

# **RP6 Business Plan Template Glossary of Terms Appendix**



# **RP6 Business Plan Template (BPT)**

## **Glossary of Terms Appendix**

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# 1. Glossary of Terms

- 1.1.1 The relevant definitions of the Electricity Distribution (DPCR5) Glossary of Terms – Regulatory Instructions and Guidance: Version 3<sup>1</sup> apply to the various Business Plan Template (BPT) submissions required under RP6.
- 1.1.2 Where necessary and in the interests of transparency, mutual understanding and for the avoidance of doubt we include specific additional definitions where relevant to the BPT submission in Appendix 1. These will likely inform a revised Glossary of Terms in due course.
- 1.1.3 Where a term is defined in both Ofgem's guidance and Appendix 1 below, the definition at Appendix 1 below will take precedence.

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<sup>1</sup> <https://www.ofgem.gov.uk/ofgem-publications/46549/dpcr5glossaryofterms.pdf>

# Appendix 1 – Glossary of terms

In addition to the terms defined in the Glossary, the following terms have been separately defined in alphabetical order:-

## **100% 'revenue pool' expenditure**

This is a cost category used in the Financial Issues BPTs only, which reports the Pension costs which have been stripped out from the following UoS funded, Financial Issues BPT cost categories:

- Controllable Opex
- Faults
- Load Related Capex
- NABC
- Non GB DNO
- Non-Load Related Capex - Asset Replacement
- Non-Load Related Capex - Other
- Tree Cutting

## **Actuary**

The scheme actuary or the corporate actuary.

## **Additional Voluntary Contribution (AVC)**

Contributions over and above a member's normal contributions, if any, which the member elects to pay to a DB scheme to obtain additional benefits.

## **Aggregated Generator Units (AGU)**

Costs associated with the arrangements for aggregated generator units. The AGU arrangements were established to facilitate a collection of small customer-side stand-by generators (geographically dispersed across NI) trading energy in the Single Electricity Market. NIE T&D provides support for these arrangements through its meter data collection and registration functions. These functions are not the responsibility of network operators in GB.

## **Allocation of overhead and admin**

Indirect costs associated with: Market Opening; Meter Reading; or Metering Services. These functions are not the responsibility of network operators in GB.

## **Amortisation of connection costs**

Customer connection contributions received in respect of the property, plant and equipment required to provide a connection to the distribution or transmission system. The value of these contributions is released to the income statement in recognition of the estimated useful economic lives of the related assets.

## **Amortisation of O&M costs**

Customer connection contributions received in respect of the operations and maintenance of providing a connection to the distribution or transmission system. The value of these

contributions is released to the income statement in recognition of the defined duration in the Connection Agreement or, if the Connection Agreement has no defined duration, 20 years.

### **Approved Generation Cluster Infrastructure**

The Network Infrastructure including, as appropriate, civil works, electrical lines and cables, electrical plan, meters, telemetry and data processing equipment which has been approved for construction by the Authority as being required for the purposes of connecting a Generation Cluster to the electricity network.

### **Atypical expenditure**

This is expenditure which is “one-off” or “exceptional” in nature and would not typically be experienced in a company’s year-on-year spend. Some examples of such costs may include extreme weather or perhaps unusual compensation payments to customers.

### **Augmentation of Benefits**

The provision of additional benefits offered to members of a DB scheme (other than enhanced pension benefits granted under severance arrangements), normally where the cost is borne by the scheme and/or the employer.

*Excludes:*

Pension-related severance cost

### **AVC**

See additional voluntary contributions.

### **BPT**

Business Plan Template.

### **Business Rates**

In Northern Ireland, the rates payable by the Licensee in respect of hereditaments under the Valuation (Electricity) Order (Northern Ireland) 2003.

### **Capitalised Interest**

This is the value of interest costs which have been capitalised in the Statutory/Regulatory accounts of the Licensee. While this may be appropriate under accounting standards, the Authority disallows this value in the maximum regulated revenue because interest costs are accounted for as part of the WACC return on RAB.

### **Change in Market Value of Investments**

The change in the market value of a scheme’s investments over a period of time where the approach used to assess the market value of an asset is the same as the approach used for the purposes of a triennial valuation.

### **Commutation**

Giving up part or all of the pension payable from retirement in exchange for an immediate lump sum.

**Connection income: Connection to grid**

The one-off income received for providing an energised import or export electricity service to the distribution or transmission system, for an individual customer (sole use) or a group of customers (shared use), to generate and/or consume electricity. Income received in exclusive relation to Connection expenditure: Connection to grid.

**Connection income: Alterations (fully or partly recoverable)**

Income received in exclusive relation to Connection expenditure: Alterations (fully or partly recoverable).

**Connection expenditure: Alterations (fully or partly recoverable)**

Costs in relation to alterations at a customer's premises. This relates to work which is either fully recoverable on an estimated basis (FECR) or partly recoverable on an estimated basis (PECR).

**Connection expenditure: Connection to grid**

The one-off costs of providing an energised import or export electricity service to the distribution or transmission system, for an individual customer (sole use) or a group of customers (shared use), to generate and/or consume electricity.

**Connections – Sole use**

This is defined as the element of a connection that will only be used by the connecting party [at the time of completing the work] and is therefore fully funded by this party.

**Connections – Shared use**

Where a connection project requires the reinforcement of existing assets or involves the installation of new assets that will not be used solely by the connecting party, such as Cluster costs.

**Contingent Pension Asset Cost**

See pension hedging and contingent asset cost.

**Contributions**

Payments to a DB or DC pension scheme.

Also referred to as pension funding.

