

Financial Data Business Plan Templates Guidance Notes



Contents

1.	Introduction	3
1.1	Overview	3
1.2	General Financial Data BPT instructions and guidance	3
2.	Instructions & guidance for each worksheet in the Financial Data BPT Reporting Workbook	5
2.2	Specific instructions & guidance on the 'Outturn Detail' worksheet.....	7
2.3	Instructions & Guidance for the Financial Data BPT Commentary Template	13
3.	Glossary of Terms	15
	Version Control	16

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 financial data by NIE Networks for the period 1st April 2012 to 31st March 2024.
- 1.1.2 This document gives guidance on the 'Financial Data Business Plan Templates' (Financial Data BPTs) which the Authority intends to use, to better understand each separate business (for both the transmission¹ and distribution licences²) of the licensee. The information will be used to help the Authority make decisions for the RP6 price control period, which is due to begin on 1st October 2017.
- 1.1.3 The Financial Data BPTs will be particularly useful for the following purposes:
1. calculating the impact of NIE Networks' business plan on RAB values, depreciation values and annual revenues;
 2. comparing the above to historical periods;
 3. segregating the NIE Networks' costs for each separate licence, each separate tariff, and into the different separate risk sharing categories;
 4. segregating the NIE Networks' costs into those which are comparable with GB DNOs and those which are not; and
 5. building on the progress made (and maintaining a consistency) with the Financial Data RIGs, in so far as possible.

1.2 General Financial Data BPT instructions and guidance

- 1.2.1 The Financial Data BPT comprises two templates:
1. a detailed report of financial transactions, namely the 'Financial Data BPT Reporting Workbook' (in Microsoft Excel format); and
 2. a supporting commentary file, namely 'the Financial Data BPT Commentary Template' (in Microsoft Word format).

¹ As set out in the transmission licence here:

http://www.uregni.gov.uk/uploads/publications/NIE_Transmission_Licence_-_IME3_Modifications_-_effective_28_March_2014.pdf

² As set out in the distribution licence here:

http://www.uregni.gov.uk/uploads/publications/NIE_Distribution_Licence_-_IME3_Modifications_-_effective_28_March_2014.pdf

- 1.2.2 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 these Guidance Notes; and be accompanied by any relevant report from the auditors.

Data Entry

- 1.2.3 In addition to the Overarching Guidance and for the avoidance of doubt, the licensee shall follow the Authority's data entry guidance below.
- 1.2.4 The Financial Data 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 items are described in detail in the Commentary Template, including where appropriate, the process for making good these items.
- 1.2.5 New worksheets are not required to 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 Authority 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 2.3 below) to include such additional detail. For example the licensee may, include within, or append to the Commentary Template additional workbooks which link to, or provide additional backup to, the Reporting Workbook.
- 1.2.6 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.
- 1.2.7 All financial transactions should be on a cash basis unless the definitions of the cost require otherwise.
- 1.2.8 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. Instructions & guidance for each worksheet in the Financial Data BPT 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, the reporting price base, the relevant year or years and an input for any Related Party relevant to the Financial Data BPT. Consistent with the two NIE Networks licences, the reporting periods are 1st April to 31st March for each year. For the avoidance of doubt, a reporting year of “2013” means the year ended on 31st March 2013, and this convention throughout the workbook.
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 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 completing all the relevant cells in that row.

