

RP6

Business Plan Template

C1 Matrix

Guidance Notes



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1. Introduction

1.1 Overview

- 1.1.1 This document sets out the Utility Regulator's (the Authority) guidance for the completion and submission of the RP6 BPT C1 Matrix Reporting Workbook by the licensee for the RP6 price control period.

2. The RP6 Business Plan Template C1 Matrix templates

2.1 General instructions & guidance for the RP6 Business Plan Template C1 Matrix Reporting Workbook

- 2.1.1 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 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 "2013" means the year ended on 31st March 2013. We use this convention throughout the RIGs.
 2. The '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.
 - a. **Key** - We set out a 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 this 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 (except for the change to YYYY_MM_DD as identified above).
 - 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. As referenced above, we request that the licensee is concerned about the 'Live' worksheets only. Other worksheets are hidden but may need to be activated in the future.
 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. As referenced above, 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 completing all the relevant cells in that row.

4. C1 worksheets – the licensee is requested to provide C1 worksheets for T and C1 worksheets for D, for each year from 2013 to 2024, in both Nominal and Real 2016 prices¹.

2.2 Worksheet C1 –UR Cost Matrix

- 2.2.1 The 'C1 –UR Cost Matrix 20YY' worksheets collect the historic and forecast financial information we need to understand the complete picture of the licensee's business, on a basis which is comparable with the GB DNOs.
- 2.2.2 Individual worksheets are required to be completed for each year.
- 2.2.3 The worksheet tab name 'C1 – UR Cost Matrix 20YY' indicates whether the worksheet relates to transmission or distribution data using a (T) or (D) respectively. Additionally Cell A2 on each yearly C1 UR Cost Matrix worksheet indicates whether the worksheet relates to transmission or distribution; Cell A4 indicates the relevant year.
- 2.2.4 Cell A3 on each yearly C1 UR Cost Matrix worksheet indicates the price base in which the worksheet is to be completed.
- 2.2.5 The same template worksheet is used as a basis for the yearly UR C1 Matrix worksheets for transmission and for distribution. Where relevant the cell colour coding is adjusted according to the needs of either distribution or transmission data capture.

Cost Types

- 2.2.6 Cells A10 to A27 separate the following 'cost types':
 1. Labour;
 2. Pensions;
 3. Contractors;
 4. Materials;
 5. Wayleaves;
 6. Road Charges;

¹ For the purposes of this draft, the Authority has created only one worksheet for Transmission and one worksheet for Distribution, pending final modifications and feedback from the Licensee.

7. Rent;
8. Subscriptions; and
9. Related Party Margins.

2.2.7 In this version of the BPT pensions (cost type) (row 15) now excludes payments in respect of pension scheme established deficit repair and payments in respect of augmentation of benefits. To accommodate this definition change and to capture the costs now excluded from the definition, new rows 112 and 113 are included. The new rows should be completed with the identified newly excluded costs in the same manner as the other Cost Type cells.

Cost Categories

2.2.8 Cells B5 to AP5 provide broad categorisation for cost categories that are Use of System tariff funded (UoS funded). Cells AR5 to AW5 provide broad categorisation for cost categories that are not UoS funded (Non UoS funded).

2.2.9 Further broad categorisation occurs using cells B6 to AW6, allowing for identification between:

1. Direct Activities;
2. Non Activity Based Costs;
3. Indirect Activities;
4. Activities open to Competition;
5. Activities not open to competition

2.2.10 Cells B7 to AW7 further identify the following 'cost categories':

1. Load Related;
2. Non Load Capex (excluding Non-op Capex);
3. Network Operating Costs;
4. Non GB DNO
5. NABC (non activity based costs);
6. Closely Associated Indirects;
7. Business Support Costs;
8. Non Op Capex;
9. Other (Activities open to Competition);
10. PSO costs;
11. Non Price Control; and