Contributions can be differentiated as follows with respect to who makes the payments:

- Employer contributions: Contributions made by the sponsoring employer(s)
- Employee contributions: Contributions made by the employees. Also referred to as member contributions

Contributions can be differentiated as follows with respect to what they are used for:

- Ongoing pension service contributions
- Payments in respect of pension scheme established/incremental deficit repair payments
- Payments in respect of augmentation of benefits
- Pension hedging and contingent asset cost
- Payments in respect of pension-related severance cost

Excludes:

- Payments in respect of PPF levy paid directly by the sponsoring employer(s)
- Payments in respect of pension scheme administration cost paid directly by the sponsoring employer(s)

### **Controllable Opex**

This is a cost category used in the Financial Issues BPTs only, which reports the costs of the following activities, provided these are UoS funded, and with the exception of Pensions costs (which are reported in the 100% 'revenue pool' expenditure):

- NOCs other
- Inspections & Maintenance
- Network Design & Engineering
- Project Management
- Engineering Mgt & Clerical Support
- System Mapping
- Control Centre
- Call Centre
- Stores
- Operational Training
- Vehicles & Transport
- Network Policy
- HR & Non-operational Training
- Finance & Regulation
- CEO
- IT & Telecoms
- Property Mgt
- Non Op Capex

### **Corporate Actuary**

The actuary appointed by the licensee to prepare the input data in accordance with the PDAM and to report on such.

### **Costs of the investigation (RP5 price control referral to the Competition Commission)**

These are the costs incurred by NIE (£2.8 million in nominal prices) for referring the RP5 price control to the Competition Commission. In section 20 of the CC's final determination, they give greater detail on this area.

### **Current Valuation**

The latest triennial valuation completed.

### **Cut-off Date**

The 31 March 2012.

### **D5 mechanism costs**

The costs for any project to increased transmission system capacity or capability and incurred against a project approved by the Authority and in line with the licence conditions for this mechanism.

### **Deferred Pension**

A benefit relating to the past service of members of an occupational pension scheme who are no longer active members but have not yet retired. The benefits are payable at retirement or earlier death.

### **Deferred Pensioner**

An individual entitled to a deferred pension.

### **Dependant**

A person who is financially dependent on a member or pensioner or was so at the time of death or retirement of the member or pensioner. Scheme rules will define a dependant precisely, e.g. age at which children cease to be dependants.

### **Direct expenditure (Other) – Network investment embedded in managed service charge**

Direct Expenditure incurred on NIE's behalf by NIE Network Services (formerly NIE Powerteam) or any other related party and recovered from NIE under the 'Managed Service Charge'.

### **DNO**

Distribution Network Operator.



### **Early Retirement Deficiency Contributions (ERDCs)**

The cost of providing enhanced pension benefits granted under severance arrangements prior to the cut-off date which were not fully matched by increased contributions.

### **Employee Contribution Rate**

Employee contributions to a pension scheme, expressed as a percentage of pensionable pay.

### **Employee Contributions**

See contributions.

### **Employer Contribution Rate**

Employer contributions to a pension scheme that are not pension deficit payments, expressed as a percentage of pensionable salaries.

### **Employer Contributions**

See contributions.

### **Employer Covenant**

The degree to which the employer is willing and able to meet the funding requirements of the scheme.

### **Enduring Solution**

The IT system introduced to support competition in the retail market, intended to aid complete separation of the customer billing processes and legacy IT systems previously shared by NIE T&D and Power NI, and to provide a level playing field for all suppliers, unrestricted switching capability for customers and support of global aggregation for settlement of the all-island wholesale market.

### **Energy Efficiency Programme (NISEP etc)**

A fund for the purpose of subsidising the operation and delivery of improvement measures in accordance with an energy efficiency programme, such as the Northern Ireland Sustainable Energy Programme (NISEP).

### **ERDCs**

See early retirement deficiency contributions.

### **Established Deficit**

Difference between assets and liabilities, determined at any point in time, attributable to pensionable service up to the end of the cut-off date and relating to regulated business activities. The term applies equally if there is a subsequent surplus.

## **Established Deficit Repair Payments**

See pension deficit repair payments.

## **Exceptional events**

Where a Licensee's interruption performance is affected by exceptional circumstances, an exceptional event has occurred.

Exceptional events are classified as one of the following:

### 1. Severe Weather events

A severe weather event:

- a. Is deemed to begin at the beginning of a 24-hour period when the number of incidents caused by the event at distribution higher voltage in that period is equal to or greater than the severe weather exceptionality threshold in the table below; and
- b. Is deemed to end at the earlier of:
  - i. The time of restoration of the last customer off supply due to an LV incident linked to the underlying cause of the severe weather, or
  - ii. The end of a 48- hour period when the number of customers off supply due to high voltage incidents linked to the underlying cause of the severe weather has fallen to zero.

For the purposes of the reporting, where a Severe Weather exceptional event that qualifies against the criteria above, also passes the Severe Weather 1-in-20 event threshold, the full duration of this event is to be considered Severe Weather 1-in-20 event.

Licensee	Exceptionality thresholds (weather)	
	Severe Weather exceptional event	Severe Weather 1-in-20 event
NIE Distribution	XX	XX

### 2. Other events

An Other event has the following criteria:

- a. The first is that the occurrence of the event was a consequence of either:
  - i. An external cause (including, without limitation, an event arising from an incident on a Transmission System or other connected network, or from terrorism or vandalism), or
  - ii. An internal cause:
    - That was not attributable to any culpable error by the Licensee in relation to the installation, operation or maintenance of an asset forming part of its Distribution System, or
    - The consequence of which could not reasonably have been avoided by the Licensee;
- b. The second requirement is that the event contributes more than the relevant threshold amount to CIIS or CMLIS in a three-month period as detailed below:

Licensee	Exceptionality thresholds (Other events)	
	CIIS	CMLS
NIE Distribution	XX	XX

### **Faults**

This is a cost category used in the Financial Issues BPTs only, which reports the costs of the following activities, provided these are UoS funded, and with the exception of Pensions costs (which are reported in the 100% 'revenue pool' expenditure):

- Trouble Call (CV15a)
- Occurrences Not Incentivised (ONIs)

### **Funding Update**

See updated valuation.

### **Global Tactical Asset Allocation (GTAA)**

A top-down investment strategy that attempts to exploit short-term mis-pricings among a global set of assets. The strategy focuses on general movements in the market rather than on performance of individual securities.

### **Housing sites with 12 or more Domestic Premises**

The costs and income associated with connections at housing developments with 12 or more dwellings, where the income is based on a standard connection charge in line with both the original Connection Agreement/s and the Statement of Charges for Connection to the Licensee's electricity distribution system.

### **Income from Power NI (PPB)**

Income received from Power NI (PPB) as part of the PSO tariff arrangements defined under Annex 1 of NIE's distribution licence.