4. The 'Outturn Detail' worksheet – this worksheet collects both outturn and forecast financial information which the Authority needs to understand the complete picture of the licensee's business. This data is collected using certain preset classifications which we set out in more detail in the section below called "Specific instructions & guidance on the 'Outturn Detail' worksheet".
5. The 'Rec 2' worksheet – This worksheet reconciles the information classified as 'Opex' in the 'Outturn Detail' worksheet, to the Regulatory Accounts. In line with the Authority's guidance below, transactions classified as operational costs in the licensee's accounting statements, under the relevant International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), should be classified as 'Opex' in the 'Outturn Detail' worksheet. There are a number of explanatory notes at the bottom of the worksheet which explain the reconciling items, some of which need NIE Networks' attention to clarify the accuracy of their previous submissions, and the licensee shall continue this approach for any new reconciling items. If reconciling items are not publically available, they must be input as new items in the 'Outturn Detail' worksheet, unless otherwise agreed.
6. The 'Rec 3' worksheet – This worksheet reconciles the information classified as 'Capex' in the 'Outturn Detail' worksheet, to the Regulatory Accounts. In line with the Authority's guidance below, transactions classified as capital costs in the licensee's accounting statements, under IAS or IFRS, should be classified as 'Capex' in the 'Outturn Detail' worksheet. There are a number of explanatory notes at the bottom of the worksheet which explain the reconciling items, and the licensee shall continue this approach for any new reconciling items. If reconciling items are not publically available, they must be input as new items in the 'Outturn Detail' worksheet, unless otherwise agreed.
7. The 'Rec 4' worksheet – This worksheet reconciles the information classified as 'Income' in the 'Outturn Detail' worksheet, to the Regulatory Accounts. In line with the Authority's guidance below, items classified as revenue in the licensee's accounting statements, under the relevant IAS or IFRS, should be classified as 'Income' in the 'Outturn Detail' worksheet. There are a number of explanatory notes at the bottom of the worksheet which explain the reconciling items, some of which need NIE Networks' attention to clarify the accuracy of their previous submissions, and the licensee shall continue this approach for any new reconciling items. If reconciling items are not publically available, they must be input as new items in the 'Outturn Detail' worksheet, unless otherwise agreed.
8. The 'Rec 5' worksheet – This worksheet reconciles the information classified as 'Pensions' in the 'Outturn Detail' worksheet to the Regulatory Accounts. In line with the Authority's guidance below, items classified as 'Defined benefit pension charge' in the licensee's Cash Flow accounting statement, under the relevant IAS or IFRS, need to be reconciled to the pension costs input in the 'Outturn Detail' worksheet. There are a number of explanatory notes at the

bottom of the worksheet which explain the reconciling items, and the licensee shall continue this approach for any new reconciling items. If reconciling items are not publically available, they must be input as new items in the 'Outturn Detail' worksheet, unless otherwise agreed.

2.2 Specific instructions & guidance on the 'Outturn Detail' worksheet

- 2.2.1 In this section we set out further detail on this worksheet in order to supplement the instructions and guidance provided in paragraph 2.1.14.
- 2.2.2 This worksheet records the costs and income reported by NIE Networks. This data shall be: on an outturn basis for the years 2013 to 2016 inclusive; and a forecast basis for the years 2017 to 2024 inclusive.
- 2.2.3 Data input to this worksheet is in nominal prices in £m.
- 2.2.4 It is the responsibility of NIE Networks to complete this worksheet and ensure it is reliable for the subsequent calculations within this Financial Data Reporting Workbook or in other workbooks, such as a Regulatory Entitlement Financial Model.
- 2.2.5 Reported costs or income, unless otherwise agreed, must meet condition 2 of the NIE Networks' licences, specifically in regard to the obligations to be consistent and to report for each separate business accordingly. The 12 year view and the distinction between 'T' and 'D' are essential for these purposes.
- 2.2.6 Reported costs or income, must have an associated approval reference, unless otherwise agreed. Any costs or income without a reference will require an explanation within the Commentary Template. It will be the responsibility of NIE Networks to help us understand each of their reported costs and where they sit in the regulatory framework.
- 2.2.7 Each transaction must be defined according to each of the 11 classification columns provided. The Authority has designed drop boxes for each of the first 8 classifications columns to help NIE Networks adhere to these Guidance Notes.
- 2.2.8 The worksheet is designed to collect 12 years worth of data: one for each of the 5 full regulatory years in RP5; one for each of the 6 full regulatory years in RP6; and one for the regulatory year which spans RP5 and RP6 (the year ending 31st March 2018).
- 2.2.9 All RP5 periods remain as yellow input cells to allow the company to provide updated information in accordance with these Guidance Notes and in accordance with the BPTs should this data not yet be finalised (see the Authority's queries on the Financial Data RIGs).
- 2.2.10 The Authority reserves the right to adjust the classification of outturn data in terms of its consistency, accuracy and/or completeness.