12. Other (Activities not open to competition).
- 2.2.11 As implied by the layout of the matrix, columns: B to X; and AR to AW, are exclusively 'direct' cost categories as far down as row 40 in the worksheet.
- 2.2.12 Columns Y and Z are exclusively Non Activity Based Costs as far down as row 40 in the worksheet.
- 2.2.13 Columns AA to AP are exclusively 'indirect' cost categories (again as far down as row 40 in the worksheet).
- 2.2.14 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 licensee shall reconcile the total costs (as per cell AY82) to the Financial Data BPT Reporting Workbook total for the same reporting period. If necessary, the licensee shall identify any additional cost categories required to provide a complete statement of costs.
- 2.2.15 The template includes cost categories which reflect specific elements of the Northern Ireland regulatory framework, such as: Connections – sole use; Meter Reading; and Market Opening.

Explanation of Allocation Rows 42 to 71

- 2.2.16 We describe below how the licensee shall re-allocate costs between cost categories.

Allocation of income rows 42 and 43

- 2.2.17 The C1 matrix provides the facility for the licensee 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 AZ42 and AZ43 to ensure that the allocation of income rows net to zero.
- 2.2.18 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 licensee to complete.
- 2.2.19 These two rows re-allocate income received, which can be very different from the associated costs that the income was designed to cover.
- 2.2.20 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.
- 2.2.21 By way of a simplified example, imagine a connection job was estimated by the licensee 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 licensee, in advance of the works being carried out, after which, the licensee carries out the work for an actual cost of £900 which represents £750 of direct costs and £150 of indirect costs.

- 2.2.22 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 to 'Non UoS funded costs (Activities open to competition)' rows 45 to 50

- 2.2.23 The C1 matrix provides the facility for the licensee to re-allocate costs to 'Non UoS funded costs (Activities open to competition)'. These categories are designed to transparently show the value of costs that are attributable to 'Non UoS funded costs (Activities open to competition)'. This feature will allow the licensee to forecast the impact of competition in connections (separately for categories which we refer to as 'Connections – Sole Use' and 'Connections – Shared Use') and for any other categories which might be opened to competition in the future, for which the Authority has included a placeholder column called 'Other'.
- 2.2.24 The Authority recognises that 'Activities open to Competition' will be relatively small (if not zero) for the years 2013, 2014, 2015, and 2016, but the licensee may wish (or need to) reflect the impact of these activities in future years.
- 2.2.25 Cells Y45 to AP50 (and Y115 to AP115) should contain negative (or null) values (indicating an allocation of costs from these categories) whereas cells AR45 to AT50 (and respectively, cells AR115 to AZ115) should contain positive values (indicating an allocation of costs to those categories). If this is not the case, the licensee should set out the reasons in its commentary. The template includes checks in cells AZ45 to AZ50 (and at AZ115) to ensure that the allocation of costs in these rows nets to zero.
- 2.2.26 The licensee should note that this allocation section includes both Non Activity Based Costs and Indirect Activity costs because, for example, pension deficit repair costs are likely to be attributable to Non UoS funded activities.
- 2.2.27 This allocation is of very high priority because it is important to distinguish costs which are funded on UoS tariffs and costs which are not. For this reason it is one of the first allocations to take place on the worksheet.

Allocation of costs to 'Non UoS funded costs (Activities not open to competition)' rows 53 to 58

- 2.2.28 The C1 matrix provides the facility for the licensee to re-allocate costs to 'Non UoS funded costs (Activities not open to competition)'. These categories are designed to transparently show the value of costs that are attributable to 'Non UoS funded costs (Activities not open to competition)'. This feature will allow the licensee to forecast the impact of activities which are not underwritten by UoS tariffs (separately for

categories which we refer to as 'PSO costs' and 'Non Price Control') and for any other categories which might be considered Non UoS funded and not open to competition, for which the Authority has included a placeholder column called 'Other'.

