

Electricity Financial Issues Business Plan Templates Guidance Notes



Electricity

Financial Issues

Business Plan Templates

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 financial information by NIE Networks (**NIE** or the **licensee**) for the period 1st April 2012 to 31st March 2024.
- 1.1.2 This document gives guidance on the 'Financial Issues Business Plan Templates' (Financial Issues BPTs) which the Authority intends to use, to better understand each separate business (for both the transmission and distribution licences) of the licensee. The information will be used to help the Authority make decisions for the RP6 price control period, which is due to begin on 1st October 2017.
- 1.1.3 The Financial Issues BPTs will be particularly useful for the following three purposes:
 - 1. The allocation, and potential fixing of the allocation, of costs within the tax calculations;
 - 2. Integration with other information submitted by the Licensee as part of their RP6 business plans and RP5 outturns; and
 - 3. Understanding variances between forecast information and outturn information.

1.2 General Financial Issues BPT instructions and guidance

- 1.2.1 The Financial Issues BPTs comprises two files:
 - 1. a detailed report of financial information (the 'Financial Issues BPT Reporting Workbook'). This file is in Microsoft Excel format; and
 - 2. a supporting commentary (the 'Financial Issues BPT Commentary Template'). This file is in Microsoft Word format.
- 1.2.2 The Authority is requesting that NIE submit these files using three separate distinctions as follows:
 - 1. Each of the files referenced at 1.2.1 shall be submitted for the combined distribution and transmission licences of NIE (the distribution licence and the transmission licence combined);
 - 2. Each of the files referenced at 1.2.1 shall also be submitted for the distribution licence only; and
 - 3. Each of the files referenced at 1.2.1 shall also be submitted for the transmission licence only.

- 1.2.3 In total therefore, NIE shall submit a minimum of 6 files to the Authority, in order to comply with this guidance.
- 1.2.4 For the avoidance of doubt, unless stated otherwise below, these Guidance Notes apply to all three distinctions referred to at 1.2.2.
- 1.2.5 The submission must be: accompanied by a letter signed by a director on behalf of the Licensee confirming that the data has been provided in accordance with this guidance; and be accompanied by any relevant report from the auditors.
- 1.2.6 The Authority's agreement is required before any resubmission of information can be made and in any such instance the BPT files must be resubmitted in full, unless the Authority has agreed otherwise. This is a particularly important point because these Financial Issues BPT files are linked with other BPT files (such as the Pension BPT files and the Cost and Volume BPT files) and therefore any resubmission needs to properly maintain the links and consistency to any other submitted information. Any resubmission must be accompanied by a repeat submission for items referred to in paragraph 1.2.5 above unless the Authority has agreed otherwise.
- 1.2.7 Where the licensee has obtained 'better information' for historic periods, than the information presented in the licensee's regulatory accounts, the licensee shall only use that 'better information' for those historic periods where that information reconciles to the licensee's Cost and Volume BPT. Otherwise, the Reporting Workbook within the Financial Issues BPT files should reconcile to the Licensee's audited regulatory accounts for each relevant historic year
- 1.2.8 The licensee's forecast for the years ending 31st March 2017 onwards should represent the licensee's best estimate for the actual outturns for those future periods, including the RP5 period ending 30th September 2017 and the RP6 period ending 31st March 2024.

Workbook structure

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

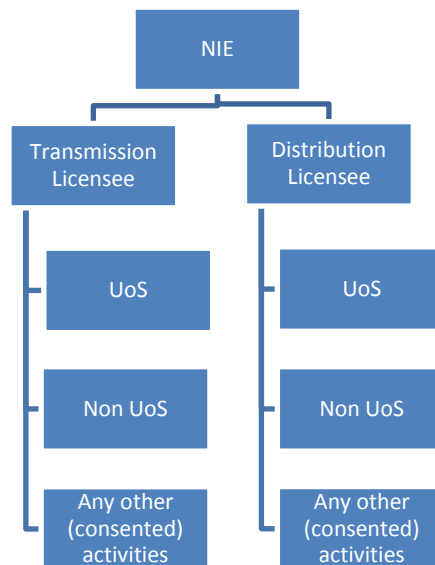


Figure 1 - The distinctions made in the Financial Issues BPT Reporting Workbook

- 1.2.3 Therefore, the licensee is required to make clear in the Reporting Workbook, the transactions relating to: UoS (Use of System) funded; Non UoS funded; and 'Any other (consented) activities'.
- 1.2.4 The UoS funded and Non UoS funded categories feed through to worksheet F15 to allow for a reconciliation of total costs to the Cost and Volume BPT files for the same distinction.
- 1.2.5 For simplicity, UoS can be referred to as 'within the price control' and Non UoS can be referred to as 'outside the price control'.
- 1.2.6 The 'Any other (consented) activities' category is designed to be a catch all category in circumstances where neither the UoS funded or Non UoS funded categories are appropriate. However the Authority expects that most transactions will be classified as either UoS funded or Non UoS funded and anything reported as 'Any other (consented) activities' should be documented clearly in the associated Commentary Template (see guidance below on the Commentary Template).