2.2.11 Starting at the top of the worksheet, from left to right, the 11 classification columns are as follows:

1. The 'T or D' classification. This classification identifies whether the transaction relates to the Transmission or Distribution licence. This distinction is necessary because the regulatory framework requires that there are separate licences and separate revenue calculations, each line item should relate explicitly to 'T' (the Transmission licence) or 'D' (the Distribution licence). The Authority has provided a drop box to help NIE Networks.
2. The 'C.1' classification. This column identifies which tariff the line item relates to. There are three available options which we define as follows:
 - a. Use of System (UoS) – any cost, income or transaction which is underwritten by the transmission Use of System tariff or the distribution Use of System tariff. Including the use of either system to transmit, distribute or connect;
 - b. Public Service Obligation (PSO) – any cost, income or transaction which is underwritten by the PSO tariff; and
 - c. No Tariff – any cost or income which is not underwritten by: the transmission Use of System tariff, the distribution use of system tariff or the PSO tariff. For example, this includes transactions which: (a) may have already been accounted for previously (eg amortisation of income which has already been accounted for, such as, for example, connection income in the year the income was received); (b) may be accounted for elsewhere in the regulatory model (eg tax, pension deficit repair payments and capex disposals); or (c) are funded by other sources (EU grants, or electricity suppliers).
3. The 'C.2' classification. This column identifies whether the line item affects a RAB balance or not. There are three available options which we define as follows:
 - a. Fast – items which are accounted for in one regulatory year and do not affect a RAB balance. This will include many items commonly referred to as Opex but it will also include items relating to Pensions and Tax. 'Fast' items may also represent income received for some costs;
 - b. Income – income from Use of System & PSO tariffs as well as any other income accounted for in the K factor calculation as per the licenses; and
 - c. Slow – items which are accounted for over multiple regulatory years and affect a RAB balance. 'Slow' items are commonly referred to as 'Capex'. 'Slow' items may also represent income received, such as connection contributions from customers.

4. The 'C.3' classification. This column identifies how the transaction was reported in the Regulatory Accounts. There are four options as follows:
 - a. Capex – all transactions which are reported, in the Net Asset Statement (or Balance Sheet) to the Regulatory Accounts and as additions to 'Non Current Assets' (including Property, Plant and Equipment, or Intangible assets) and the notes thereto;
 - b. Income – all transactions which are reported, in the Income Statement to the Regulatory Accounts, as 'Total Revenue';
 - c. Opex – all transactions which are reported, in the Income Statement to the Regulatory Accounts, as 'Operating Costs';
 - d. Pensions – all transactions reported in the Cash Flow statement to the Regulatory Accounts, as 'Defined benefit pension charge less contributions paid', except transactions accounted for in the Income statement; and
 - e. Tax – all transactions relating to the cash costs of corporation tax paid to HMRC or equivalent successor body.³
5. The 'C.4' classification. This column identifies how much (cost) risk electricity customers are exposed to for each transaction. We define these three options more fully as follows:
 - a. Allowance – transactions affecting the cost risk-sharing and/or the revenue protection incentive mechanisms, as determined for an efficient business. The cost risk for these transactions is shared equally between customers on a 50/50 basis. These items may be negative;
 - b. Disallowed – transactions not underwritten by: the transmission Use of System tariff; the distribution use of system tariff; or the PSO tariff. These items may have already been accounted for previously (eg amortisation of income) or may be accounted for elsewhere in the regulatory model (eg tax and pension deficit repair payments) or may have been incurred by NIE Networks without a suitable approval from the UR. Electricity customers take 0% risk on these transactions⁴; and
 - c. Pass-through – transactions passed through in full to customers and not part of the incentive mechanisms. This may include Capex (for example connection costs and Legacy Dt approvals) Opex expenditure (for example licence fees) and income from tariffs (eg use of system and

³ The licensee should include in the relevant commentary template, an explanation for: how these values reconcile with the Financial Issues RIGs; how they appear in the Regulatory Accounts; and when applicable, an explanation for why they don't appear in the Regulatory Accounts.

⁴ Note that some of these items are subject to an ex-post review for efficiency by the Authority (e.g Pension deficit repair payments).

PSO tariffs). Electricity customers take 100% risk on these transactions. These items may be negative amounts.