### **Income from Power NI (Supply)**

Income received from Power NI (Supply) as part of the PSO tariff arrangements defined under Annex 1 of NIE's distribution licence.

### **Income from Power NI (Supply) – NI2007**

Income received from Power NI (Supply) as part of the shared cost of the market opening system.

### **Income from tariff**

Income received from suppliers from the published tariff for Distribution Use of System (DUoS) or Public Service Obligation (PSO).

### **Income from tariff – Reallocated as directed by UR**

Adjustments to actual income from suppliers in relation to distribution use of system (DUoS) and public service obligation (PSO) tariffs.

### **Income from Transmission Service Charge**

Income received from the System Operator Northern Ireland (SONI) or relevant successor, subsequently recovered through the Transmission Use of System (TUoS) tariff.

### **Incremental Deficit**

The difference between the assets and liabilities, determined at any point in time, attributable to post cut-off date pensionable service and relating to regulated business activities. The term also applies equally where there is a surplus for the post cut-off date regulated notional sub-fund.

### **Incremental Deficit Repair Payments**

See pension deficit repair payments.

### **Indirect costs of connection work not funded through connection charges**

Network reinforcement costs (system costs) relating to the connection voltage level and one voltage level above, for connections that are not 100 per cent recoverable via connection charges, as per NIE's Connection Charging Statement.

INCLUDES:

- Indirect costs incurred in the preparation of quotes which are not charged for or accepted

EXCLUDES:

- Indirect costs charged for but not fully recovered.

### **Indirect & IMF**

The Competition Commission's Final Determination (FD) referred to a category of expenditure called 'Indirect & IMF&T' in Section 8 of their report.

This 'Indirect & IMF&T' category included: Indirect Costs; Inspections and Maintenance costs; Faults (Trouble Call costs); and Tree cutting costs.

These costs were then allocated partially to opex and partially to capex as shown at pages 7-9 and 7-10 of the FD.

A separate allowance was also made by the CC for 'capitalised tree cutting costs'.

For reporting, comparison and transparency purposes, the Authority has created two categories of costs: 'Indirect & IMF'; and 'Tree Cutting Direct Costs'. The inclusions and exclusions for the Indirect & IMF category are set out below.

INCLUDES (save for work categories excluded below) both opex and capex costs relating to:

- Indirect costs (including tree cutting costs not capitalised, Non-Operational Capex, Business Support Costs, and Closely Associated Indirects);
- Inspections and Maintenance costs;
- Pensions included in Opex;
- Pension ongoing payments; and
- Faults (Trouble Call) costs.

EXCLUDES both opex and capex costs relating to:

- Direct expenditure;
- Capitalised tree cutting expenditure;
- Indirect expenditure associated with connections;
- Indirect expenditure associated with Non GB DNO activities (Meter Reading, Metering Services and Market Opening); and
- Indirect expenditure associated with Legacy Dt activities.

### **Investment Income (Pensions)**

The income received on pension scheme assets, net of investment management fees where these are deducted from investment income.

### **Investment Management Expenses**

Any scheme investment management expenses which are charged separately or have not been implicitly allowed for under change in market value of investments or as a deduction from investment income.

### **Investment Manager**

An individual (or company) to whom the trustees delegate the management of all or part of the scheme's assets.

Also known as fund manager.

### **Landbank costs**

Costs associated with Land bank as part of the PSO tariff arrangements defined under Annex 1 of NIE's distribution licence.

### **Landbank management charges**

Income from Land bank in connection with NIE's management of the Landbank activity.

### **Landbank Revenue**

Income associated with Land bank as part of the PSO tariff arrangements defined under Annex 1 of NIE's distribution licence.

### **Legacy Dt**

Costs incurred against 'Dt' regulatory approvals under the RP4 licence conditions.

### **LDI**

See liability driven investments.

### **LDNL (Load & Non-Load)**

Load and Non-Load related investment expenditure.

### **Liability Driven Investments (LDI)**

An investment vehicle designed to match the profile of the investments more closely to the profile of the liabilities of the pension scheme for all or part of those liabilities.

### **Licence distribution**

This refers to data relating to distribution as defined in the Northern Ireland Electricity Ltd Electricity Distribution Licence and the relevant legislation.

### **Licence Fees**

The fee paid by the Licensee to cover, inter alia, the estimated costs of the Authority.

### **Licence transmission**

This refers to data relating to transmission as defined in the Northern Ireland Electricity Ltd Participate in Transmission Licence and the relevant legislation.

### **Load Related Capex**

This is a cost category used in the Financial Issues BPTs only, which reports the costs of the following activities, provided these are UoS funded, and with the exception of Pensions costs (which are reported in the 100% 'revenue pool' expenditure):

- Connections - Sole Use
- Connections - Shared Use
- Reinforcement

### **Low Risk Assets**

Assets where the focus is on protecting capital and gaining a modest return (e.g. gilts).

### **Market Opening**

Costs of providing Market Opening services, including the facilities to allow electricity customers to switch between supplier, for all electricity customers in Northern Ireland.

#### **INCLUDES:**

- Enduring Solution;
- Legacy Dt: Enduring Solution – transitional costs;
- Legacy Dt: Enduring Solution project;
- Legacy Dt: Market opening legacy systems cost; and
- Allocation of overhead and admin (relating to Market Opening);

#### **EXCLUDES:**

- Network fault issues
- Connection issues
- Meter reading issues

### **Member Contributions**

See contributions.

### **Meter Reading**

Costs of providing meter reading services for all electricity customers in Northern Ireland.

#### **INCLUDES:**

- Visiting premises to read meters;
- Obtaining meter reads from supplier;
- Investigating queries or disputes regarding meter reads;
- Facilitating the exchange of information relating to meter reads; and
- Allocation of overhead and admin (relating to Meter Reading).

#### **EXCLUDES:**

- Meter reading costs which would be incurred by GB DNOs.

### **Metering Capex: other**

Installation and support costs for the provision of: certification; recertification; keypad; and SOSA services.

### **Metering maintenance**

Costs relating to the maintenance of domestic and small commercial meters (e.g. inspections and special meter reads).

### **Metering Services**

Costs of providing metering services for all electricity customers in Northern Ireland.