Data Entry

- 1.2.7 In addition to the data entry guidance in the Overarching Guidance, and for the avoidance of doubt, the licensee shall follow the Authority's additional guidance below.
- 1.2.8 The Financial Issues BPTs should not be returned with outstanding reconciling items or erroneous check cells unless agreement has been provided by the Authority in writing and the reconciling items are described in detail in the Commentary Template, including where appropriate, the process for making good these items.

- 1.2.9 No new worksheets shall be inserted. The existing worksheets are designed such that they may be expanded if necessary to maintain the existing functionality and purpose of the workbooks. The UR may request additional detail but this should not be provided unless otherwise requested. Should the Licensee feel that additional transparency can be provided by providing more information than we request in the Reporting Workbook we suggest that the Licensee utilises the Commentary Template (see section 2.16 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.
- 1.2.10 If the existing worksheets require new rows or columns to be inserted this should be recorded in the change log along with an explanation. The existing formatting and integrity of the worksheets shall be maintained.

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

2.1.1 The worksheets within the workbook are structured as follows:

1. The 'Cover' worksheet – this worksheet introduces the name of the workbook, the licensee name or names, the reporting price base, the relevant year or years and an input to identify any relevant Related Party. Consistent with the two licences, the reporting periods are 1st April to 31st March for each year. For the avoidance of doubt, a reporting year of “2013” means the year ended on 31st March 2013, and this convention throughout the workbook.
2. The 'Nav' worksheet – this worksheet helps with workbook navigation. It contains three sections: the Key; the Version submission control; and Worksheets, each of which are described below.
 - a. **Key** – in this section the Authority sets out a workbook colour code key for each cell in the workbook. For example: the licensee's input cells are formatted in the colour yellow; cells which total figures within a worksheet are formatted in the colour green; and cells which reference other worksheets within the workbook are formatted in light blue and so on, as set out in the 'Key' section
 - b. **Version submission control** – for each submission the licensee should input the date the version was submitted to the Authority and the submission version number. This functionality will avoid the need to change the file name when submitting the workbook.
 - c. **Worksheets** – This section introduces each remaining worksheet within the workbook by setting out the worksheet type, worksheet name, a worksheet status and a worksheet category. The worksheet name is hyperlinked for ease of navigation.
3. The 'Change Log' worksheet – this worksheet records any changes to the workbook. For each version of the workbook the licensee or the Authority must input the relevant: version number; date; comments/ notable changes; the effect of the changes; and the reason for the changes. A new version shall be created if any of the following apply: new formula/s; changed template structure; new worksheets required; changed data input; or changed row, column headings or classifications. Unless otherwise agreed, only the Authority should make structural or formula changes to the workbook. The licensee shall complete a new row for each submission of the workbook, and the UR shall complete a new row for each updated version of the workbook, by completing all the relevant cells in that row.

4. The 'Checks' worksheet – this worksheet collects the results of the check cells throughout the remainder of the workbook. The licensee shall ensure that the workbook contains no errors prior to submission to the Authority.
5. The 'Universal data' worksheet – this worksheet is designed to provide inputs to subsequent worksheets within the workbook. The intension is that this worksheet can separate generic (and verifiable) inputs from subsequent calculations.
6. The 'F1 – P&L' worksheet – this worksheet is designed to obtain a standard format of the licensee's profit & loss / Statement of comprehensive income, across time, consistent with the licensee's regulatory accounts. More guidance is provided below at paragraph 2.2.
7. The 'F2 – Bal Sht' worksheet – this worksheet is designed to obtain a standard format of the licensee's balance sheet / statement of financial position, across time, consistent with the licensee's regulatory accounts. More guidance is provided below at paragraph 2.3.
8. The 'F3 Cashflow' worksheet – this worksheet is designed to obtain a standard format of the licensee's statement of cash flows, across time, consistent with the licensee's regulatory accounts. More guidance is provided below at paragraph 2.4.
9. The 'F4 Net Debt' worksheet – this worksheet is designed to obtain the licensee's Net Debt in a standard format, and allow for reconciliation to the Debt reported in the F2 worksheet. The licensee may not need to use all of the input cells but the intention is that all circumstances are catered for. More guidance is provided below at paragraph 2.5.
10. The 'F5 Financing costs' worksheet – this worksheet is designed to identify the financing costs for each of the debts reported in F4 and to allow for the financing costs to be fed through to F1 and F3. More guidance is provided below at paragraph 2.6.
11. The 'F6 Link to C1 matrix' worksheet – this worksheet is designed to link to the C1 BPT Reporting Workbook so that the costs reported in the C1 matrix can be fed through to the tax computation. More guidance is provided below at paragraph 2.7.
12. The 'F12 R.Tax allocations' worksheet – this worksheet is designed to capture information regarding how costs are captured in the Regulatory tax computation. The costs reported for different categories of cost are checked against the entries in the F6 worksheet and are used to check the entries made in the F13 worksheet (see below for notes on the F13 worksheet). This worksheet also uses the same cost categories as those used in F6. More guidance is provided below at paragraph 2.8.

