

RP6 Business Plan Template

Overarching Guidance



RP6 Business Plan Template

Overarching Guidance

Contents

1.	Introduction	3
1.1	Overview	3
1.2	Legal framework.....	3
1.3	Relevant period and timescales for reporting	3
1.4	Review following submission.....	3
1.5	Template errors.....	4
2.	Business Plan Submission	5
2.1	Introduction	5
2.2	General instructions and guidance.....	6
2.3	Submission and resubmission.....	8
2.4	Financial basis, estimates and allocations	8
3.	Reporting Workbook	10
3.1	Purpose.....	10
3.2	Workbook structure	10
3.3	Working with linked workbooks	11
3.4	Naming Convention.....	11
3.5	Data Entry	11
3.6	Definitions	12
4.	Commentary Template	13
4.1	General instructions and guidance.....	13
4.2	Naming Convention.....	14
5.	Glossary of Terms	15
6.	Data Assurance	16
6.1	Introduction	16

Version Control 17

1. Introduction

1.1 Overview

- 1.1.1 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 RP6 price control period.

1.2 Legal framework

- 1.2.1 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).

1.3 Relevant period and timescales for reporting

- 1.3.1 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 2013 or 2012/2013 means the year ended on 31 March 2013. This convention applies throughout the BPTs.
- 1.3.2 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.
- 1.3.3 The licensee¹ must provide the information required under the various BPTs by the 29 June 2016 as per the RP6 Timeline included within the RP6 Final Approach Document. This is the same deadline as for the submission of the RP6 Business Plan. Whilst this deadline is one month prior to submission of the RP5 RIGs for 2015/16, we shall assume BPT data for 2015/16 is actual or equivalent to the RIGs 2015/16 data, due for submission in July 2016, unless otherwise informed.

1.4 Review following submission

- 1.4.1 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 RP6 Business Plan is submitted on 29 June 2016 and is expected to continue until 26 August 2016. The Query Process will involve further information requests to the licensee to clarify specific aspects of the RP6 Business Plan submission and, as a consequence, further queries to licensee responses may in addition be raised, as appropriate.

¹ Whilst licensee is commonly used throughout the BPTs documentation the reference is to NIE Networks who include two licences, one for Transmission and one for Distribution.

1.5 Template errors

1.5.1 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. Upon identifying an error, notify us by email using the relevant BPT query log to 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.
2. We will respond using the relevant BPT query log and, if necessary, provide guidance on correcting the error.
3. We will maintain a log of known issues for consideration when preparing future BPTs and annual/cost reporting master templates.

2. Business Plan Submission

2.1 Introduction

2.1.1 Various workbooks and documents as set out below have been provided to support the RP6 Business Plan submission. These are variously described as Business Plan Templates (BPT), with Nos 1 and 2 (boldfaced) fulfilling the required RP6 Business Plan submission:

1. **BPT Reporting Workbooks** contain the various spreadsheets 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 Instructions and Guidance or RIGs;
2. **BPT Commentaries** accompany each Reporting Workbook. Again, their format and inclusion within the various BPTs utilise largely the same approach as previously employed during the RP5 RIGs development, allowing to include supporting commentary to the data submission in free text format;
3. BPT Glossary Appendix to the existing RIGs Glossary v3 (adopting the same version as used to inform the RP5 RIGs). Both the RP5 RIGs and Glossary Appendix to RP6 will apply to RP6 and will include additional definitions for any new and/or variant metrics and/or data required for the RP6 Business Plan submission; and
4. BPT Guidance Notes provide specific guidance on completion of the BPT Reporting Workbooks and Commentary Templates

2.1.2 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 RP6 price control period and to be held to account for their delivery of the eventual RP6 regulatory contract of outcomes, outputs and KPIs.

2.1.3 The various BPTs are grouped according to following work areas:

1. Transmission Costs & Volume;
2. Distribution Costs & Volume;
3. C1 Matrix;
4. Financial Data;
5. Financial Issues;
6. Network Investment;
7. Benchmarking; and

8. Pensions

- 2.1.4 Instructions and guidance for the completion and subsequent submission of the Business Plan submission are set out below. They are complemented by guidance notes for each work area, as appropriate.
- 2.1.5 Further guidance relating to Capital Investment in the Network is included. Our document “Approach to Asset Maintenance” is attached as annex 1 to this document.
- 2.1.6 We reserve the right to issue additional, complementary guidance on selected business plan components if and as appropriate.

2.2 General instructions and guidance

- 2.2.1 The submission should be made in the defined formats:
 - 1. BPT Reporting Workbook in Microsoft Excel format;
 - 2. BPT Commentary Template in Microsoft Word format;
 - 3. RP6 Business Plan Overview² (in free text format and to include an Executive Summary), which we expect NIE Networks to publish on the web for wider consumer and stakeholder consumption; and
 - 4. (*where applicable*), any additional documentation as requested in the BPT Guidance Notes and/or Commentary Templates and/or as deemed appropriate by the licensee in Microsoft Excel, Microsoft Word or pdf format.
- 2.2.2 It should be noted that for Microsoft Excel-based workbooks, submission in a portable document format (PDF) is not permissible.
- 2.2.3 The RP6 Business Plan should contain the following sections as a minimum, with BPT numbered according to the corresponding sections:
 - 1. **Executive Summary**
 - 2. **Proposed efficient spend**
 - 2.1 **Investment in the Network**
 - 2.1.1 Overall description of investment, incorporating direct costs and IMF&T costs
 - 2.1.2 RP5 out-turn report
 - 2.1.3 Approach to asset maintenance

² For the avoidance of doubt, the “RP6 business plan submission” refers to the entire suite of BPTs and accompanying Business Plan Overview submission. The “RP6 Business Plan Overview” 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.