6. The 'C.5' classification. This column uses two classifications as follows:
 - a. Additional – items which were not forecast by the CC in their Final Determination financial model. For example, outturn costs incurred against injurious affection or change of law, will be classified as 'Additional'. The CC did not forecast connection expenditure and hence any connection related items will also be classified as 'Additional'; and
 - b. Baseline – items which were forecast by the CC in their Final Determination model. For example, outturn costs incurred against distribution load or transmission asset replacement will be classified as 'Baseline';
7. The 'C.6' classification. This column identifies the relevant Regulatory Asset Base (RAB) using the following eight classifications:
 - a. 5 year D RAB – items which affect the distribution RAB, and are to be depreciated over 5 years;
 - b. 5 year T RAB – items which affect the transmission RAB and are to be depreciated over 5 years;
 - c. Distribution RAB – items which affect the distribution core RAB and are to be depreciated over 40 years;
 - d. Enduring Solution RAB – items which affect the distribution Enduring Solution RAB and are to be depreciated over 10 years.
 - e. Metering RAB – items which affect the distribution Metering RAB and are to be depreciated over 15 years;
 - f. No RAB – items which do not affect a RAB balance;
 - g. Renewables RAB – items which affect the Transmission Renewables RAB and are to be depreciated over 40 years; and
 - h. Transmission RAB – items which affect the transmission core RAB and are to be depreciated over 40 years.
8. The 'C.7' classification. This classification will help reconcile the Financial transactions to relevant C1 Matrix categories. The licensee shall ensure that for each of the following steps, the costs for each category reconcile to the costs reported in row 82 ('Costs after allocation of memo items') from the C1 Matrix. Ofgem's glossary of terms is particularly relevant to understand the terms used in this column. The following guidance is provided to enable the licensee to complete this column and the licensee must complete the allocations in the sequence shown:

- a. Step 1 - the licensee shall strip out both 'Pension ongoing payments' and 'pensions included in Opex' from the other cost categories and report these separately in the: 'Other – Pension ongoing payments'; and 'Other – Pensions included in Opex' categories provided. This will help reconciliations, and avoid the need for a pension row for each other cost category;
- b. Step 2 – the licensee shall continue to report as 'Other' the same categories that the UR has classified as 'Other' for years 2013, 2014 and 2015. Similar transactions to these should be reported as 'Other' as applicable.
- c. Step 3 – the licensee shall strip out Non GB DNO costs (being Market Opening, Meter Reading, and Metering Services) from its cost base, ensuring that these categories reconcile to the costs reported in row 82 ('Costs after allocation of memo items') from the C1 Matrix. This step will include the allocation of indirect costs to these categories and therefore should reconcile with few if any adjustments to each of the Non GB DNO categories in the C1 matrix;
- d. Step 4 – the licensee shall strip out connection costs (being Connections – Shared use, and Connections – Sole use) from its cost base. This step will include the allocation of indirect costs to these categories and therefore should reconcile with each of these two categories in the C1 matrix;
- e. Step 5 – the licensee shall report the remaining indirect costs against relevant summary indirect categories of: BSCs; CAIs; and Non-op Capex. The Authority recognises (and expects) that this step will include the allocation of some Legacy Dt costs against these indirect categories. This is perfectly appropriate to enable proper benchmarking with GB DNO's. Legacy Dt items will include some indirect costs and these costs are also incurred by GB DNOs. The Authority has identified in the C.8 column Legacy Dt costs which should be split to show indirect elements, to allow for transparent benchmarking with the GB DNOs and reconciliation to the C1 Matrix. The Reporting Workbook can cater for this by duplicating the Classifications listed in C.8 for each of these Legacy Dt items. For example, the reporting of 'Legacy Dt: North-South Interconnector' is duplicated for the three categories of indirect costs. The impact of this is that from this Step 5 onwards, the remaining costs are distinguished into their direct and indirect components. For the avoidance of doubt the indirect cost categories are abbreviated and defined as follows:
 - i. BSCs – Business Support Costs;
 - ii. CAIs – Closely Associated Indirect costs; and