INCLUDES:

- Metering Capex: other;
- Metering maintenance (including faults);
- Allocation of overhead and admin (relating to Metering Services);
- Other operating costs relating to keypad meters; and
- PRI Transactional income.

EXCLUDES:

- Meter reading.
- Market opening

### **Miscellaneous Income**

Other income received by NIE.

### **Modelled distribution**

Relevant expenditure and explanatory data which have been extracted from NIE Networks' Transmission and Distribution RIGs in a particular way to allow like-for-like benchmarking comparison with Distribution Network Operators (DNOs) in Great Britain (which are typically  $\leq 132\text{kv}$ ). The Utility Regulator considers NIE Networks' modelled distribution to encompass expenditure and explanatory data relating to  $110\text{kv}$  and below ( $\leq 110\text{kv}$ ).

### **Modelled transmission**

Relevant expenditure and explanatory data which have been extracted from NIE Networks' Transmission and Distribution RIGs in a particular way to allow like-for-like benchmarking comparison with Transmission Operators (TOs) in Great Britain (which are typically  $>132\text{kv}$ ). The Utility Regulator considers NIE Networks' modelled transmission to encompass expenditure and explanatory data relating to greater than  $110\text{kv}$  ( $>110\text{kv}$ ).

### **NA**

This is a cost category used in the Financial Issues BPTs only, which reports the costs of the following activities, provided these are Non UoS funded, and including the Pensions costs for these activities:

- Connections - Sole Use
- Connections - Shared Use
- Other (activities open to competition which are Non UoS funded)
- PSO costs
- Non Price Control
- Other (activities not open to competition which are Non UoS funded)



- Reinforcement

### **NABC**

This is a cost category used in the Financial Issues BPTs only, which reports the costs of the following activities, provided these are UoS funded, and with the exception of Pensions costs (which are reported in the 100% 'revenue pool' expenditure):

- Primary NABC
- Other NABC

### **New domestic and smaller businesses eligible for subsidy**

The costs and income relating to connections eligible for the 40% subsidy, where the application for that connection was made prior to 1<sup>st</sup> October 2012, in line with both the original Connection Agreement/s and the Statement of Charges for Connection to the Licensee's electricity distribution system.

### **NI**

Northern Ireland.

### **NIC**

National Insurance Contributions.

### **NIE**

Northern Ireland Electricity Networks Ltd, branded as NIE Networks from 21<sup>st</sup> September 2015, formerly known as NIE Ltd or NIE. A Distribution Network Operator and Transmission Network Owner.

### **NIE T&D**

Northern Ireland Electricity Networks Transmission and Distribution.

### **Non GB DNO**

This is a cost category used in the Financial Issues BPTs only, which reports the costs of the following activities, provided these are UoS funded, and with the exception of Pensions costs (which are reported in the 100% 'revenue pool' expenditure):

- Meter Reading
- Metering Services
- Market Opening

### **Non Legacy Dt Fast Entitlement: Approved Generation Cluster Infrastructure**

In line with the terms of the Authority's approval (eg not to be included in the RAB) these are the costs and income relating to, any Approved Generation Cluster Infrastructure, in line with

both the original Connection Agreement/s and the Statement of Charges for Connection to the Licensee's electricity distribution or transmission system.

**INCLUDES:**

- the pre-construction work for the Generator Cluster at Drumquin (approved on 9<sup>th</sup> May 2014); and
- from 26<sup>th</sup> March 2014 onwards any subsequently Approved Generation Cluster Infrastructure in line with the terms of the Authority's approval (eg not to be included in the RAB).

**EXCLUDES:**

- the Generator Cluster at Gort (approved on 12<sup>th</sup> September 2014);
- the Generator Cluster at Tremoge (approved on 12<sup>th</sup> September 2014); and
- the Generator Cluster at Mid-Antrim (approved on 12<sup>th</sup> September 2014)

**Non Legacy Dt Slow Entitlement: Approved Generation Cluster Infrastructure**

In line with the terms of the Authority's approval (eg to be included in the RAB) these are the costs and income relating to, any Approved Generation Cluster Infrastructure, in line with both the original Connection Agreement/s and the Statement of Charges for Connection to the Licensee's electricity distribution or transmission system.

**INCLUDES:**

- the Generator Cluster at Gort (approved on 12<sup>th</sup> September 2014);
- the Generator Cluster at Tremoge (approved on 12<sup>th</sup> September 2014);
- the Generator Cluster at Mid-Antrim (approved on 12<sup>th</sup> September 2014); and
- from 26<sup>th</sup> March 2014 onwards any subsequently Approved Generation Cluster Infrastructure in line with the terms of the Authority's approval (eg to be included in the RAB).

**EXCLUDES:**

- the pre-construction work for the Generator Cluster at Drumquin (approved on 9<sup>th</sup> May 2014).

### **Non-Load Related Capex - Asset Replacement**

This is a cost category used in the Financial Issues BPTs only, which reports the costs of the following activities, with the exception of Pensions costs (which are reported in the 100% 'revenue pool' expenditure):

- Diversions
- Asset Replacement
- Refurbishment
- Civil Works
- Legal & Safety
- Flooding
- Environmental Reporting

### **Non-Load Related Capex - Other**

This is a cost category used in the Financial Issues BPTs only, which reports the costs of the following activities, with the exception of Pensions costs (which are reported in the 100% 'revenue pool' expenditure):

- ESQCR
- Operational IT & Telecoms

### **Non-Regulated Business Activities**

Non-licensed and non-regulated business activities, which are not transmission/distribution business activities of the licensee and those of co-sponsoring affiliates of the licensee which are not regulated DNOs.

### **Normal Ongoing Pension Service Contributions**

Contributions to a pension scheme to cover the normal pension service cost of that scheme.

Excludes:

- Payments in respect of PPF levy paid within ongoing contribution rates or directly by the sponsoring employer(s))
- Payments in respect of pension scheme administration cost paid as part of ongoing contribution rates or directly by the sponsoring employer(s)
- Payments in respect of pension scheme established/incremental deficit repair payments
- Payments in respect of augmentation of benefits
- Pension hedging and contingent asset cost
- Payments in respect of pension-related severance cost

### **Normal Pension Service Cost**

The actuarially-determined present value of retirement benefits earned by plan participants in the current period, based on the company's existing pension benefit formula.