2.2 Indirect Costs

2.2.1 Base expenditure

2.2.2 Additions/reductions to base

2.3 Benchmarking and comparative efficiency

2.3.1 Comparative efficiency modelling

2.3.2 Special factors, atypicals and regional adjustment

2.3.3 Real Price Effects (RPEs) and Frontier Shift

2.3.4 Proposed efficiencies

2.4 Pensions

2.4.1 Actuarial viewpoints

2.4.2 Strategic, regulatory, organisational and operational context

2.4.3 Impact on RP6

2.5 Financial information

2.5.1 Revenues and Tariffs

2.5.2 Customer numbers

2.5.3 Volumes of electricity consumed and generated

2.5.4 Costs & Volumes (as per the C&V BPT)

2.5.5 Summary of the Financial Data BPT information

2.5.6 Summary of the Financial Issues BPT information

2.6 Outputs, outcomes and KPIs

2.6.1 Delivering the outcomes consumers need and customer satisfaction

2.6.2 Proposed outcomes, outputs and KPIs

2.6.3 Incentive mechanisms

2.7 How we propose to innovate for consumers

2.7.1 NIE Networks' business cases

2.7.2 What consumers can expect

2.8 Conclusions

2.8.1 Consumer impact

2.3 Submission and resubmission

- 2.3.1 The complete RP6 business plan submission, for all work areas set out in paragraph 2.1.1 with all the elements in the required formats set out in paragraph 2.1.3, must be submitted electronically to the following email address:
electricity_network_reporting@uregni.gov.uk
- 2.3.2 The RP6 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.
- 2.3.3 The Authority's agreement is required before any resubmission of information set out in a report produced in accordance with either the RIGs, RP5 and/or RP6 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.
- 2.3.4 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.
- 2.3.5 An eight week query process shall begin immediately upon submission of the entire business plan submission, comprising the suite of BPTs, RP6 Business Plan plus Executive Summary on 29 June 2016, closing with final queries to NIE Networks on 26 August 2016.

2.4 Financial basis, estimates and allocations

- 2.4.1 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 2015/16 prices. The licensee shall use the workbook at Appendix 1 to convert to / from³ 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.
- 2.4.2 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 RP5 or RP6 price control periods, including the entire RP6 business plan submission. Where this is not the

³ As RP6 progresses there will need to be further updates to Appendix 1 to account for latest outturn RPI data from the Office of National Statistics and more up to date RPI forecast data around the determination stages. We would expect to discuss such opportunities to update the information set contained within Appendix 1 through the continuation of our regular working level meetings with NIE Networks.

case, appropriate detail, including quantification of the difference, must be provided in the BPT Commentaries.

- 2.4.3 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.
- 2.4.4 It should be noted, however, that in certain sections of the BPTs, the following shall apply:
 - 1. Pensions – with respect to data relating to NIE Network Services: The specific guidance provided in the BPT Pensions Guidance Notes relating to the reporting of pensions-related data for those years where NIE Network Services constituted a separate sponsoring employer of the NIE Pension Schemes.
 - 2. Benchmarking – with respect data relating to Transmission equivalent to GB Transmission and Distribution equivalence to the GB DNOs we have discussed with NIE Networks their ability to populate our modelling workbooks according to the 275kV and ≤ 110 kV categories.

3. Reporting Workbook

3.1 Purpose

- 3.1.1 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.
- 3.1.2 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 RP6 Monitoring Plan going forward and shall be developed in light of the final determination.

3.2 Workbook structure

- 3.2.1 The data that we request is partially based on the Ofgem RIIO business plan templates which are a more focused version of Ofgem version 3 RIGs. 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.
- 3.2.2 We may amend these requirements or seek supplemental information as necessary, especially post-RP6 business plan submission and during the subsequent formal Query Process.
- 3.2.3 We are aware of more recent development in the RIGs by Ofgem. We will track these developments as they reach their conclusion and make any amendment to our RP6 requirements as appropriate. Once there is stability in the Ofgem requirements we will consider the extent to which they can be adopted subject to specific exclusions and move to this approach during the RP6 period. We shall as a matter of course restrict such evolution within the very limited confines of the RP6 timeline and milestones.
- 3.2.4 More importantly, and as other regulators have deemed necessary when exceptional circumstances have applied, we reserve the right to seek further and additional data submissions immediately preceding the issue of our RP6 suite of BPTs and before we enter the Query Process subsequent to the eventual RP6 business plan submission by NIE Networks.
- 3.2.5 This is particularly relevant to the BPT Benchmarking requirements which have not been prepared with the luxury of any previous price control or any annual reporting of comparative efficiency models where such models might otherwise have been tested.
- 3.2.6 We are approaching the development of new efficiency modelling to inform RP6 with an open mind and despite frequent working level engagement with NIE, our model developments will largely take place during the period immediately preceding the issue of the RP6 BPTs. That being the case, there may be opportunities to improve modelling so both parties can reach a better informed and more reliable

judgement of NIE Networks' comparative efficiency via the use of additional data from NIE Networks (additional to that required under the BPT Benchmarking).

