissions i.e. Scope 1, 2 or 3
 - g) whether the emissions have been measured or estimated
 - h) any tools used in the calculation
 - i) whether the emissions stem from contractors
- 3.24 The commentary must also include details of any auditing the licensee has performed to verify its emissions data.

Guidance on completing the worksheet

Buildings energy usage

- 3.25 Emission for electricity usage in buildings must be converted according to the factor for the “Grid Rolling Average”.
- 3.26 Natural Gas, Diesel and other fuels are all categorised as fuel combustion and must be converted to tCO₂e on either a Gross Calorific Value (Gross CV) or Net Calorific Value (Net CV) basis. We expect that this element of the chosen approach is clearly stated in the commentary and that this is consistently applied over time.

Transport

- 3.27 DAERA guidelines provide for a range of emission conversion factors for transport means, with the aim to provide the best possible estimate of emissions from the vehicle portfolio owned and/or operated by the licensee. The reporting must, as far as reasonably practicable, use the full range of emission conversion factors available (as applicable to the range of means of transport actually used by the licensee).
- 3.28 DAERA allows for transport to be entered in terms of both mileage and fuel consumption. Reporting must be based upon mileage, using conversion factors at the greatest level of disaggregation that is reasonably practicable. Reporting can be based on fuel consumption only where detailed and reliable data is available, e.g. through fuel cards.

- 3.29 In cases where emission factors for specific transport means are not available (we are aware of this issue for helicopters, but there may be some other instances) the equivalent tonnes of carbon dioxide (tCO₂e) must be estimated and summed to the closest means of transport (e.g. “air” for helicopters). The methodology and assumptions used for estimating/measuring these emissions must be included in the commentary.
- 3.30 Operational Transport is the transportation (often a fleet of vehicles) used in the day to day operation of the business – i.e. in the inspection and maintenance of the network.
- 3.31 Business Transport is that undertaken by staff travelling to locations that are other than their normal place of work or moving between sites for purposes such as meetings.

Fugitive Emissions

- 3.32 This category caters for GHG emissions from a range of gases that may be relevant to the licensee business. We anticipate that this will mainly include SF₆ emissions, but other gases may be included (e.g. HFC from air conditioning). SF₆ emissions must be reported in accordance with ENA-ER S38, using DAERA conversion factors.
- 3.33 The commentary must identify which fugitive emissions have not been calculated or estimated.

Fuel combustion (non-building)

- 3.34 This is to cover for non-building fuel usage, such as mobile plants and the stand-by diesel mobile generators that are deployed from time to time in response to planned outages or faults. DAERA emissions factors must be used. All mobile plant and generation used by the licensee, related and affiliate undertakings, contactors and sub-contractors must be included in so far as it is reasonably practicable. The methodology must describe the degree of estimation, and decisions to exclude any sources of emissions, applied.

Losses

- 3.35 This is to consider the licensee’s responsibility towards losses as a Scope 2 emission, using the DAERA conversion factor “Grid Rolling Average” for electricity losses.

Worksheet CM17 – Full Time Equivalents

- 3.36 This worksheet collects the number of FTEs (Full Time Equivalent) by category. Enter the number of FTEs for company Own and also for Related Parties.
- 3.37 For Indirect FTEs, this worksheet should be consistent with headcount before reallocation to non-transmission activities.
- 3.38 Refer to the Glossary for the definition of any category listed within this section.

4. **Commentary**

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
A	16 Sep 2021	First draft for review	All
1.0		Revised section on BCF	
1.0		Revised section on Glossary of Terms	
1.0		Revised section on Commentary	
2.2	25/8/22	Final version for issue	All