13. The 'F12a CT return allocations' worksheet – this worksheet is designed to capture the allocation of costs for the tax computation on a CT600 basis. The difference between the tax pool allocations (between F12 and F12a), and the difference between the total value of costs (between C1 and F12a) will help the Authority develop further analysis. This worksheet is not linked to any other worksheets. More guidance is provided below at paragraph 2.9.
14. The 'F13 Tax CA pools' worksheet – this worksheet is designed to capture and compute the capital allowance balances, making a distinction between what is UoS funded and what is non UoS funded. This sheet is checked against the entries in the F12 worksheet and it helps to supply information to both the F14 and F14a worksheets (see below notes for these two worksheets). More guidance is provided below at paragraph 2.10.
15. The 'F14 Tax comp' worksheet – this worksheet is designed to capture the inputs to the tax computation for the total activities of the licensee. The F1, F2 and F13 worksheets feed information into this worksheet but some additional inputs are required from the licensee. No other worksheets depend on this worksheet. More guidance is provided below at paragraph 2.11.
16. The 'F14a Tax comp UoS' worksheet – this worksheet is designed to capture the inputs to the tax computation for the UoS activities of the licensee only. The F1, F2 and F13 worksheets feed information into this worksheet but some additional inputs are required from the licensee. No other worksheets depend on this worksheet. More guidance is provided below at paragraph 2.12.
17. The 'F15 Recn total costs to reg acs' worksheet – this worksheet is designed to reconcile total costs reported in the C1 BPT Reporting Workbook (within the C1 matrix) to the total costs reported within the Financial Issues Reporting Workbook. A distinction is made between UoS funded costs and non UoS funded costs. The F1, F2, and C1 worksheets feed information into this worksheet to aid the reconciliation. Other than the 'Checks' worksheet, no other worksheets depend on this worksheet. More guidance is provided below at paragraph 2.13.
18. The 'F16 Recn net debt' worksheet – this worksheet is designed to reconcile the net debt figures reported in the F4 worksheet to the net debt figures reported in the F2 worksheet. Other than the 'Checks' worksheet, no other worksheets depend on this worksheet. More guidance is provided below at paragraph 2.14.
19. The 'F17 Recn pension costs' worksheet – this worksheet is designed to reconcile pension costs reported in the Cost and Volume Reporting Workbook, with those reported in both the Pension BPTs and the Financial Issues Reporting Workbook. To aid this reconciliation, this sheet is fed with information from the C1 matrix. Other than the 'Checks' worksheet, no other worksheets depend on this worksheet. More guidance is provided below at paragraph 2.15.

2.2 Specific instructions & guidance on the 'F1 – P&L' 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 2.1.16.
- 2.2.2 It is the responsibility of the licensee to complete this worksheet and ensure it is reliable for the subsequent calculations within the Reporting Workbook.
- 2.2.3 Data shall be input to this worksheet in nominal prices (in £m) for the years 2008 to 2018, such that, the years 2008 to 2016 are based on actual outturn, and the years 2017 and 2018 are based on latest forecasts.
- 2.2.4 Data shall also be input for the years 2019 to 2024 to reflect the licensee's business plan for the RP6 period.
- 2.2.5 The Authority recognises that there are more distinctions in this worksheet than would normally be made in the Regulatory Accounts; however the additional detail allows for consistency and reconciliation with other tables.
- 2.2.6 Row 6: Indicate the applicable standards to which the accounts are prepared /forecasted by selecting from the drop down list one of the following: "UK GAAP"; "UK FRS101"; "UK FRS102"; or "EU-IFRS".
- 2.2.7 Row 8: Insert the total revenue for both historic and forecast periods. Historic periods should reconcile to the regulatory accounts.
- 2.2.8 Rows 8 to 53: These rows cover the licensed entity and must agree to the audited Regulatory Accounts for historic years aside from the circumstances described above where better information was available after regulatory accounts were completed and the better information reconciles to the C1 BPTs.
- 2.2.9 Row 32: "Other finance income/Investment income" on this table must include Non-UoS related items, financial movements on pension schemes and all movements on derivative financial instruments.
- 2.2.10 Rows 57 to 115: These rows must be completed with the split of the total position (down to operating profit before finance costs and tax) into the two segmental elements shown. The UoS funded element is calculated by deducting all other segments from the total.
- 2.2.11 Rows 119 to 139: Where the licensee has reported under IFRS for the first time, this section must be completed to identify the differences between reporting under old UK GAAP and IFRS/new UK GAAP. This will aid understanding of the changes and implications for the tax charge once the licensee reports under either EU-IFRS or new "UK GAAP" (ie FRS101 or FRS102 which is effective for regulatory reporting year commencing 1 April 2015, but for which early voluntary adoption is allowed).