### **Notional Sub-Fund**

The pre and post cut-off date notional sub-funds where the assets and liabilities of a defined benefit pension scheme are reported under the PDAM. The sub-funds are notional in that there are not actual sub-funds recognised by the scheme and are a regulatory construct reported in accordance with the methodology set out in the Ofgem Pension RIGs<sup>2</sup>, with amendments as relevant and appropriate and documented in the BPT Pensions Guidance Notes.

### **Ofgem**

Office of Gas and Electricity Markets.

### **Operations and maintenance – Authorised Generators (including Approved Generation Cluster Infrastructure)**

These are the recurring operation and maintenance costs of a connection to the distribution or transmission system, relating to Authorised Generators (including Approved Generation Cluster Infrastructure), in line with both the original Connection Agreement/s and the Statement of Charges for Connection to the Licensee's electricity distribution or transmission system.

### **Operations and maintenance – non Authorised Generators**

These are the recurring operation and maintenance costs of a connection to the distribution or transmission system, not relating to Authorised Generators, in line with both the original Connection Agreement/s and the Statement of Charges for Connection to the Licensee's electricity distribution or transmission system.

### **Operations and maintenance income – Authorised Generators (including Approved Generation Cluster Infrastructure)**

The income received from a customer (sole use) or group of customers (shared use) to operate and maintain a connection to the distribution or transmission system in line with both the original Connection Agreement/s and the Statement of Charges for Connection to the Licensee's electricity distribution or transmission system. Income received in exclusive relation to Operations and maintenance – Authorised Generators (including Approved Generation Cluster Infrastructure).

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<sup>2</sup> [Ofgem: Energy Network Operators' Price Control Pension Costs - Regulatory Instructions and Guidance: Triennial Pension Reporting Pack supplement including pension deficit allocation methodology, 12 April 2013](#) and [Ofgem: Pension RIGs \(Regulatory Instructions and Guidance\) tables, 12 April 2013](#).

### **Ongoing Pension Funding**

See ongoing pension service contributions.

### **Ongoing Pension Service Contributions**

Contribution to a pensions scheme to cover the ongoing cost of that scheme.

Also referred to as ongoing pension funding or ongoing pension service cost.

Includes:

- Normal ongoing pension service contributions to defined benefit schemes
- Normal ongoing pension service contributions to defined contribution schemes
- Normal ongoing pension service contributions to stakeholder and/or personal pension plans
- Payments in respect of the PPF levy (whether paid directly by the sponsoring employer(s) or within ongoing contribution rates)
- Payments in respect of pension scheme administration cost (whether paid directly by the sponsoring employer(s) or as part of ongoing contribution rates)

Excludes:

- Payments in respect of pension scheme established/incremental deficit repair payments
- Payments in respect of augmentation of benefits
- Pension hedging and contingent asset cost
- Payments in respect of pension-related severance cost

### **Ongoing Pension Service Cost**

See ongoing pension service contributions.

### **Outturn Capex disposal amount**

The proceeds of the disposal of any relevant asset/s (including Land, Buildings, Plant, Equipment but not comprising Land Bank premises or scrap), less any reasonably incurred costs of the disposal but subject to the approval of the amount following any audit of the relevant data carried out by or on behalf of the Authority.

### **Other operating costs relating to keypad meters**

Operating costs associated with keypad meters, these include items such as plastic cards, staff costs, business continuity services, licence fees and maintenance charges.

### **Overhead Line Refurbishment**

A 15 year cyclic asset replacement programme that, theoretically, ensures one third of components are replaced within each refurbishment period. In practice, replacement of a component is only carried out if condition dictates that its replacement is required. As a result, some components remain on the system beyond their nominal asset life.

### **Overhead Line Re-engineer**

Re-conductoring and associated redesign of main line sections. Generally involves shortening span lengths, use of stouter poles and additional stays as required to meet current design standards.

### **P&L**

Profit and Loss.

### **Payment to Power NI (PPB)**

Payments made to Power NI (PPB) as part of the PSO tariff arrangements defined under Annex 1 of NIE's distribution licence.

### **Payment to Power NI (Supply)**

Payments made to Power NI (Supply) as part of the PSO tariff arrangements defined under Annex 1 of NIE's distribution licence.

### **PDAM**

Pension Deficit Allocation Methodology as set out in the Ofgem Pension RIGs<sup>2</sup>, with amendments as relevant and appropriate and documented in the BPT Pensions Guidance Notes.

### **PDF**

Portable Document Format.

### **Pension Cost**

See pensions.

### **Pension costs included in operating expenses**

The cash costs paid by the Licensee for:

- the administration costs of running the pension scheme;
- the Pension Protection Fund levy paid to government; and
- the current service cost charge for active members of the final salary pension scheme. This is calculated based on IAS19 and the assumptions underpinning this are revised each year

### **Pension Deficit Repair Payments**

The cash cost paid, directly or indirectly, by the licensee to reduce a shortfall in a pension scheme's assets compared with its liabilities as set out in the deficit recovery plan agreed between the licensee and the pension scheme trustees, reported to the Pensions Regulator and certified by the pension scheme actuary, in accordance with the pension scheme rules.

Pension deficit repair payments can be differentiated as follows:

- Pension scheme incremental deficit repair payments: Payments relating to funding the incremental deficit

- Pension scheme established deficit repair payments: Payments relating to funding the established deficit.

### **Pension Funding**

See contributions.

### **Pension Hedging**

See pension hedging and contingent asset cost.

### **Pension Hedging and Contingent Asset Cost**

Costs of (a) hedging certain risk in a pension scheme (e.g. longevity, interest and RPI); and (b) a sponsoring employer funding a contingent asset provided to the pension scheme, incurred directly by the employer. This cost should only include costs paid by the licensee and other pension scheme co-sponsors.

### **Pension ongoing payments**

The cash costs paid by the Licensee to the pension scheme for the ongoing service of the remaining active participants in the scheme i.e. those employees who still work for the Licensee. This is updated with each tri-annual revaluation.