- iii. Non-Op Capex – Non-Operational Capex costs.
- f. Step 6 - the licensee shall report the remaining direct costs against the relevant summary direct categories of: NLR; NOCs; and Reinforcement. As indicated in Step 5 above, this will mean that certain rows are duplicated to show a distinction between direct and indirect costs. For the avoidance of doubt the indirect cost categories are abbreviated and defined as follows:
 - i. NLR – Non Load Related Investment Costs;
 - ii. NOCs – Network Operating Costs; and
 - iii. Reinforcement.
- g. Step 7 – the licensee shall report the remaining costs to either: Other NABCs; or Primary NABCs in line with the abbreviations and definitions as follows:
 - i. Other NABCs – being Non Activity Based Costs relating to Outturn Capex Disposals, Pension deficit repair payments and Tort insurance claims and scrap income, Gratia payments etc; and
 - ii. Primary NABCs – being the Authority’s licence fee, and Business Rates.
- 9. The ‘C.8’ classification. This classification represents the lowest level of detail the Authority requires for the purposes of understanding the outturn data. The purpose of this classification is so that the Authority can compare transactions to prior allowances, and set new allowances for specific categories in RP6. For example, most of these classifications are identical to the terminology used in the CC’s final determination or the UR’s Legacy Dt approval reference. Unless otherwise directed, the definition of each term remains the same as understood by the Authority during approval and should not be changed. **The terminology in this classification has been updated slightly to improve V04.00 of the RIGs and the Authority shall (and the licensee shall make sure of this in future versions) update the equivalent ‘Entitlement Detail’ sheet so that these updated classifications are maintained.**
- 10. The ‘Approval reference: Date & Document section’ classification. This classification is to be used, where applicable, to refer to the relevant regulatory approval date, under which the expenditure is being claimed, or under which future costs are comparable regardless of whether an approval exists for those future costs. Most of these approval references are the date of the CC’s Final Determination. The approval reference also includes relevant paragraph or section numbers.
- 11. The ‘Licence Term’ classification. This classification identifies, where appropriate, the applicable term from either Annex 1 or Annex 2 of the

distribution or transmission licence. This classification is useful for the business plan because it will help NIE Networks to communicate any proposed changes to existing licence formulae.

2.3 Instructions & Guidance for the Financial Data BPT Commentary Template

- 2.3.1 The Commentary Template allows the licensee to provide meaningful descriptions regarding the values in the Reporting Workbook.
- 2.3.2 The Commentary Template should be used to describe why figures are zero, or have been left blank, for example, describing why they do not apply and/or noting a date where any agreement was made regarding the submitted values.
- 2.3.3 The licensee shall use the Commentary Template to describe any allocation methodology used and to outline their calculations for such methodologies. Where that methodology has changed between years the licensee shall describe this change and outline their 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.
- 2.3.4 The licensee should also give an indication of their assessment of the robustness of any allocation assumptions. However, any lack of accuracy or confidence in the reporting should not, in and of itself, be a reason for not submitting data or commentary in the format requested.
- 2.3.5 The licensee shall explain in the Commentary Template any instances where they have been unable to report data on the basis set out in the Reporting Workbook according to the cost reporting definitions and to set out in each relevant commentary section, explanations about why this is the case, adding 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.
- 2.3.6 The Commentary Template provides the opportunity for the licensee to explain why costs have been (or are forecast to be) incurred and to communicate the annual movement in cost levels. It will be used in conjunction with the Reporting Workbook, to understand the structures and operations of the licensee and monitor the licensee's performance against cost forecasts.
- 2.3.7 The Commentary Template should also be used by the licensee to provide any other information which is materially relevant to the regulatory framework.

- 2.3.8 The Commentary Template shall not be used to submit incomplete or misleading information. Further, subjective statements should not be made but the focus should instead be on verifiable and objective fact.

3. Glossary of Terms

- 3.1.1 The relevant definitions from Ofgem's glossary apply to these BPTs⁵.
- 3.1.2 Specific additional and/or deviating definitions relevant to these BPTs are set out in BPT Glossary of Terms Appendix.
- 3.1.3 Where there are gaps, inconsistencies, errors or opaqueness in the terms, we expect the licensee to bring these to our attention.

⁵ 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 Years
01.00	20/01/2016	Issued to NIE Networks for comment.	2013 - 2024
02.00	17/2/2016	Issued to NIE Networks and published on web (for transparency) – further amends remain possible as per query process.	As above
* up to and including			