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

- 2.3.1 In this section we set out further detail on this worksheet in order to supplement the instructions and guidance provided in paragraph 2.1.17.
- 2.3.2 It is the responsibility of the licensee to complete this worksheet and ensure it is reliable for the subsequent calculations within the Reporting Workbook.
- 2.3.3 Data shall be input to this worksheet in nominal prices (in £m) for the years 2008 to 2018, such that, the years 2008 to 2016 are based on actual outturn, and the years 2017 and 2018 are based on latest forecasts.
- 2.3.4 Data shall also be input for the years 2019 to 2024 to reflect the licensee's business plan for the RP6 period.
- 2.3.5 This worksheet will provide data from the regulatory accounts on a consistent and comparable basis and allow for forecasted closing balances to be used in financial modelling. It will also allow differences between accounting standards to be identified.
- 2.3.6 The Authority recognises that there are more distinctions in this worksheet than would normally be made in the Regulatory Accounts, however the additional detail allows for consistency and reconciliation with other tables.
- 2.3.7 Row 64: The "Hedging Reserve" on the balance sheet is only to be used by licensees reporting under IFRS or new UK GAAP (ie FRS101 and FRS102).
- 2.3.8 Rows 73 to 93: Where the licensee reports under IFRS or new UK GAAP (ie FRS101 and FRS102) for the first time, and for subsequent years, this section must be completed to identify the differences between the two approaches.
- 2.3.9 Rows 102 to 111: These rows summarise the capex additions by segmental type and are required to facilitate the reconciliation of costs in this Reporting Workbook to costs reported in the C1 Reporting Workbook.
- 2.3.10 Rows 116 to 121: Enter amounts of the book values of the disposal of tangible and intangible assets and the corresponding cash proceeds split for tangible assets into operational and non-operational assets. The cash proceeds must be entered as a negative value, except where the disposal is to an affiliate where market values must be entered again as a negative value. Rows 118 to 120 shall be linked to Cost and Volumes BPT by the licensee.
- 2.3.11 Rows 127 to 129: Enter amounts of additional customer contributions in the year by segment to agree with those in the Cost and Volume BPT Reporting Workbook. The licensee should ensure that row 131 is linked to Cost and Volumes BPT to ensure the check cell gives an 'OK' result.

- 2.3.12 Rows 135 to 137: Enter amounts of interest capitalised in tangible and intangible asset additions in the year by segment.
- 2.3.13 Rows 141 to 143: Enter amount(s) of any tangible and intangible asset revaluations in the year by segment.

2.4 Specific instructions & guidance on the 'F3 Cashflow' worksheet

- 2.4.1 In this section we set out further detail on this worksheet in order to supplement the instructions and guidance provided in paragraph 2.1.18.
- 2.4.2 It is the responsibility of the licensee to complete this worksheet and ensure it is reliable for the subsequent calculations within the Reporting Workbook.
- 2.4.3 Data shall be input to this worksheet in nominal prices (in £m) for the years 2008 to 2018, such that, the years 2008 to 2016 are based on actual outturn, and the years 2017 and 2018 are based on latest forecasts.
- 2.4.4 Data shall also be input for the years 2019 to 2024 to reflect the Licensee's business plan for the RP6 period.
- 2.4.5 This worksheet is designed to obtain a standard format of each licensee's Cashflow position consistent with the Regulatory Accounts.
- 2.4.6 It will be used to obtain data on a consistent and comparable basis across time; and to sense check any financial modelling.
- 2.4.7 This sheet is linked to movements implied by the P&L and balance sheet as far as practicable.
- 2.4.8 Rows 58 to 64: Input reconciling items between opening debt and the closing debt implied by the decrease/increase in net cash.

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

- 2.5.1 In this section we set out further detail on this worksheet in order to supplement the instructions and guidance provided in paragraph 2.1.19.
- 2.5.2 It is the responsibility of the licensee to complete this worksheet and ensure it is reliable for the subsequent calculations within the Reporting Workbook.
- 2.5.3 Data shall be input to this worksheet in nominal prices (in £m) for the years 2008 to 2018, such that, the years 2008 to 2016 are based on actual outturn, and the years 2017 and 2018 are based on latest forecasts.
- 2.5.4 Data shall also be input for the years 2019 to 2024 to reflect the licensee's business plan for the RP6 period.