- 2.2.29 The Authority recognises that 'Activities not open to Competition' will be relatively small but there should be benefit in showing how these categories affect indirect and Non Activity Based costs.
- 2.2.30 Cells V53 to AP58 (and cells V116 to AP116) should contain negative (or null) values (indicating an allocation of costs from these categories) whereas cells AU53 to AW58 (and respectively cells AU116 to AW116) should contain positive (or null) values (indicating an allocation of costs to those categories). If this is not the case, the licensee should set out the reasons in its commentary. The template includes checks in cells AZ53 to AZ58 (and cell AZ116) to ensure that the allocation of costs in these rows net to zero.
- 2.2.31 The licensee should note that this allocation section includes both Non Activity Based Costs and Indirect Activity costs because, for example, pension deficit repair costs are likely to be attributable to Non UoS funded activities.
- 2.2.32 This allocation is of very high priority because it is important to distinguish costs which are funded on UoS tariffs and costs which are not. For this reason it is one of the first allocations to take place on the worksheet.

Allocation of indirect costs to 'Connections – Sole use' rows 64 to 69

- 2.2.33 The C1 matrix provides the ability for the licensee to allocate indirect costs to 'Connections – Sole use'. Cells C64 to C69 (and cell C117) should contain positive values (indicating an allocation of indirect costs to these categories) whereas cells AA64 to AP61 (and respectively cells AA117 to AP117) should contain negative values (indicating an allocation of indirect costs from those categories). If this is not the case, the licensee should set out the reasons in its commentary. The template includes checks in cells AZ64 to AZ70 (and AZ117) to ensure that the allocation of indirect costs in these rows net to zero.

Allocation of indirect costs to 'Connections – Shared use' rows 73 to 78

- 2.2.34 The C1 matrix provides the ability for the licensee to allocate indirect costs to 'Connections – Shared Use'. Cells D73 to D78 (and cell D118) should contain positive figures (indicating an allocation of indirect costs to these categories) whereas cells AA73 to AP78 (and respectively cells AA118 to AP118) should contain negative figures (indicating an allocation of indirect costs from those categories). If this is not the case, the licensee should set out the reasons in its commentary. The template includes checks in cells AZ73 to AZ79 (and cell AZ118) to ensure that the allocation of indirect costs in these rows net to zero.

Pensions Reconciliation – rows 86 - 99

- 2.2.35 This is achieved via the Pensions Reconciliation Table contained in rows 86 to 89 of the C1 UR Cost Matrix worksheets.
- 2.2.36 Rows 86 to 95 and 98 to 99: For each of the pension cost elements listed in these rows, record in column AQ the total UoS funded cost and in column AX the total non UoS funded cost. The total across both in column AY is calculated automatically.
- 2.2.37 Row 95: In the case of any other pension cost included in the amount recorded being reported, please provide details on what these refer to, as you consider relevant, in the BPT C1 Matrix Commentary Template.
- 2.2.38 Row 96: The total of all pension cost elements recorded in rows 86 to 95 is calculated automatically for UoS funded cost, Non UoS funded cost and the total across the two.
- 2.2.39 Row 97: The totals calculated in row 96 need to reconcile, for UoS funded cost, Non UoS funded cost and the total across the two, with the total respective pension cost recorded in rows 15, 46, 54, 112, 113, 115 and 116 of the C1 matrix. This is verified through a consistency check. If any of the consistency checks contained in row 97 results in an error message, the data must be corrected until the error is eliminated.
- 2.2.40 Furthermore, the data contained in the Pensions Reconciliation Table needs to reconcile, for the reporting year, with the data contained in the BPT Pensions Reporting Workbook. Any additional information that may be of relevance with respect to the reconciliation shall be recorded in the BPT C1 Matrix Commentary Template.
- 2.2.41 The total employer DB normal ongoing pension contributions in row 86 of the BPT C1 Matrix need to reconcile, on total level, with the employer contributions excluding salary sacrifice recorded in the BPT Pensions Reporting Workbook, Worksheet: P4 DB Scheme Cost – Outlook, row 53.
- 2.2.42 The total of employer DB normal ongoing pension contributions, DB Pension scheme administration cost and investment management fees and PPF Levies in rows 86, 88 and 90 respectively of the BPT C1 Matrix needs to reconcile, on UoS funded, non UoS funded and total level, with the attribution of ongoing pension funding cost in the BPT Pensions Reporting Workbook, Worksheet: P4 DB Scheme Cost – Outlook, rows 105 to 107.
- 2.2.43 The Employer DC normal ongoing pension contributions for DC scheme (incl. insurance payments to DB scheme for DC members), stakeholder pensions and personal accounts in row 87 of the BPT C1 Matrix need to reconcile, on total level, with the sum of total employer DC scheme contributions and insurance payments and total cash cost of stakeholder pensions & personal accounts in the BPT Pensions Reporting Workbook, Worksheet: P5 DC Scheme Cost – Outlook, rows 17 and 34 respectively.