### **Pension Protection Fund Levy (PPF Levies)**

The cash costs paid, directly or indirectly, by the sponsoring employer(s) or pension scheme (in respect of the transmission/distribution business) to the Pension Protection Fund.

### **Pension Scheme Administration Costs**

The administrative cost for the operation of a pension scheme by the scheme trustees (excluding interest and taxation) including salaries and cost of pension scheme administrators and all other associated cost of administering the pension scheme, whether borne by the scheme directly or the employer(s) and not recovered from the scheme.

Includes:

- Actuarial consultancy fees;
- Administration and investment management fees where not remunerated by deduction from investment returns;
- Third party administration fees;
- Capital Pensions Management Limited cost;
- Pensions administration system licence and support cost
- Legal advisers fees;
- Recruitment cost;
- Pension secretariat;
- Policy and strategy;
- Administration consultancy;
- Auditors fees;
- Custodian fees;
- Communication consultancy fees;

- General office costs (printing / IT support / publications etc);
- Investment consultancy fees;
- Tracing agency fees;
- Member communication cost;
- Trustee remuneration; and
- Trustee training cost.

Excludes:

- Administration and investment management fees where remunerated by deduction from investment returns;
- Cost incurred by the sponsoring employer(s) in collecting employee contributions to pension schemes;
- Cost incurred by the sponsoring employer(s) in managing their ongoing contributions and deficit repair payments to pension schemes;
- Cost of actuaries appointed by the scheme sponsors to advice on the scheme valuations and recovery plans;
- Cost incurred by sponsoring employer(s), directly or indirectly, in managing their relationship with the pension scheme and scheme trustees or actuaries.

### **Pension Strain Cost**

The cost of providing enhanced pension benefits granted under severance arrangements on or after the cut-off date, whether they were fully matched by increased contributions or not.

### **Pensionable Pay**

Basic pay plus pensionable allowances with no deductions.

### **Pensionable Salaries**

For a pension scheme, the current salaries of the active members which are considered when assessing the future pension benefits under that scheme, and which are multiplied by the contribution rate to calculate the current cash service cost.

### **Pensionable Service**

The time an employee is credited with as being an active member of a pension scheme.

### **Pensioner Liabilities**

All pension scheme liabilities as determined by an actuarial valuation of the pension scheme that relate to pensioners and dependents who are in receipt of a pension from that pension scheme in accordance with the scheme rules (including liabilities for benefits that will be payable on the death of such members).



### **Pensioners**

Individuals in receipt of a pension from the pension scheme.

### **Pension-related Severance Cost**

The cost of providing enhanced pension benefits granted under severance arrangements. They are referred to as:

- ERDCs if occurred prior to the cut-off date and not fully matched by increased contributions
- Pension Strain Cost if occurred after the cut-off date

### **Pensions**

For the purpose of the RP6 BPT, this is a cost type.

Includes:

- Normal ongoing pension service contributions to defined benefit pension schemes
- Normal ongoing pension service contributions to defined contribution pension schemes
- Normal ongoing pension service contributions to stakeholder and/or personal pension plans
- Payments in respect of pension scheme established deficit repair payments
- Payments in respect of pension scheme incremental deficit repair payments
- Payments in respect of the PPF levy (whether paid directly by the sponsoring employer(s) or within ongoing contribution rates)
- Payments in respect of pension scheme administration cost (whether paid directly by the sponsoring employer(s) or as part of ongoing contribution rates)
- Payments in respect of augmentation of benefits
- Pension hedging and contingent asset cost

Excludes:

- Payments in respect of pension-related severance cost (to be reported as part of labour cost)

### **PES**

Powerteam Electrical Services (UK) Ltd.

### **Post Cut-off Date Notional Sub Fund**

The notional sub-fund relating to the post cut-off date period.

### **Post Cut-off Date Regulatory Proportion**

See regulatory proportion.

### **Power NI (Supply)- Enduring Solution Phase 3**

Operational expenditure and income relating to Power NI (Supply) and the Enduring Solution project, initiated in consultation with the Utility Regulator to:

- provide full business separation between NIE and Power NI's systems;
- provide unlimited capacity for consumers to switch electricity supplier; and
- accommodate potential future changes to market requirements.

### **PPF**

See Pension Protection Fund.

### **PPF Credit Rating**

Used by the Pension Protection Fund (PPF) to estimate the risk of insolvency of a sponsoring employer, in the calculation of the risk-based element of the levy. Credit ratings for all sponsoring employers of DB schemes are provided by a single credit-rating agency to ensure consistency.

### **Pre Cut-off Date Notional Sub Fund**

The notional sub-fund relating to the pre cut-off date period.

### **Pre Cut-off Date Regulatory Fraction**

See Regulatory Fraction.

### **Previous Valuation**

The triennial valuation directly preceding the current valuation. In cases where the valuation date of this valuation is prior to the cut-off date, the actuarial report with respect to the cut-off date will be considered to be the previous valuation.

### **PRI Transactional income**

Income from PRI in relation to keypad vending.

### **Proportions of Service**

The annual proportion of post cut-off date liabilities which can be attributed to regulated business activities.

### **Protected Person**

A person covered by regulation 2(1) of the Electricity (Protected Persons) Pensions Regulations (Northern Ireland) 1992. These regulations place obligations on successor employers to fund the pension benefits accrued to date and provide a certain level of future pension benefit provision.

### **Protected Rights**

The rights of protected persons under the Electricity (Protected Persons) Pensions Regulations (Northern Ireland) 1992.

### **Recovery Plan**

The plan prepared by the scheme trustees where a valuation shows a funding shortfall against the technical provisions and which sets out how the trustees plan to meet the statutory funding objective.

### **Regional Wage Adjustment**

An adjustment made to a company's financial data to correct for the relative wages of the region in which it operates.

### **Regulated Business Activities**

Licensed regulated business activities, i.e. transmission/distribution business activities and those which are not non-regulated business activities of the business listed in Table: P0a Licensee Details of the BPT Pensions Reporting Workbook.

### **Regulatory Fraction**

Proportion of a company's pension scheme liabilities that relates to licensed regulated business activities before the relevant cut-off date. This fraction is after any adjustment that was made in price allowances for EDRCs.