- 2.5.5 This worksheet collects details of all borrowing, guarantees and financial derivatives, interest rates on debt, repayment dates and cash and short term investments.
- 2.5.6 This information could be used to compare gearing levels to any regulatory modelling data; and to enable the calculation of any tax benefit of excess gearing. It is also used to provide details of future refinancing requirements where the licensee has loans falling due for repayment.
- 2.5.7 The worksheet provides information on derivative financial instruments to facilitate understanding of existing debt structures.
- 2.5.8 The worksheet is designed to enable different types of borrowing and lending to be identified and any derivative products relating to the debt to be linked to it.
- 2.5.9 Where debt is of a short-term nature (and can therefore be replaced several times in a year) the year-end balance must be shown in the debt statement. The interest rate for the year must be that relating to the year-end debt.
- 2.5.10 Row 14: Enter the Closing RAB balance at 31st March each year.
- 2.5.11 For Sections A to F, income statement debits and cash out flows must be entered as positive values, and credits and cash inflows as negative values.
- 2.5.12 Rows 44, 99, 154, 209, 265, 302, 356, 411, 465, 521, 575, 631, 685, 739, and 794: please note that, beneath each of these rows, there are additional hidden rows which may be unhidden by the licensee, in circumstances where additional rows are needed. The hidden rows may be linked to the F5 worksheet to help maintain the integrity of the workbook and minimise the burden on the licensee to create new links between worksheets.
- 2.5.13 Rows 292 to 797: Detail all derivatives and values together with what exposure is hedged against. The description box must include the reference number of the loan(s) to which the derivative relates.
- 2.5.14 At table A ("Schedule of cash, short term deposits and overdrafts") please input, under the prescribed headings, the balance per the regulatory accounts at the regulatory financial year end.
- 2.5.15 At table B ("Analysis of External borrowings, bonds, loans and finance leases") please input, under the prescribed headings, the name of the lender and the nature and a description of the instrument, the redemption date, the rate of interest, and the balance at the regulatory financial year end.
- 2.5.16 At table C ("Analysis of loans from other group companies") please input, the legal entity providing the financing and the nature and a description of the instrument, the redemption date, the rate of interest, and the balance at the regulatory financial year end.

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

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

- 2.6.1 In this section we set out further detail on this worksheet in order to supplement the instructions and guidance provided in paragraph 2.1.110.
- 2.6.2 It is the responsibility of the licensee to complete this worksheet and ensure it is reliable for the subsequent calculations within the Reporting Workbook.
- 2.6.3 Data shall be input to this worksheet in nominal prices (in £m) for the years 2008 to 2018, such that, the years 2008 to 2016 are based on actual outturn, and the years 2017 and 2018 are based on latest forecasts.
- 2.6.4 Data shall also be input for the years 2019 to 2024 to reflect the licensee's business plan for the RP6 period.
- 2.6.5 The description of the debt instrument in this sheet is drawn from table F4. The interest that is entered must correspond with the loan referenced from table F4.
- 2.6.6 For sections B to E, the interest paid (or received) must be shown on a P&L basis and on a cash basis. The values for each basis must be entered on the line with the corresponding reference number.
- 2.6.7 Please note that, beneath some rows (17, 72, 128, 183, 239, 294, and 350), there are additional hidden rows which may be unhidden by the licensee, in circumstances where additional rows are needed.

2.7 Specific instructions & guidance on the 'F6 Link to C1 matrix' worksheet

- 2.7.1 In this section we set out further detail on this worksheet in order to supplement the instructions and guidance provided in paragraph 2.1.111.
- 2.7.2 It is the responsibility of the licensee to ensure this worksheet is reliable for the subsequent calculations within the Reporting Workbook.
- 2.7.3 This worksheet helps classify costs from the C1 matrix into summarised categories which can then be used for analysis of cost allocations to regulatory tax pools as per F12.
- 2.7.4 This worksheet goes through the following steps:
1. Collecting the 'Net Direct Costs / Indirect Costs' from the C1 Matrix row 61;
 2. Collecting the value of pension costs, (including reallocated pension costs where the reallocation results in costs being Non UoS funded) from the C1 Matrix rows 15, 46, and 54;
 3. Allocating the pension costs from step 2 to the "100% 'revenue pool' expenditure" category¹;
 4. Calculating the remaining costs to be allocated by calculating the value of, step 1 minus step 2;
 5. Allocating the costs from step 4 to the cost categories as follows (the Financial Issues (FI) cost categories):

C1 cost category	C1 cost category	FI cost category
UoS funded	Connections - Sole Use	Load related capex
UoS funded	Connections - Shared Use	Load related capex
UoS funded	Reinforcement	Load related capex
UoS funded	Diversions	Non-load related capex - asset replacement
UoS funded	ESQCR	Non-load related capex - other
UoS funded	Asset Replacement	Non-load related capex - asset replacement
UoS funded	Refurbishment	Non-load related capex - asset replacement
UoS funded	Civil Works	Non-load related capex - asset replacement
UoS funded	Legal & Safety	Non-load related capex - asset replacement

¹ The assumption being that pension costs are 100% deductible for tax purposes and therefore must be stripped out before allocating the remaining costs to various tax pools.