3.3 Working with linked workbooks

3.3.1 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:

1. Save the workbooks on their own systems and re-establish any links necessary for the workbook to operate correctly;
2. 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
3. Break all other links to the licensee's own systems before submission to the Authority.

3.4 Naming Convention

3.4.1 A BPT Reporting Workbook shall be titled "RP6 Business Plan XXXX Reporting Workbook" where XXXX represents the work area it relates.

3.5 Data Entry

3.5.1 The licensee shall follow the following guidance in respect of data entry:

1. 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.
2. 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.
3. Text shall be entered as text and numbers as numbers.
4. 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.

5. Zero values must not be left blank, but instead, unless otherwise agreed, a zero should be input.
 6. 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.
- 3.5.2 Historic data in the various BPT Workbooks should be reconciled to: data in the RIGS; other data which NIE provide as part of their RP6 business plan (not limited to where we specifically request for this in the associated Commentary Templates); and any other RP5 submissions, before the RP6 business plan submission is made.
- 3.5.3 Since NIE Networks have indicated they plan to include 'latest best estimate' data in the RP6 BPT for 2015/16, given the timing of internal approvals and signoff of the RP6 business plan does not align with preparation of the 2015/16 RIGs, any subsequent material differences between RIGs and BPT 2015/16 submissions must be further explained and justified by NIE Networks. We expect any such explanation and justification for material differences to be submitted at the same time as the RIGs to ensure a robust determination process which utilises the best available data from NIE Networks.
- 3.5.4 New worksheets should not be inserted unless instructed to do so by the Authority.
- 3.5.5 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.

3.6 Definitions

- 3.6.1 The relevant definitions of the Ofgem Electricity Distribution (DPCR5) Glossary of Terms – Regulatory Instructions and Guidance: Version 3⁴ apply to this suite of BPTs, unless specific deviations and/or additional definitions are defined and included within the BPT Glossary of Terms Appendix.

⁴ [Ofgem: Electricity Distribution \(DPCR5\): Glossary of Terms – Regulatory Instructions and Guidance: Version 3, 23 March 2012](#)

4. Commentary Template

4.1 General instructions and guidance

- 4.1.1 The submission shall include commentary which shall be submitted using the associated BPT Commentary Template provided by the Authority.
- 4.1.2 The Commentary Templates provide the opportunity for the licensee to 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.
- 4.1.3 The commentary template should be used by the licensee to 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.
- 4.1.4 The licensee should provide commentary on the following specific issues:
 - 1. An explanation of how indirect costs have been allocated to individual categories of work and outputs.
 - 2. 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.
 - 3. 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.
 - 4. Why any figures are zero or have been left blank, for example, describing why they do not apply.
 - 5. Any significant movements between time periods.
- 4.1.5 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.

- 4.1.6 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.
- 4.1.7 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.
- 4.1.8 The licensee should include supporting documentation where they consider it necessary to support their comments or where it may aid the UR's understanding.
- 4.1.9 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.

4.2 Naming Convention

- 4.2.1 A Commentary Template shall be titled "RP6 Business Plan XXXX Commentary Template" where XXXX represents the work area it relates.
- 4.2.2 The file name used for the electronic copy of any Annex to the Commentary Template 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 Template.

5. Glossary of Terms

- 5.1.1 The relevant definitions of the OFGEM Electricity Distribution (DPCR5) Glossary of Terms – Regulatory Instructions and Guidance: Version 3 apply to these BPTs.
- 5.1.2 Specific additional and/or deviating definitions relevant to these BPTs are set out in BPT Glossary of Terms Appendix.
- 5.1.3 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 Introduction

- 6.1.1 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.
- 6.1.2 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 RP6 business plan submission is required.
- 6.1.3 For the avoidance of doubt we also do not require data assurance around forecast data contained within the BPTs.
- 6.1.4 It remains the licensee's responsibility to demonstrate to the Authority, the robustness and suitability of its own data assurance and risk reduction measures.
- 6.1.5 To reiterate earlier guidance, we expect NIE Networks to include their best estimate of costs and activities across the RP6 price control period and to be held to account for their delivery of the eventual RP6 regulatory contract of outcomes, outputs and KPIs.

Version Control

Version	Date	Description
01.00	20/01/2016	Issued to NIE for queries.
01.01	17/02/2016	Correction of minor errors and inconsistencies
02.00	11/2/2016	TCA and excision of para 4.1.8 as per NIEN query
02.00	17/02/2016	Issued to NIEN