### **Regulatory Proportion**

The proportion of a company's pension scheme liabilities that relates to licensed regulated business activities after the relevant cut-off date.

### **Related Party**

Includes both Affiliates and Related Undertakings of the Licensee. An Affiliate or Related Undertaking shall remain as a Related Party for the whole of the price control period even if it is no longer part of the group due to restructuring.

### **Related Party assets**

The cost of capital assets used to operate, maintain and develop NIE's transmission or distribution system (excluding costs related to connections) incurred on NIE's behalf by a NIE Network Services (formerly NIE Powerteam) or any other related party.

### **Related Party management charges**

Income from NIE Network Services (formerly NIE Powerteam) or any other Related Party in relation to services provided by NIE.

### **Related Party Margin**

The profit or loss recorded on a transaction with an affiliate being the excess or deficit on actual direct costs and indirect costs (excluding financing costs) fairly attributable to the transaction or the charge and the cost of providing that transaction

For the avoidance of doubt this does not include exceptional items, tax, fines, penalties or the gain or loss on the disposal of assets or investments (of any sort), i.e. it should be the net operating costs level.

Further, the Related Party Margin does not include any transparently calculated element of such a charge that provides for a reasonable allowance for depreciation and return on capital in relation to assets to the extent that these are employed by the Related Party in the provision of services to the Licensee, and is not otherwise reflected in the Licensee's Maximum Regulated Transmission / Distribution Revenue, or recoverable through the Licensee's connection charges.

For Captive insurance businesses the margin is to be computed based on the captive's premium income less reinsurance premiums, claims paid out and movements on technical and IBNR reserves attributable to the Licensee's business only, i.e. usually reported as the profits/loss on the Technical account. Where a captive insures more than the distribution Licensee(s), then it's profit/loss should be computed pro rata to the premiums paid by the Licensee to total premium income in the captive for the year and the movements on technical and IBNR reserves not attributable to the distribution business must first be removed.

### **Related Party tools and equipment; NNCapex premises**

The cost of "Tools and equipment" used to operate, maintain and develop NIE's transmission or distribution system (excluding costs related to connections) incurred on NIE's behalf by a NIE Network Services (formerly NIE Powerteam) or any other related party and 100 per cent of NIE's capex costs in relation to non operational premises.

### **Related Party tools and equipment**

An apportionment to opex of the cost of "Tools and equipment" used to operate, maintain and develop NIE's transmission or distribution system (excluding costs related to connections) incurred on NIE's behalf by a NIE Network Services (formerly NIE Powerteam) or any other related party.

### **Renewable Integration Development Programme (EU)**

Income received from the EU in relation to the North/West Grid Study project.

### **Rental Income**

Income received from the rental of premises and the use of cables.

### **Return-seeking Asset**

Asset expected to grow more and be more volatile than cash or bonds (e.g. stocks and high-yield bonds).

### **Revenue Protection Services**

The activities to detect and deter cases of illegal abstraction of electricity (and electricity theft) and to collect money owed in relation to that illegal abstraction.

### **RIGs**

Regulatory Instructions and Guidance.

### **RIGs implementation costs**

The implementation costs incurred to set up regulatory reporting to the UR in the format set out in the UR's RIGs.

### **RP5**

This is the name given to the price control for NIE Networks, covering the period from 1 April 2012 to 30 September 2017.

### **RP6**

This is the name given to the price control for NIE Networks, covering the period from 1 October 2017 to 31 March 2024.

### **Salary Sacrifice**

Additional pension contributions paid by an employer on behalf of the employee as part of a salary sacrifice scheme in return or as substitution for a reduction (or sacrifice) in salary.

### **Salary Sacrifice Scheme**

An agreement between an employer and an employee to change the terms of the employment contract to reduce the employee's entitlement to cash pay. This sacrifice of cash entitlement is usually made in return for some form of non-cash benefit, e.g. pension contribution.

As a consequence there is a saving to the employee in taxation and for both employee and employer in National Insurance contributions.

### **Schedule of Contributions**

Specifies the contributions payable by the employer over a given period of years, and includes any special contributions paid under a recovery plan.

### **Scheme Actuary**

The actuary appointed by the DB scheme's trustees to prepare and report on a triennial valuation.

### **Scheme Booklet**

A booklet for members which should clearly set out the benefits offered by the scheme and how the scheme is run. The scheme booklet is given to all members of the scheme when they join.

### **Scheme Surplus/Deficit**

Difference between assets and liabilities, determined at any point in time.

For defined benefit schemes, the different types of scheme surplus/deficit can be distinguished with respect to the cut-off date:

- Established surplus/deficit: The surplus/deficit attributable to pensionable service up to the end of the cut-off date and relating to regulated business activities
- Incremental surplus/deficit: The surplus/deficit attributable to post cut-off date pensionable service and relating to regulated business activities

### **Severe Weather Events**

See Exceptional Events

### **SFP**

See Statement of Funding Principles.

### **SIP**

See Statement of Investment Principles.

### **Solvency (buy-out) Funding Level**

The percentage of the market value of a scheme's assets to the estimated cost of securing a scheme's liabilities in the event of the discontinuance of the scheme.

### **SONI**

Electricity Transmission System Operator for Northern Ireland.

### **Special factors**

Company-specific factors, which have a material impact on costs and are typically outside management control and which are not taken into account (fully or only partially) in the econometric models.

### **Sponsoring Employer**

The employer with responsibility for meeting the liabilities of a DB pension scheme.

In DC schemes, typically the employer who sets up and/or assumes responsibility for the running of the scheme, and meets the expenses.

### **Statement of Funding Principles (SFP)**

A statement, prepared by the scheme trustees or managers to satisfy the requirements of Article 202 of the Pensions (Northern Ireland) Order 2005, which sets out their policy for securing the Statutory Funding Objective. It also details the principal assumptions to be used for calculating the scheme's technical provisions

### **Statement of Investment Principles (SIP)**

A written statement of investment objectives and the principles governing decisions about investment for a DB pension scheme, which trustees are required to prepare and maintain.

### **Statutory Funding Objective**

The requirement (as set out in Article 201 of the Pensions (Northern Ireland) Order 2005 to have sufficient and appropriate assets to cover the technical provisions of every scheme.