UoS funded	Flooding	Non-load related capex - asset replacement
UoS funded	Operational IT & Telecoms	Non-load related capex - other
UoS funded	Environmental Reporting	Non-load related capex - asset replacement
UoS funded	NOCs other	Controllable Opex
UoS funded	Inspections & Maintenance	Controllable Opex
UoS funded	Tree Cutting	Tree Cutting
UoS funded	Trouble Call (CV15a)	Faults
UoS funded	ONIs (CV15b)	Faults
UoS funded	Meter Reading	Non GB DNO
UoS funded	Metering Services	Non GB DNO
UoS funded	Market Opening	Non GB DNO
UoS funded	Primary NABC	NABC
UoS funded	Other NABC	NABC
UoS funded	Network Design & Engineering	Controllable Opex
UoS funded	Project Management	Controllable Opex
UoS funded	Engineering Mgt & Clerical Support	Controllable Opex
UoS funded	System Mapping	Controllable Opex
UoS funded	Control Centre	Controllable Opex
UoS funded	Call Centre	Controllable Opex
UoS funded	Stores	Controllable Opex
UoS funded	Operational Training	Controllable Opex
UoS funded	Vehicles & Transport	Controllable Opex
UoS funded	Network Policy	Controllable Opex
UoS funded	HR & Non-operational Training	Controllable Opex
UoS funded	Finance & Regulation	Controllable Opex
UoS funded	CEO	Controllable Opex
UoS funded	IT & Telecoms	Controllable Opex
UoS funded	Property Mgt	Controllable Opex
UoS funded	Non Op Capex	Controllable Opex
Non UoS funded	Connections - Sole Use	NA
Non UoS funded	Connections - Shared Use	NA
Non UoS funded	Other	NA
Non UoS funded	PSO costs	NA
Non UoS funded	Non Price Control	NA
Non UoS funded	Other	NA

6. The total cost for each of the FI cost categories is then calculated by adding together the outputs of step 3 and step 5.

- 2.7.5 Each of the FI cost categories are defined in the glossary.
- 2.7.6 The UR has linked one year to the C1 Matrix. The licensee is responsible for linking the other years, to a version of the C1 Matrix which is in nominal prices.
- 2.7.7 No data input is required in this worksheet by the licensee because the data shall be automatically fed from the C1 matrix for each relevant year.

2.8 Specific instructions & guidance on the 'F12 R.Tax allocations' worksheet

- 2.8.1 In this section we set out further detail on this worksheet in order to supplement the instructions and guidance provided in paragraph 2.1.112.
- 2.8.2 It is the responsibility of the licensee to complete this worksheet and ensure it is reliable for the subsequent calculations within the Reporting Workbook.
- 2.8.3 Data shall be input to this worksheet in nominal prices (in £m) for the years 2008 to 2018, such that, the years 2008 to 2016 are based on actual outturn, and the years 2017 and 2018 are based on latest forecasts.
- 2.8.4 Data shall also be input for the years 2019 to 2024 to reflect the licensee's business plan for the RP6 period.

Purpose

- 2.8.5 This worksheet shall help make the distinction between: the notional tax computation which is carried out for regulatory purposes only; and the real world corporation tax calculation which is completed for compliance with HMRC guidance and case legislation. It will also help to understand the difference between the two. See below guidance on the applicable tax and accounting regime.
- 2.8.6 It should better enable the UR to follow the licensee's reconciliations for CT600 tax returns to HMRC. It also allows the UR to assess tax calculations in RP5, and tax calculations / policy in RP6 (eg taxation policy for any incentives, tax triggers or tax clawbacks).
- 2.8.7 This worksheet is used to report the allocation of capex and opex spend (including pension costs) to various 'tax pools' (see below guidance on 'tax pools') for historic and future years.
- 2.8.8 As per our guidance notes above at paragraph 1.2.2, this worksheet allows the Licensee to present data on either i) a combined T&D basis; ii) a Transmission only basis; and iii) a Distribution only basis.

Applicable tax, accounting and qualifying deduction regime

- 2.8.9 For the purposes of the business plan templates the Authority has assumed the use of the standard tax rules that have passed into legislation as of the date of issue.
- 2.8.10 For historic periods, the licensee shall display information in accordance with the tax rules in effect for those periods. For future periods, the licensee shall display information using the latest tax rules, unless detailed information is provided in the Commentary Template for reasons why the licensee feels it is appropriate to use different tax rules.
- 2.8.11 The treatment of capital contributions under EU-IFRS/new UK GAAP requires that these are to be amortised to the income statement and shown as revenue. However, the Capital Allowances Act 2001 (CAA2001) section 532², requires that these capital contributions and/or the amortised amount of the contributions should be added back to taxable profits. This reduces the expenditure qualifying for capital allowances by the capital contributions received within each accounting year. Under CAA2001 (regardless of the accounting treatment of IFRIC18³) expenditure and receipts which the Act deem to be capital, will always be included as capital for tax purposes. Also, it can be noted from case law, that statutory provision always takes precedent over the accounting treatment. The licensee shall ensure that it makes clear in its business plan, how it has treated capital contributions in this regard.
- 2.8.12 For the purposes of the business plan the Authority will assume that all pension payments attributable to the individual regulated business are paid in the year in which the allowance is given.