- 2.2.44 The sum of Employer DC normal ongoing pension contributions for DC scheme (incl. insurance payments to DB scheme for DC members), stakeholder pensions and personal accounts in row 87 of the BPT C1 Matrix and of DC pension scheme administration cost and investment management fees in row 89 of the BPT C1 Matrix needs to reconcile, on UoS funded, non UoS funded and total level, with the attribution of ongoing pension service cost (including scheme administration cost and investment management fees) for defined contribution/stakeholder pension/personal accounts schemes in the BPT Pensions Reporting Workbook, Worksheet: P5 DC Scheme Cost – Outlook, rows 42 to 44.
- 2.2.45 DC pension scheme administration cost and investment management fees in row 89 of the BPT C1 Matrix needs to reconcile, on total level, with the cash cost for DC scheme administration (inclusive of investment management fees) in the BPT Pensions Reporting Workbook, Worksheet: P5 DC Scheme Cost – Outlook, row 24.
- 2.2.46 DB pension scheme administration cost and investment management fees in row 88 of the BPT C1 Matrix need to reconcile, on UoS funded, non UoS funded and total level, with the attribution of the DB scheme administration cost and investment management fees in the BPT Pensions Reporting Workbook, Worksheet: P7 Pension Scheme Administration – Outlook, rows 44 to 46.
- 2.2.47 The PPF levies in row 90 of the BPT C1 Matrix need to reconcile, on UoS funded, non UoS funded and total level, with the attribution of PPF levies in the BPT Pensions Reporting Workbook, Worksheet: P6 PPF Levies – Outlook, rows 91 to 93.
- 2.2.48 The pension hedging and contingent assets cost in row 91 of the BPT C1 Matrix needs to reconcile, on UoS funded, non UoS funded and total level, with the attribution of the pension hedging and contingent assets cost in the BPT Pensions Reporting Workbook, Worksheet: P4 DB Scheme Cost – Outlook, rows 140 to 142.
- 2.2.49 The augmentation of benefit cost in row 92 of the BPT C1 Matrix needs to reconcile, on UoS funded, non UoS funded and total level, with the attribution of the augmentation of benefit cost in the BPT Pensions Reporting Workbook, Worksheet: P4 DB Scheme Cost – Outlook, rows 158 to 160.
- 2.2.50 The incremental deficit repair payments in row 93 of the BPT C1 Matrix need to reconcile, on total level, with the pension deficit funding cost (cash) (excluding any pension hedging and contingent assets) – relating to post cut-off date in the BPT Pensions Reporting Workbook, Worksheet: P4 DB Scheme Cost – Outlook, row 84.
- 2.2.51 The established deficit repair payments in row 94 of the BPT C1 Matrix need to reconcile, on total level, with the Pension deficit funding cost (cash) (excluding any pension hedging and contingent assets) – relating to pre cut-off date in the BPT Pensions Reporting Workbook, Worksheet: P4 DB Scheme Cost – Outlook, row 83.
- 2.2.52 The sum of incremental deficit repair payments in row 93 of the BPT C1 Matrix and established deficit repair payments in row 94 of the BPT C1 Matrix needs to reconcile, on UoS funded, non UoS funded and total level, with the attribution of the

deficit repair payments in the BPT Pensions Reporting Workbook, Worksheet: P4 DB Scheme Cost – Outlook, rows 122 to 124.