### **Targeted Asset Replacement**

A subset of overhead line refurbishment. Involves critical condition asset replacement that cannot be deferred until the next refurbishment cycle. At 11kV this programme is based on a five year cycle. At 33kV, recognising the increased customer number at risk as a result of a single fault, a three year cycle is applied to ensure an even higher standard of performance and resilience.

### **Tax**

The cash costs of corporation tax paid to HMRC or successor body.

### **Technical Provisions**

The value placed on a pension scheme's liabilities when calculated using the principal method and assumptions detailed in the Statement of Funding Principles. The general principles that are adopted by trustees are that the assumptions used, taken as a whole, will be sufficiently prudent for pensions and benefits already in payment to continue to be paid, and to reflect the commitments which will arise from members' accrued pension rights.

### **Tort insurance claims and scrap income**

Income received in relation to third party damage to, and the sale of scrap equipment from, the transmission or distribution system.

### **Transactional Charges**

Costs incurred in the provision of transactional services to suppliers in support of the competitive retail market. These include costs such as metering fieldwork and a range of non-fieldwork activities.

### **Transactional Income**

Income received from suppliers in connection with the provision of transactional services in support of the competitive retail market.

### **Tree Cutting**

This is a cost category used in the Financial Issues BPTs only, which reports the costs of the following activities, with the exception of Pensions costs (which are reported in the 100% 'revenue pool' expenditure):

- Tree Cutting (Direct Expenditure)

### **Tree Cutting Direct Expenditure**

The Direct Activities associated with physically felling or trimming vegetation from around network assets.

#### **INCLUDES:**

- The felling or trimming of vegetation as part of a Capital Scheme;
- The felling or trimming of vegetation to meet ESQCR requirements;
- The inspection of vegetation cut for the sole purpose of ensuring the work has been undertaken in an appropriate manner; and
- Inspection of tree-affected spans where included as part of a tree cutting contract.

#### **EXCLUDES:**

- General inspection costs related to wires that are subject to vegetation and not performed solely as part of a tree cutting contract or to ensure vegetation has been cut appropriately (include under Inspections & Maintenance);
- Costs of assessing and reviewing the tree cutting policy (include under Network Policy);
- Data collection and manipulation relating to vegetation (include under Network Design & Engineering);
- The cost of managing the tree cutting contract, except as stated above; and
- The cost of procuring the tree cutting contract except as stated above (include under Finance & Regulation).

### **Triennial Valuation**

An actuarial valuation of a pension scheme which has been carried out to meet the requirements of Article 203 (2) (a) of the Pensions (Northern Ireland) Order 2005 and which details in a written report, prepared and signed by the scheme actuary, the value of the scheme's assets and technical provisions. Actuarial valuations are usually produced triennially but the term may also refer equally to any full actuarial valuation that is not an updated valuation.

### **Updated Valuation**

A report, prepared and signed by the scheme actuary, which updates a triennial valuation to a later date. Also referred to as funding update.

For the avoidance of doubt, updated valuations must use the Statement of Funding Principles agreed at the latest triennial valuation to derive the assumptions at each valuation date.



The actuary's report prepared for the Authority's purposes must detail, at the valuation date, the following:

- the market value of a DB pension scheme's assets;
- an updated calculation of the technical provisions based on up to date market conditions; and
- an update of the ongoing contribution rate.

In addition to the valuation, the following information must be included in the actuary's report prepared for the Authority's purposes:

- a copy of the SFP on which the roll forward valuation is based;
- a statement from that actuary setting out the basis of the valuation;
- a schedule of the actuarial assumptions used at both the last triennial valuation and updated valuation;
- an explanation of the following changes since that last triennial valuation:
  - Asset values and how they have been recalibrated from known asset data and latest asset allocations, which must be specified, e.g. index returns and which ones;
  - Movements in liabilities as a result of yields and hence inflation and discount rate assumptions;
  - Movements in contributions (specifying lump sum contributions (and date) separately from ongoing service and deficit contributions);
  - Movement from benefit payments;
  - Confirmation of maintenance of the assumption that demographic experience is in line with assumptions in the last triennial valuation;
  - Significant bulk transfers out (e.g. arising from corporate transactions);
  - Significant bulk transfers in (e.g. arising from corporate transactions).
- detail of the experience items which have been reflected in the updated valuation including:
  - Variations in liabilities arising from salary rises, deferred pension revaluation or pension increases differing relative to assumptions;
  - Variations between actual and expected demographic experience (e.g. early retirement or mortality); and
  - Benefit changes.

### **Valuation**

A triennial valuation or an updated valuation.

### **Valuation Date**

The date at which a valuation was made.

### **Valuation Period**

Period ending on the valuation date of a triennial valuation and beginning directly after the valuation date of the directly preceding triennial valuation.

### **Various other connection categories**

The cost and income relating to various other categories of connection which are properly included the Distribution RAB.

#### **INCLUDES:**

- 33kV Single wind farm connections;
- Domestic / Commercial connections; and
- Industrial / Large Customer connections;

#### **EXCLUDES:**

- connections for Housing sites with 12 or more Domestic Premises;
- connections for any Approved Generation Cluster Infrastructure;
- connections for New domestic and smaller businesses eligible for subsidy;
- connections for Electric Cars Charging Points;
- Connection expenditure: Operations and maintenance - Authorised Generators (including Approved Generation Cluster Infrastructure);
- Connection expenditure: Operations and maintenance - non Authorised Generators; and
- Connection income: Operations and maintenance – Authorised Generators (including Approved Generation Cluster Infrastructure).

### **WACC**

Weighted Average Cost of Capital.

### **Weighted Average Cost of Capital**

A calculation of a firm's cost of capital in which each category of capital is proportionately weighted.

# Version Control

Version	Date	Description	Applicable Year
1.0	20/01/2016	Issue to NIEN	
02.00	17/02/2016	<ul style="list-style-type: none"> <li>• Update of legal references in the definitions of Statement of Funding Principles, Statutory Funding Objective, Triennial Valuation</li> <li>• Minor changes to definition of Protected Person</li> <li>• Update to definition of Augmentation of Benefits for</li> <li>• Correction of formatting issues</li> </ul>	
02.00	17/02/2016	Issue to NIEN	