Cost categories

- 2.8.13 This worksheet sets out each of the following FI categories:

1. Load related capex;
2. Non-load related capex – asset replacement;
3. Non-load related capex – other;
4. Faults;
5. Tree cutting;
6. 100% ‘revenue pool’ expenditure;
7. Controllable Opex;
8. Non GB DNO;
9. NABC; and
10. NA.

² <http://www.legislation.gov.uk/ukpga/2001/2/section/532>

³ <http://www.iasplus.com/en-gb/standards/ifric/ifric18>

2.8.14 As referred to above, each of the FI cost categories are defined in the glossary.

Tax pools

2.8.15 For each of these FI cost categories, the Licensee is required to allocate costs to the following tax pools:

1. Main Rate pool;
2. Special Rate pool
3. IBA pool;
4. Deferred Revenue pool;
5. Revenue; and
6. Non Qualifying.

2.8.16 If it is not clear what each of these pools is designed to represent, the licensee (or the Authority) may define each of the tax pools in the glossary.

2.9 Specific instructions & guidance on the 'F12a CT600 tax allocations' worksheet

2.9.1 In this section we set out further detail on this worksheet in order to supplement the instructions and guidance provided in paragraph 2.1.113.

2.9.2 It is the responsibility of the licensee to complete this worksheet and ensure it is reliable for the subsequent calculations within the Reporting Workbook.

2.9.3 Data shall be input to this worksheet in nominal prices (in £m) for the years 2008 to 2018 only. The data input for years 2008 to 2016 shall be based on actual outturn, while the years 2017 and 2018 should be based on latest forecasts.

2.9.4 This worksheet collects information regarding the allocation of costs to CT600 tax pools as submitted to HMRC. Consistent with the approach above, the Authority refers to 'tax pools' in a way which includes 'Revenue' and 'Non Qualifying' expenditures which are either 100% or 0% deductible in the year the expenditure is incurred.

2.9.5 This worksheet does not supply information to any other worksheets within the workbook.

2.10 Specific instructions & guidance on the 'F13 Tax CA pools' worksheet

2.10.1 In this section we set out further detail on this worksheet in order to supplement the instructions and guidance provided in paragraph 2.1.114.

- 2.10.2 It is the responsibility of the licensee to complete this worksheet and ensure it is reliable for the subsequent calculations within the Reporting Workbook.
- 2.10.3 Data shall be input to this worksheet in nominal prices (in £m) for the years 2008 to 2018 only. The data input for years 2008 to 2016 shall be based on actual outturn, while the years 2017 and 2018 should be based on latest forecasts.
- 2.10.4 This worksheet sets out the calculations for the CA (Capital allowance pools) for four of the tax pools referred to above at 2.8.15. The relevant tax pools for the capital allowance calculation are:
1. the Main Rate pool;
 2. the Special Rate pool;
 3. the IBA pool; and
 4. the Deferred Revenue pool.
- 2.10.5 This worksheet assumes that:
1. capital allowances are claimed at rates in line with current legislation⁴;
 2. there are no additions to the Industrial Buildings Allowance (IBA) pool⁵ after 1st April 2011; and
 3. the 'UoS only' capital allowances, equal the difference between the 'total licensee' capital allowance calculations, and the 'Non UoS' capital allowance calculations.
- 2.10.6 This worksheet checks that, at the licensee level, the four relevant tax pools referred to above at 2.10.4 equal the inputs for the same four tax pools in the F12 worksheet.
- 2.10.7 This worksheet provides information for both the F14 and F14a worksheets.

2.11 Specific instructions & guidance on the 'F14 Tax comp Licensee' worksheet

- 2.11.1 In this section we set out further detail on this worksheet in order to supplement the instructions and guidance provided in paragraph 2.1.115.
- 2.11.2 It is the responsibility of the licensee to complete this worksheet and ensure it is reliable for the subsequent calculations within the Reporting Workbook.
- 2.11.3 Data shall be input to this worksheet in nominal prices (in £m) for the years 2008 to 2018 only. The data input for years 2008 to 2016 shall be based on actual outturn, while the years 2017 and 2018 should be based on latest forecasts.

⁴ See here: <https://www.gov.uk/work-out-capital-allowances/rates-and-pools>

⁵ <http://www.hmrc.gov.uk/manuals/camanual/ca34600.htm>

- 2.11.4 This worksheet replicates a tax computation, at the Licensee level, and utilises information from the following worksheets: Universal data; F1; F2; and F13.
- 2.11.5 This worksheet assumes that the appropriate corporation tax rate, is the prevailing rate, for each historic⁶ (and future⁷) regulatory reporting year.
- 2.11.6 This worksheet includes a reconciliation to the licensee's actual tax payments, including the value of any carried forward losses.