- 2.2.53 The employer DB pension scheme contributions to pension strain benefits in row 98 of the BPT C1 Matrix need to reconcile, on total level, with the pension strain cost in the BPT Pensions Reporting Workbook, Worksheet: P4 DB Scheme Cost – Outlook, rows 89.
- 2.2.54 The ERDCs in row 99 of the BPT C1 Matrix need to reconcile, on total level, with the ERDCs in the BPT Pensions Reporting Workbook, Worksheet: P4 DB Scheme Cost – Outlook, rows 88.
- 2.2.55 The sum of employer DB pension scheme contributions to pension strain benefits in row 98 of the BPT C1 Matrix and ERDCs in row 99 of the BPT C1 Matrix needs to reconcile, on UoS funded, non UoS funded and total level, with the attribution of pension-related severance cost in the BPT Pensions Reporting Workbook, Worksheet: P4 DB Scheme Cost – Outlook, rows 175 to 177.

Allocation of indirect costs to ‘D5 Projects’ rows 102 to 107

- 2.2.56 The C1 matrix provides the ability for the licensee to allocate indirect costs to ‘D5 Projects’. Cells B102 to B107 (and cell B119) should contain positive figures (indicating an allocation of indirect costs to these categories) whereas cells AA102 to AP107 (and respectively cells AA119 to AP119) should contain negative figures (indicating an allocation of indirect costs from those categories). If this is not the case, the licensee should set out the reasons in its commentary. The template includes checks in cells AZ102 to AZ107 (and cell AZ119) to ensure that the allocation of indirect costs in these rows net to zero.

Other guidance

- 2.2.57 The licensee should not return the BPT Workbooks with any erroneous check cells in any C1 matrix. A reconciliation for the total cost, as per cell AY82, to the annual total in the Financial Data BPT Reporting Workbook, for each of the 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.

2.3 Instructions & Guidance for the RP6 Business Plan Template C1 Matrix Commentary Template

- 2.3.1 The licensee should detail where there is insufficient or inconsistent guidance, such as any lack of clarity on cost definitions.
- 2.3.2 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. We note, however, that notwithstanding any such opinion expressed in the commentary, the licensee should still complete the BPT C1 Matrix Reporting Workbook in line with the related guidance.

- 2.3.3 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.
- 2.3.4 The licensee should include supporting documentation where they consider it necessary to support their comments or where it may aid the UR's understanding.
- 2.3.5 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 names is the order in which the Annexes appear in the commentary.

3. Glossary of Terms

- 3.1.1 The relevant definitions from Ofgem apply to the RP6 C1 Matrix².
- 3.1.2 Specific additional definitions relevant to the RP6 BPT C1 Matrix are defined in the RP6 BPT Glossary of Terms.

² See here: (OFGEM Electricity Distribution (DPCR5) Glossary of Terms – Regulatory Instructions and Guidance: Version 3) <https://www.ofgem.gov.uk/ofgem-publications/46549/dpcr5glossaryofterms.pdf>

Version Control

Version	Date	Description	Applicable Year/s
01.00	20/01/2016	Issued to NIEN for comment.	2013-2024
02.00	17/02/2016	<ul style="list-style-type: none"> • Alignment with structural changes made in BPT Pensions Reporting Workbook • Correction of minor errors • Section 2.2: Clarification on relevance of worksheet header • Section 2.3: Clarification of need to complete BPT templates in line with guidance even if suggestions to improve these templates are being made 	2013-2024
02.00	17/02/2016	Issue to NIEN	
02.01	19/05/2016	Issue to NIEN with relevant cell reference updates after C1 matrix v2.01 changes.	as above