2.12 Specific instructions & guidance on the 'F14a Tax comp UoS' worksheet

- 2.12.1 In this section we set out further detail on this worksheet in order to supplement the instructions and guidance provided in paragraph 2.1.116.
- 2.12.2 It is the responsibility of the licensee to complete this worksheet and ensure it is reliable for the subsequent calculations within the Reporting Workbook.
- 2.12.3 Data shall be input to this worksheet in nominal prices (in £m) for the years 2008 to 2018 only. The data input for years 2008 to 2016 shall be based on actual outturn, while the years 2017 and 2018 should be based on latest forecasts.
- 2.12.4 This worksheet replicates a tax computation, at the UoS level, and utilises information from the following worksheets: Universal data; F1; F2; and F13.
- 2.12.5 This worksheet assumes that:
1. the appropriate corporation tax rate, is the prevailing rate, for each historic⁸ (and future⁹) regulatory reporting year; and
 2. only the UoS funded costs contribute towards the capital allowances deducted from taxable profits, as per worksheet F13.

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

- 2.13.1 In this section we set out further detail on this worksheet in order to supplement the instructions and guidance provided in paragraph 2.1.117.
- 2.13.2 It is the responsibility of the licensee to complete this worksheet and ensure it is reliable for the subsequent calculations within the Reporting Workbook.

⁶ <http://www.hmrc.gov.uk/manuals/ctmanual/ctm01750.htm>

⁷ <https://www.gov.uk/government/publications/rates-and-allowances-corporation-tax/rates-and-allowances-corporation-tax>

⁸ <http://www.hmrc.gov.uk/manuals/ctmanual/ctm01750.htm>

⁹ <https://www.gov.uk/government/publications/rates-and-allowances-corporation-tax/rates-and-allowances-corporation-tax>

- 2.13.3 Data shall be input to this worksheet in nominal prices (in £m) for the years 2008 to 2018 only. The data input for years 2008 to 2016 shall be based on actual outturn, while the years 2017 and 2018 should be based on latest forecasts.
- 2.13.4 This worksheet reconciles the total costs reported in this Reporting Workbook to the total costs reported in the C1 Reporting Workbook, separately for: the licensee; UoS; and Non UoS.
- 2.13.5 The licensee may insert additional rows for other adjustments, as necessary, within the reconciliation sections.
- 2.13.6 The Authority has linked one year to the C1 Reporting Workbook but the licensee shall update the links in the relevant rows (37 and 38) for all other years.

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

- 2.14.1 In this section we set out further detail on this worksheet in order to supplement the instructions and guidance provided in paragraph 2.1.118.
- 2.14.2 It is the responsibility of the licensee to complete this worksheet and ensure it is reliable for the subsequent calculations within the Reporting Workbook.
- 2.14.3 Data shall be input to this worksheet in nominal prices (in £m) for the years 2008 to 2018 only. The data input for years 2008 to 2016 shall be based on actual outturn, while the years 2017 and 2018 should be based on latest forecasts.
- 2.14.4 This worksheet takes the Net debt information from F4 and reconciles it to the Net debt as per the Balance Sheet (F2). The Licensee shall input the value of reconciling items in rows 17 to 24.

2.15 Specific instructions & guidance on the 'F17 Recn pension costs' worksheet

- 2.15.1 In this section we set out further detail on this worksheet in order to supplement the instructions and guidance provided in paragraph 2.1.119.
- 2.15.2 It is the responsibility of the licensee to complete this worksheet and ensure it is reliable for the subsequent calculations within the Reporting Workbook.
- 2.15.3 Data shall be input to this worksheet in nominal prices (in £m) for the years 2008 to 2018 only. The data input for years 2008 to 2016 shall be based on actual outturn, while the years 2017 and 2018 should be based on latest forecasts.
- 2.15.4 This worksheet reconciles: the pension data input in the C1 Reporting Workbook; the pension data input in the Pension BPTs; and the pension data in the Financial Issues Reporting Workbook.
- 2.15.5 The licensee shall input values to complete the reconciliation to the Pension BPTs, and use the Commentary Template to describe how these values have been

derived from the Pension BPTs, in circumstances where a direct formula link to the Pension BPT Reporting Workbook cannot be made. The Authority has included the Pension BPT worksheet name (eg P4 or P5) to help with this mapping exercise.

- 2.15.6 The licensee is asked to provide the value of any Pension charge which appears in Related Party Accounts.

2.16 Instructions & Guidance for the Financial Issues BPT Commentary Template

- 2.16.1 The Commentary Template allows the licensee to provide meaningful descriptions regarding the values in the Reporting Workbook.
- 2.16.2 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.
- 2.16.3 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.
- 2.16.4 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..
- 2.16.5 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.
- 2.16.6 The Commentary Template provides the opportunity for the licensee to explain why costs have been incurred and 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, to inform future price controls.
- 2.16.7 The Commentary Template should also be used by the licensee to provide any other information which is materially relevant to the regulatory framework.
- 2.16.8 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 apply to these BPTs¹⁰.
- 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.

¹⁰ 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 for comment	2013 - 2024
02.00	17/02/2016	Issued to NIE Networks and published on web (for transparency) – further amends remain possible as per query process.	2013 - 2024
* up to and including			